

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This Annual Report on Form 10-K, 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 years beginning July 1, 2023 and ending June 30, 2024 (Fiscal 2024) and July 1, 2024 and ending June 30, 2025 (Fiscal 2025) on growth in earnings and cash flows; (ii) creating value through investments in broader Information Management capabilities; (iii) our future business plans and operations, 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, the timing thereof and the customers targeted; (viii) the Company’s financial condition, 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, including our ability to realize the benefits expected from the acquisitions and to successfully integrate the assets we acquire or utilize such assets to their full capacity, including in connection with the acquisition of Zix Corporation (Zix) and Micro Focus International Limited, formerly Micro Focus International plc, and its subsidiaries (Micro Focus) (see Note 19 “Acquisitions” to our Consolidated Financial Statements for more details); (xxiii) tax audits; (xxiv) the expected impact of our decision to cease all direct business in Russia and Belarus and with known Russian-owned companies; (xxv) expected costs of the restructuring plans; (xxvi) targets regarding greenhouse gas emissions, waste diversion, energy consumption and Equity, Diversity and Inclusion (ED&I) initiatives; (xvii) integration of Micro Focus, resulting synergies and timing thereof; and (xxviii) 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 political, economic and market conditions; (iv) our ability to manage inflation, including increased labour costs associated with attracting and retaining employees, and rising interest rates; (v) our continued ability to manage certain foreign currency risk through hedging; (vi) equity and debt markets continuing to provide us with access to capital; (vii) our continued ability to identify, source and finance attractive and executable business combination opportunities; (viii) our continued ability to avoid infringing third party intellectual property rights; and (ix) our ability to successfully implement our restructuring plans. 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) our inability to realize successfully any anticipated synergy benefits from the acquisition of Micro Focus (Micro Focus Acquisition); (ii) the actual and potential impacts of the use of cash and incurrence of indebtedness, including the granting of security interests related to such debt; (iii) the change in scope and size of our operations as a result of the Micro Focus Acquisition; (iv) the uncertainty around expectations related to Micro Focus’ business prospects; (v) integration of acquisitions and related restructuring efforts, including the quantum of restructuring charges and the timing thereof; (vi) the possibility that we may be unable to successfully integrate the assets we acquire or fail to utilize such assets to their full capacity and not realize the benefits we expect from our acquired portfolios and businesses, including the acquisition of Zix and Micro Focus, (vii) the potential for the incurrence of or assumption of debt in connection with acquisitions, its

impact on future operations and on the ratings or outlooks of rating agencies on our outstanding debt securities, and the possibility of not being able to generate sufficient cash to service all indebtedness; (viii) 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; (ix) the risks associated with bringing new products and services to market; (x) fluctuations in currency exchange rates (including as a result of the impact of any policy changes resulting from trade and tariff disputes) and the impact of mark-to-market valuation relating to associated derivatives; (xi) delays in the purchasing decisions of the Company's customers; (xii) competition the Company faces in its industry and/or marketplace; (xiii) the final determination of litigation, tax audits (including tax examinations in Canada, the United States or elsewhere) and other legal proceedings; (xiv) potential exposure to greater than anticipated tax liabilities or expenses, including with respect to changes in Canadian, United States or international tax regimes; (xv) the possibility of technical, logistical or planning issues in connection with the deployment of the Company's products or services; (xvi) the continuous commitment of the Company's customers; (xvii) demand for the Company's products and services; (xviii) increase in exposure to international business risks including the impact of geopolitical instability, political unrest, war and other global conflicts, as we continue to increase our international operations; (xix) adverse macroeconomic conditions, including inflation, disruptions in global supply chains and increased labour costs; (xx) inability to raise capital at all or on not unfavorable terms in the future; (xxi) downward pressure on our share price and dilutive effect of future sales or issuances of equity securities (including in connection with future acquisitions); and (xxii) 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; (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 due to remote working arrangements; (xiv) failure to achieve our environmental goals on energy consumption, waste diversion and greenhouse gas emissions or our targets relating to ED&I initiatives; (xv) failure to attract and retain key personnel to develop and effectively manage the Company's business; and (xvi) the ability of the Company's subsidiaries to make distributions to the Company.

Readers should carefully review Part I, Item 1A "Risk Factors" 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 I, Item 1A "Risk Factors" and elsewhere in this 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 Consolidated Financial Statements and the accompanying Notes to our Consolidated Financial Statements under Part II, Item 8 of this Annual Report on Form 10-K.

All dollar and percentage comparisons made herein refer to the year ended June 30, 2023 compared with the year ended June 30, 2022, unless otherwise noted. Please refer to Part II, Item 7 of our Annual Report on Form 10-K for Fiscal 2022 for a comparative discussion of our Fiscal 2022 financial results as compared to Fiscal 2021.

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

At OpenText, we believe information and knowledge make business and people better. We are an Information Management company that provides software and services that empower digital businesses of all sizes to become more intelligent, connected, secure and responsible. Our innovations maximize the strategic benefits of data and content for our customers, strengthening their productivity, growth and competitive advantage.

Our comprehensive Information Management platform and services provide secure and scalable solutions for global companies, small and medium-sized businesses (SMBs), governments and consumers around the world. We have a complete and integrated portfolio of Information Management solutions delivered at scale in the OpenText Cloud, helping organizations master modern work, automate application delivery and modernization, and optimize their digital supply chains. To do this, we bring together our Content Cloud, Cybersecurity Cloud, Business Network Cloud, IT Operations Management Cloud, Application Automation Cloud and Analytics & AI Cloud. We also accelerate 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. Through 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 analytics, protecting and securing it throughout its entire lifecycle, and leveraging it to create engaging experiences for employees, suppliers, developers, partners, and customers. Our solutions range from connecting large digital supply chains to managing HR processes to driving better IT service management in manufacturing, retail and financial services.

Our solutions also 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, enable privacy, 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. Our ticker symbol on both the NASDAQ and the TSX is "OTEX."

As of June 30, 2023, we employed a total of approximately 24,100 individuals, of which approximately 9,700 joined our workforce as part of the Micro Focus Acquisition. Of the total 24,100 individuals we employed as of June 30, 2023, 9,050 or 38% are in the Americas, 5,750 or 24% are in EMEA and 9,300 or 38% are in Asia Pacific. Currently, we have employees in 45 countries enabling strong access to multiple talent pools while ensuring reach and proximity to our customers. Please see "Results of Operations" below for our definitions of geographic regions.

Period-over-period comparisons presented here are significantly impacted by our Micro Focus Acquisition.

Fiscal 2023 Summary:

- Total revenue was \$4,485.0 million, up 28.4% compared to the prior fiscal year; up 32.2% after factoring in the unfavorable impact of \$132.4 million of foreign exchange rate changes. The Micro Focus Acquisition contributed \$976.5 million of revenues.
- Total annual recurring revenue, which we define as the sum of cloud services and subscriptions revenue and customer support revenue, was \$3,615.5 million, up 26.2% compared to the prior fiscal year; up 29.7% after factoring in the unfavorable impact of \$102.4 million of foreign exchange rate changes.
- Cloud services and subscriptions revenue was \$1,700.4 million, up 10.8% compared to the prior fiscal year; up 13.3% after factoring in the unfavorable impact of \$38.6 million of foreign exchange rate changes.
- GAAP-based gross margin was 70.6% compared to 69.6% in the prior fiscal year.
- Non-GAAP-based gross margin was 76.1% compared to 75.6% in the prior fiscal year.
- GAAP-based net income attributable to OpenText was \$150.4 million compared to \$397.1 million in the prior fiscal year. The Micro Focus Acquisition contributed \$94.7 million of GAAP-based net losses.
- Non-GAAP-based net income attributable to OpenText was \$890.7 million compared to \$876.2 million in the prior fiscal year.
- GAAP-based earnings per share (EPS), diluted, was \$0.56 compared to \$1.46 in the prior fiscal year.
- Non-GAAP-based EPS, diluted, was \$3.29 compared to \$3.22 in the prior fiscal year.
- Adjusted EBITDA, a non-GAAP measure, was \$1,472.9 million compared to \$1,265.0 million in the prior fiscal year.

- Operating cash flow was \$779.2 million for the year ended June 30, 2023, compared to \$981.8 million in the prior fiscal year, down 20.6%.
- Cash and cash equivalents were \$1,231.6 million as of June 30, 2023, compared to \$1,693.7 million as of June 30, 2022.
- Acquired Micro Focus for total consideration of \$6.2 billion, inclusive of Micro Focus' cash, subject to final adjustments.
- In connection with the financing of the Micro Focus Acquisition, we drew down the entire \$3.585 billion of the Acquisition Term Loan (as defined below), issued \$1 billion of Senior Secured Notes 2027 (as defined below) and drew down \$450 million under the Revolver (as defined below). Subsequent to the closing of the Micro Focus Acquisition we repaid \$175 million of the outstanding balance on the Revolver during the year ended June 30, 2023 and subsequently repaid \$175 million on July 5, 2023.
- Enterprise cloud bookings were \$527.7 million for the year ended June 30, 2023, compared to \$482.0 million for the year ended June 30, 2022. We define Enterprise cloud bookings as the total value from cloud services and subscription contracts entered into in the fiscal year that are new, committed and incremental to our existing contracts, entered into with our enterprise-based customers.

See "Use of Non-GAAP Financial Measures" below for definitions and reconciliations of GAAP-based measures to Non-GAAP-based measures. See "Acquisitions" below for the impact of acquisitions on the period-to-period comparability of results.

Acquisitions

As a result of the continually changing 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.

Acquisition of Micro Focus

On January 31, 2023, we acquired all of the issued and to be issued share capital of Micro Focus for a total purchase price of \$6.2 billion, inclusive of Micro Focus' cash and repayment of Micro Focus' outstanding indebtedness, subject to final adjustments.

In connection with the financing of the Micro Focus Acquisition, concurrent with the announcement of the acquisition on August 25, 2022, the Company entered into the Acquisition Term Loan and Bridge Loan (as defined below) as well as certain derivative transactions. On December 1, 2022, the Company issued and sold \$1 billion in aggregate principal amount of 6.90% Senior Secured Notes due 2027 (Senior Secured Notes 2027), amended the Acquisition Term Loan and terminated the Bridge Loan. On January 31, 2023, we drew down the entire aggregate principal amount of \$3.585 billion of the Acquisition Term Loan, net of original issuance discount and other fees, and drew down \$450 million under the Revolver. We used these proceeds and cash on hand to fund the purchase price consideration and repayment of Micro Focus' outstanding indebtedness. In conjunction with the closing of the Micro Focus Acquisition, the deal-contingent forward contracts and non-contingent forward contract, as described in Note 17 "Derivative Instruments and Hedging Activities" to our Consolidated Financial Statements were settled. See Note 19 "Acquisitions" to our Consolidated Financial Statements for more details. The Micro Focus Acquisition has contributed to the growth in our revenues and significantly impacts period-over-period comparability.

Impacts of Russia-Ukraine Conflict

We have ceased all direct business in Russia and Belarus and with known Russian-owned companies. To support certain of our cloud customers headquartered in the United States or allied countries that rely on our network to manage their global business (including their business in Russia), we have nonetheless allowed these customers to continue to use our services to the extent that it can be done in strict compliance with all applicable sanctions and export controls. However, we may adjust our business practices as required by applicable rules and regulations. While we do not expect our decision to cease all direct business in Russia and Belarus and with known Russian-owned companies to have a material adverse effect on our overall business, results of operations or financial condition, it is not possible to predict the broader consequences of this conflict, including adverse effects on the global economy, on our business and operations as well as those of our customers, partners and third party service providers. For more information, please see Part I, Item 1A "Risk Factors" included in this Annual Report on Form 10-K.

Outlook for Fiscal 2024

As an organization, we are committed to "Total Growth", meaning we strive towards delivering value through organic initiatives, innovations and acquisitions. With an emphasis on increasing recurring revenues and expanding profitability, we

believe our Total Growth strategy will ultimately drive cash flow growth, thus helping to fuel our innovation, broaden our go-to-market distribution and identify and execute strategic acquisitions. With strategic acquisitions, we are well 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. Our Total Growth strategy is a durable model, that we believe will create both near and long-term shareholder value through organic and acquired growth, capital efficiency and profitability.

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 existing customer base and new customers, which includes Global 10,000 companies (G10K), SMBs and consumers. The G10K are the world's largest companies, ranked by estimated total revenues, as well as the world's largest governments and global 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. Over the last three fiscal years, we have invested a cumulative total of \$1.54 billion in R&D or 13.6% of cumulative revenue for that three-year period. On an annual basis, we continue to target to spend 14% to 16% of revenues on R&D expense. With our innovation roadmap delivered, we believe we have fortified our support for customer choice: private cloud, public cloud, off-cloud, and API cloud.

Looking ahead, the destination for innovation is cloud. Businesses of all sizes rely on a combination of public and private clouds, managed services and off-cloud solutions. As a result, we are committed to continue to modernize our technology infrastructure and leverage our existing investments in the OpenText Cloud and programs to help customers off-cloud. The combination of OpenText cloud-native applications and managed services, together with the scalability and performance of our partner public cloud providers, offer more secure, reliable and compliant solutions to customers wanting to deploy cloud-based Information Management applications. The OpenText Cloud is designed to build additional flexibility and scalability for our customers: becoming cloud-native, connecting anything, and extending capabilities with multi-tenant SaaS applications and services.

The completion of the Micro Focus Acquisition during Fiscal 2023 has substantially expanded our scope and size by adding substantial assets and operations to our existing business. During Fiscal 2023, we incurred significant transaction costs in connection with the Micro Focus Acquisition. We have incurred and will continue to incur additional integration costs. As part of the Micro Focus Acquisition, the Company made a strategic decision to implement a restructuring plan that impacted its global workforce and further reduce its real estate footprint around the world in an effort to further streamline our operations, consistent with previously announced cost synergies of \$400 million (Micro Focus Acquisition Restructuring Plan). The total size of the plan is expected to result in a reduction in the combined workforce of approximately 8%, or 2,000 employees, with an estimated cost of \$135.0 million to \$150.0 million, of which we incurred \$72.3 million during Fiscal 2023. We expect the Micro Focus Acquisition Restructuring Plan to be completed by the end of Fiscal 2024. See also Part I, Item 1A, "Risk Factors" included within this Annual Report on Form 10-K. The Micro Focus Acquisition has a significant impact on period-over-period comparability as more fully discussed below.

We will continue to closely monitor the potential impacts of inflation with respect to wages, services and goods, concerns regarding any potential recession, rising interest rates, financial market volatility, and the Russia-Ukraine conflict on our business. See Part I, Item 1A, "Risk Factors" included within this Annual Report on Form 10-K.

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 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 the Consolidated Financial Statements included in this Annual Report on Form 10-K.

Revenue recognition

In accordance with Accounting Standards Codification (ASC) Topic 606 “Revenue from Contracts with Customers” (Topic 606), we account for a customer contract when we obtain written approval, the contract is committed, the rights of the parties, including the payment terms, are identified, the contract has commercial substance and consideration is probable of collection. Revenue is recognized when, or as, control of a promised product or service is transferred to our customers in an amount that reflects the consideration we expect to be entitled to in exchange for our products and services (at its transaction price). Estimates of variable consideration and the determination of whether to include estimated amounts in the transaction price are based on readily available information, which may include historical, current and forecasted information, taking into consideration the type of customer, the type of transaction and specific facts and circumstances of each arrangement. We report revenue net of any revenue-based taxes assessed by governmental authorities that are imposed on and concurrent with specific revenue producing transactions.

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

Cloud services and subscriptions revenue

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

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

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

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

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

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

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

In connection with cloud subscription and managed service contracts, we often agree to perform a variety of services before the customer goes live, such as, converting and migrating customer data, building interfaces and providing training. These services are considered an outsourced suite of professional services which can involve certain project-based activities. These services can be provided at the initiation of a contract, during the implementation or on an ongoing basis as part of the customer life cycle. These services can be charged separately on a fixed fee, a time and materials basis, or the costs associated may be recovered as part of the ongoing cloud subscription or managed services fee. These outsourced professional services are considered distinct from the ongoing hosting services and represent a separate performance obligation within our cloud subscription or managed services arrangements. The obligation to provide outsourced professional services is satisfied over

time, with the customer simultaneously receiving and consuming the benefits as we satisfy our performance obligations. For outsourced professional services, we recognize revenue by measuring progress toward the satisfaction of our performance obligation. Progress for services that are contracted for a fixed price is generally measured based on hours incurred as a portion of total estimated hours. As a practical expedient, when we invoice a customer at an amount that corresponds directly with the value to the customer of our performance to date, we recognize revenue at that amount.

Customer support revenue

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

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

License revenue

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

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

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

Professional service and other revenue

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

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

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

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

Material rights

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

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

Arrangements with multiple performance obligations

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

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

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

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

Standalone selling price

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

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

Transaction Price Allocation

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

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

We believe there are significant assumptions, judgments and estimates involved in the accounting for revenue recognition as discussed above and these assumptions, judgments and estimates could impact the timing of when revenue is recognized and could have a material impact on our Consolidated Financial Statements.

Goodwill

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

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

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

Our annual impairment analysis of goodwill was performed as of April 1, 2023. Our qualitative assessment indicated that there were no indications of impairment and therefore there was no impairment of goodwill required to be recorded for Fiscal 2023 (no impairments were recorded for Fiscal 2022 and Fiscal 2021, respectively).

Acquired intangibles

In accordance with business combinations accounting, we allocate the purchase price of acquired companies to the tangible and intangible assets acquired and the liabilities assumed based on their estimated fair values. Such valuations may require management to make significant estimates and assumptions, especially with respect to intangible assets. Acquired intangible assets typically consist of acquired technology and customer relationships.

In valuing our acquired intangible assets, we may make assumptions and estimates based in part on information obtained from the management of the acquired company, which may make our assumptions and estimates inherently uncertain. Examples of critical estimates we may make in valuing certain of the intangible assets that we acquire include, but are not limited to:

- future expected cash flows of our individual revenue streams;
- historical and expected customer attrition rates and anticipated growth in revenue from acquired customers;
- the expected use of the acquired assets; and
- discount rates.

As a result of the judgments that need to be made, we obtain the assistance of independent valuation firms. We complete these assessments as soon as practical after the closing dates. Any excess of the purchase price over the estimated fair values of the identifiable net assets acquired is recorded as goodwill.

Although we believe the assumptions and estimates of fair value we have made in the past have been reasonable and appropriate, they are based in part on historical experience and information obtained from the management of the acquired companies and are inherently uncertain and subject to refinement. Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates or actual results. As a result, during the measurement period, which may be up to one year from the acquisition date, we record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill, if the changes are related to conditions that existed at the time of the acquisition. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments, based on events that occurred subsequent to the acquisition date, are recorded in our Consolidated Statements of Income.

Income taxes

We account for income taxes in accordance with ASC Topic 740, "Income Taxes" (Topic 740).

We account for our uncertain tax provisions by using a two-step approach. The first step is to evaluate the tax position for recognition by determining if the weight of the available evidence indicates it is more likely than not, based solely on the technical merits, that the position will be sustained on audit, including the resolution of related appeals or litigation processes, if any. The second step is to measure the appropriate amount of the benefit to recognize. The amount of benefit to recognize is measured as the maximum amount which is more likely than not to be realized. The tax position is derecognized when it is no longer more likely than not that the position will be sustained on audit. On subsequent recognition and measurement, the maximum amount which is more likely than not to be recognized at each reporting date will represent the Company's best

estimate, given the information available at the reporting date, although the outcome of the tax position is not absolute or final. We recognize both accrued interest and penalties related to liabilities for income taxes within the “Provision for (recovery of) income taxes” line of our Consolidated Statements of Income.

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

The Company’s tax positions are subject to audit by local taxing authorities across multiple global subsidiaries and the resolution of such audits may span multiple years. Since tax law is complex and often subject to varied interpretations, it is uncertain whether some of the Company’s tax positions will be sustained upon audit. Our assumptions, judgments and estimates relative to the current provision for income taxes considers current tax laws, our interpretations of current tax laws and possible outcomes of current and future audits conducted by domestic and foreign tax authorities. While we believe the assumptions and estimates that we have made are reasonable, such assumptions and estimates could have a material impact to our Consolidated Financial Statements upon ultimate resolution of the tax positions.

For additional details, please see Note 15 “Income Taxes” to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

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.

The comparability of our operating results for the year ended June 30, 2023 as compared to the year ended June 30, 2022 was impacted by the recent Micro Focus Acquisition. Our total revenues increased by \$991.1 million across all of our product types in the year ended June 30, 2023, relative to the year ended June 30, 2022, primarily due to revenue contributions from the Micro Focus Acquisition, offset by unfavorable impact of \$132.4 million of foreign exchange rate changes. The Micro Focus Acquisition contributed \$976.5 million to our total revenues during the year ended June 30, 2023, of which \$629.1 million related to customer support revenues and \$219.6 million related to license revenues.

Total cost of revenues increased by \$254.4 million in the year ended June 30, 2023, relative to the year ended June 30, 2022, primarily from additional cost of revenues of \$279.3 million as a result of the Micro Focus Acquisition.

Total operating expenses increased by \$865.2 million in the year ended June 30, 2023, relative to the year ended June 30, 2022, primarily from additional operating expenses of \$761.5 million as a result of the Micro Focus Acquisition, of which \$550.4 million was related to research and development, sales and marketing, and general and administrative expenses.

Summary of Results of Operations

(In thousands)	Year Ended June 30,				
	2023	Change increase (decrease)	2022	Change increase (decrease)	2021
Total Revenues by Product Type:					
Cloud services and subscriptions	\$ 1,700,433	\$ 165,416	\$ 1,535,017	\$ 127,572	\$ 1,407,445
Customer support	1,915,020	584,055	1,330,965	(3,097)	1,334,062
License	539,026	180,675	358,351	(26,360)	384,711
Professional service and other	330,501	60,990	269,511	9,614	259,897
Total revenues	4,484,980	991,136	3,493,844	107,729	3,386,115
Total Cost of Revenues	1,316,587	254,386	1,062,201	27,735	1,034,466
Total GAAP-based Gross Profit	3,168,393	736,750	2,431,643	79,994	2,351,649
Total GAAP-based Gross Margin %	70.6 %		69.6 %		69.4 %
Total GAAP-based Operating Expenses	2,652,101	865,231	1,786,870	176,124	1,610,746
Total GAAP-based Income from Operations	\$ 516,292	\$ (128,481)	\$ 644,773	\$ (96,130)	\$ 740,903
% Revenues by Product Type:					
Cloud services and subscriptions	37.9 %		43.9 %		41.6 %
Customer support	42.7 %		38.1 %		39.4 %
License	12.0 %		10.3 %		11.3 %
Professional service and other	7.4 %		7.7 %		7.7 %
Total Cost of Revenues by Product Type:					
Cloud services and subscriptions	\$ 590,165	\$ 78,452	\$ 511,713	\$ 29,895	\$ 481,818
Customer support	209,705	88,220	121,485	(1,268)	122,753
License	16,645	3,144	13,501	(415)	13,916
Professional service and other	276,888	59,993	216,895	19,712	197,183
Amortization of acquired technology-based intangible assets	223,184	24,577	198,607	(20,189)	218,796
Total cost of revenues	\$ 1,316,587	\$ 254,386	\$ 1,062,201	\$ 27,735	\$ 1,034,466
% GAAP-based Gross Margin by Product Type:					
Cloud services and subscriptions	65.3 %		66.7 %		65.8 %
Customer support	89.0 %		90.9 %		90.8 %
License	96.9 %		96.2 %		96.4 %
Professional service and other	16.2 %		19.5 %		24.1 %
Total Revenues by Geography: ⁽¹⁾					
Americas ⁽²⁾	\$ 2,785,003	\$ 597,374	\$ 2,187,629	\$ 118,546	\$ 2,069,083
EMEA ⁽³⁾	1,310,016	283,815	1,026,201	(5,406)	1,031,607
Asia Pacific ⁽⁴⁾	389,961	109,947	280,014	(5,411)	285,425
Total revenues	\$ 4,484,980	\$ 991,136	\$ 3,493,844	\$ 107,729	\$ 3,386,115
% Revenues by Geography:					
Americas ⁽²⁾	62.1 %		62.6 %		61.1 %
EMEA ⁽³⁾	29.2 %		29.4 %		30.5 %
Asia Pacific ⁽⁴⁾	8.7 %		8.0 %		8.4 %
Other Metrics:					
GAAP-based gross margin	70.6 %		69.6 %		69.4 %
Non-GAAP-based gross margin ⁽⁵⁾	76.1 %		75.6 %		76.1 %
Net income, attributable to OpenText	\$ 150,379		\$ 397,090		\$ 310,672
GAAP-based EPS, diluted	\$ 0.56		\$ 1.46		\$ 1.14
Non-GAAP-based EPS, diluted ⁽⁵⁾	\$ 3.29		\$ 3.22		\$ 3.39
Adjusted EBITDA ⁽⁵⁾	\$ 1,472,917		\$ 1,264,986		\$ 1,315,033

(1) Total revenues by geography are determined based on the location of our direct 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, India 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 year ended June 30, 2023, our cloud renewal rate, excluding the impact of Carbonite, Zix and Micro Focus was approximately 94%, consistent with the year ended June 30, 2022.

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)	Year Ended June 30,				
	2023	Change increase (decrease)	2022	Change increase (decrease)	2021
<i>Cloud Services and Subscriptions:</i>					
Americas	\$ 1,287,731	\$ 131,813	\$ 1,155,918	\$ 107,474	\$ 1,048,444
EMEA	305,293	30,469	274,824	18,625	256,199
Asia Pacific	107,409	3,134	104,275	1,473	102,802
<i>Total Cloud Services and Subscriptions Revenues</i>	1,700,433	165,416	1,535,017	127,572	1,407,445
<i>Cost of Cloud Services and Subscriptions Revenues</i>	590,165	78,452	511,713	29,895	481,818
<i>GAAP-based Cloud Services and Subscriptions Gross Profit</i>	\$ 1,110,268	\$ 86,964	\$ 1,023,304	\$ 97,677	\$ 925,627
<i>GAAP-based Cloud Services and Subscriptions Gross Margin %</i>	65.3 %		66.7 %		65.8 %

% Cloud Services and Subscriptions Revenues by Geography:

Americas	75.7 %	75.3 %	74.5 %
EMEA	18.0 %	17.9 %	18.2 %
Asia Pacific	6.3 %	6.8 %	7.3 %

Cloud services and subscriptions revenues increased by \$165.4 million or 10.8% during the year ended June 30, 2023 as compared to the prior fiscal year; up 13.3% after factoring in the unfavorable impact of \$38.6 million of foreign exchange rate changes. The increase was primarily driven by organic revenue growth, as well as partially driven by incremental revenues from the Micro Focus Acquisition over the comparative period. Geographically, the overall change was attributable to an increase in Americas of \$131.8 million, an increase in EMEA of \$30.5 million and an increase in Asia Pacific of \$3.1 million.

There were 89 cloud services contracts greater than \$1.0 million that closed during Fiscal 2023, compared to 98 contracts during Fiscal 2022.

Cost of Cloud services and subscriptions revenues increased by \$78.5 million during the year ended June 30, 2023 as compared to the prior fiscal year. This was primarily due to an increase in labour-related costs of \$40.0 million and an increase in third-party network usage fees of \$37.8 million partially driven by incremental Cloud services and subscriptions cost of revenues from the Micro Focus Acquisition over the comparative period. Overall, the gross margin percentage on Cloud services and subscriptions revenues decreased to 65% from 67%.

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 year ended June 30, 2023, our Customer support renewal rate was approximately 95%, compared to approximately 94% for the year ended June 30, 2022, excluding the impact of Carbonite, Zix and Micro Focus.

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

(In thousands)	Year Ended June 30,				
	2023	Change increase (decrease)	2022	Change increase (decrease)	2021
<i>Customer Support Revenues:</i>					
Americas	\$ 1,081,192	\$ 337,718	\$ 743,474	\$ (250)	\$ 743,724
EMEA	662,601	186,915	475,686	(5,872)	481,558
Asia Pacific	171,227	59,422	111,805	3,025	108,780
Total Customer Support Revenues	1,915,020	584,055	1,330,965	(3,097)	1,334,062
Cost of Customer Support Revenues	209,705	88,220	121,485	(1,268)	122,753
GAAP-based Customer Support Gross Profit	\$ 1,705,315	\$ 495,835	\$ 1,209,480	\$ (1,829)	\$ 1,211,309
GAAP-based Customer Support Gross Margin %	89.0 %		90.9 %		90.8 %

<i>% Customer Support Revenues by Geography:</i>					
Americas	56.5 %		55.9 %		55.7 %
EMEA	34.6 %		35.7 %		36.1 %
Asia Pacific	8.9 %		8.4 %		8.2 %

Customer support revenues increased by \$584.1 million or 43.9% during the year ended June 30, 2023 as compared to the prior fiscal year; up 48.7% after factoring in the unfavorable impact of \$63.8 million of foreign exchange rate changes. The increase was primarily driven by incremental Customer support revenues from the Micro Focus Acquisition over the comparative period. Geographically, the overall change was attributable to an increase in Americas of \$337.7 million, an increase in EMEA of \$186.9 million and an increase in Asia Pacific of \$59.4 million.

Cost of Customer support revenues increased by \$88.2 million during the year ended June 30, 2023 as compared to the prior fiscal year. This was primarily due to an increase in labour-related costs of \$82.2 million and an increase in third-party network usage fees of \$5.5 million driven by incremental Customer support cost of revenues from the Micro Focus Acquisition over the comparative period. Overall, the gross margin percentage on Customer support revenues decreased to 89% from 91%.

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)	Year Ended June 30,				
	2023	Change increase (decrease)	2022	Change increase (decrease)	2021
<i>License Revenues:</i>					
Americas	\$ 270,809	\$ 107,090	\$ 163,719	\$ 4,189	\$ 159,530
EMEA	199,627	37,892	161,735	(16,768)	178,503
Asia Pacific	68,590	35,693	32,897	(13,781)	46,678
Total License Revenues	539,026	180,675	358,351	(26,360)	384,711
Cost of License Revenues	16,645	3,144	13,501	(415)	13,916
GAAP-based License Gross Profit	\$ 522,381	\$ 177,531	\$ 344,850	\$ (25,945)	\$ 370,795
GAAP-based License Gross Margin %	96.9 %		96.2 %		96.4 %

<i>% License Revenues by Geography:</i>					
Americas	50.2 %		45.7 %		41.5 %
EMEA	37.0 %		45.1 %		46.4 %
Asia Pacific	12.8 %		9.2 %		12.1 %

License revenues increased by \$180.7 million or 50.4% during the year ended June 30, 2023 as compared to the prior fiscal year; up 55.0% after factoring in the unfavorable impact of \$16.4 million of foreign exchange rate changes. The increase was primarily driven by incremental License revenues from the Micro Focus Acquisition over the comparative period. Geographically, the overall change was attributable to an increase in Americas of \$107.1 million, an increase in EMEA of \$37.9 million and an increase in Asia Pacific of \$35.7 million.

During Fiscal 2023, we closed 163 license contracts greater than \$0.5 million, of which 71 contracts were greater than \$1.0 million, contributing \$211.3 million of License revenues. This was compared to 122 license contracts greater than \$0.5 million during Fiscal 2022, of which 46 contracts were greater than \$1.0 million, contributing \$131.7 million of License revenues.

Cost of License revenues increased by \$3.1 million during the year ended June 30, 2023 as compared to the prior fiscal year as a result of higher third-party technology costs primarily driven by incremental cost of License revenues from the Micro Focus Acquisition over the comparative period. Overall, the gross margin percentage on License revenues increased to 97% from 96%.

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 included 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)	Year Ended June 30,				
	2023	Change increase (decrease)	2022	Change increase (decrease)	2021
<i>Professional Service and Other Revenues:</i>					
Americas	\$ 145,271	\$ 20,753	\$ 124,518	\$ 7,133	\$ 117,385
EMEA	142,495	28,539	113,956	(1,391)	115,347
Asia Pacific	42,735	11,698	31,037	3,872	27,165
Total Professional Service and Other Revenues	330,501	60,990	269,511	9,614	259,897
Cost of Professional Service and Other Revenues	276,888	59,993	216,895	19,712	197,183
GAAP-based Professional Service and Other Gross Profit	\$ 53,613	\$ 997	\$ 52,616	\$ (10,098)	\$ 62,714
GAAP-based Professional Service and Other Gross Margin %	16.2 %		19.5 %		24.1 %
<i>% Professional Service and Other Revenues by Geography:</i>					
Americas	44.0 %		46.2 %		45.2 %
EMEA	43.1 %		42.3 %		44.4 %
Asia Pacific	12.9 %		11.5 %		10.4 %

Professional service and other revenues increased by \$61.0 million or 22.6% during the year ended June 30, 2023 as compared to the prior fiscal year; up 27.7% after factoring in the unfavorable impact of \$13.6 million of foreign exchange rate changes. The increase was primarily driven by incremental Professional service and other revenues from the Micro Focus Acquisition over the comparative period. Geographically, the overall change was attributable to an increase in EMEA of \$28.5 million, an increase in Americas of \$20.8 million and an increase in Asia Pacific of \$11.7 million.

Cost of Professional service and other revenues increased by \$60.0 million during the year ended June 30, 2023 as compared to the prior fiscal year. This was primarily due to an increase in labour-related costs of \$58.1 million primarily driven by the incremental Professional service and other cost of revenues from the Micro Focus Acquisition over the comparative period. Overall, the gross margin percentage on Professional service and other revenues decreased to 16% from 20%.

Amortization of Acquired Technology-based Intangible Assets

(In thousands)	Year Ended June 30,				
	2023	Change increase (decrease)	2022	Change increase (decrease)	2021
Amortization of acquired technology-based intangible assets	\$ 223,184	\$ 24,577	\$ 198,607	\$ (20,189)	\$ 218,796

Amortization of acquired technology-based intangible assets increased during the year ended June 30, 2023 by \$24.6 million as compared to the prior fiscal year. This was due to an increase of \$91.2 million relating to amortization of newly acquired technology-based intangible assets from the Micro Focus Acquisition, partly offset by a reduction of \$68.8 million related to technology-based intangible assets from previous acquisitions becoming fully amortized.

Operating Expenses

(In thousands)	Year Ended June 30,				
	2023	Change increase (decrease)	2022	Change increase (decrease)	2021
Research and development	\$ 680,587	\$ 240,139	\$ 440,448	\$ 19,001	\$ 421,447
Sales and marketing	948,598	271,480	677,118	54,897	622,221
General and administrative	419,590	102,505	317,085	53,564	263,521
Depreciation	107,761	19,520	88,241	2,976	85,265
Amortization of acquired customer-based intangible assets	326,406	109,301	217,105	561	216,544
Special charges (recoveries)	169,159	122,286	46,873	45,125	1,748
Total operating expenses	\$ 2,652,101	\$ 865,231	\$ 1,786,870	\$ 176,124	\$ 1,610,746

% of Total Revenues:

Research and development	15.2 %	12.6 %	12.4 %
Sales and marketing	21.2 %	19.4 %	18.4 %
General and administrative	9.4 %	9.1 %	7.8 %
Depreciation	2.4 %	2.5 %	2.5 %
Amortization of acquired customer-based intangible assets	7.3 %	6.2 %	6.4 %
Special charges (recoveries)	3.8 %	1.3 %	0.1 %

Research and development expenses consist primarily of payroll and payroll-related benefits expenses, contracted research and development expenses and facility costs. Research and development enables 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 Fiscal Years increase (decrease)	
	2023 and 2022	2022 and 2021
Payroll and payroll-related benefits	\$ 152,915	\$ 17,070
Contract labour and consulting	14,660	2,576
Share-based compensation	21,964	7,263
Travel and communication	1,363	294
Facilities	45,791	(9,053)
Other miscellaneous	3,446	851
Total change in research and development expenses	\$ 240,139	\$ 19,001

Research and development expenses increased by \$240.1 million during the year ended June 30, 2023 as compared to the prior fiscal year, primarily as a result of the Micro Focus Acquisition. Payroll and payroll-related benefits, which is comprised of salaries, benefits and variable short-term incentives, increased by \$152.9 million, facility-related expenses increased by \$45.8 million, share-based compensation expense increased by \$22.0 million and contract labour and consulting increased by \$14.7 million. Overall, our research and development expenses, as a percentage of total revenues, increased to 15% compared to the prior fiscal year at 13%.

Our research and development labour resources increased by 3,953 employees, from 4,326 employees at June 30, 2022 to 8,279 employees at June 30, 2023.

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

(In thousands)	Change between Fiscal Years increase (decrease)	
	2023 and 2022	2022 and 2021
Payroll and payroll-related benefits	\$ 136,300	\$ 38,613
Commissions	38,142	6,993
Contract labour and consulting	7,670	2
Share-based compensation	19,081	4,316
Travel and communication	13,347	3,806
Marketing expenses	29,076	9,579
Facilities	23,168	(3,991)
Credit loss expense (recovery)	(94)	(9,045)
Other miscellaneous	4,790	4,624
Total change in sales and marketing expenses	\$ 271,480	\$ 54,897

Sales and marketing expenses increased by \$271.5 million during the year ended June 30, 2023 as compared to the prior fiscal year, primarily as a result of the Micro Focus Acquisition. Payroll and payroll-related benefits, which is comprised of salaries, benefits and variable short-term incentives, increased by \$136.3 million, commissions increased by \$38.1 million, marketing expenses increased by \$29.1 million, facility-related expenses increased by \$23.2 million, share-based compensation expense increased by \$19.1 million and travel and communication expenses increased by \$13.3 million. Overall, our sales and marketing expenses, as a percentage of total revenues, increased to 21% compared to the prior fiscal year at 19%.

Our sales and marketing labour resources increased by 2,105 employees, from 2,710 employees at June 30, 2022 to 4,815 employees at June 30, 2023.

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 Fiscal Years increase (decrease)	
	2023 and 2022	2022 and 2021
Payroll and payroll-related benefits	50,695	\$ 47,831
Contract labour and consulting	15,827	5,294
Share-based compensation	9,856	2,478
Travel and communication	9,106	5,827
Facilities	3,393	322
Other miscellaneous	13,628	(8,188)
Total change in general and administrative expenses	\$ 102,505	\$ 53,564

General and administrative expenses increased by \$102.5 million during the year ended June 30, 2023 as compared to the prior fiscal year, primarily as a result of the Micro Focus Acquisition. Payroll and payroll-related benefits, which is comprised of salaries, benefits and variable short-term incentives, increased by \$50.7 million, contract labour and consulting increased by \$15.8 million, other miscellaneous costs, which include professional fees such as legal, audit, and tax related expenses increased by \$13.6 million, share-based compensation expense increased by \$9.9 million and travel and communication expenses increased by \$9.1 million. Overall, general and administrative expenses, as a percentage of total revenues, remained stable at 9% in both fiscal years.

Our general and administrative labour resources increased by 1,425 employees, from 1,971 employees at June 30, 2022 to 3,396 employees at June 30, 2023, primarily as a result of the Micro Focus Acquisition.

Depreciation expenses:

(In thousands)	Year Ended June 30,				
	2023	Change increase (decrease)	2022	Change increase (decrease)	2021
Depreciation	\$ 107,761	\$ 19,520	\$ 88,241	\$ 2,976	\$ 85,265

Depreciation expenses increased during the year ended June 30, 2023 by \$19.5 million compared to the prior fiscal year, primarily as a result of the Micro Focus Acquisition.

Depreciation expenses as a percentage of total revenue remained stable for the year ended June 30, 2023 at 2% compared to the prior fiscal year.

Amortization of acquired customer-based intangible assets:

(In thousands)	Year Ended June 30,				
	2023	Change increase (decrease)	2022	Change increase (decrease)	2021
Amortization of acquired customer-based intangible assets	\$ 326,406	\$ 109,301	\$ 217,105	\$ 561	\$ 216,544

Amortization of acquired customer-based intangible assets increased during the year ended June 30, 2023 by \$109.3 million as compared to the prior fiscal year. This was due to an increase of \$111.2 million relating to amortization of newly acquired customer-based intangible assets from the Micro Focus Acquisition, partly offset by a reduction of \$9.8 million related to customer-based intangible assets from 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 and most recently in response to our return to office planning. 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)	Year Ended June 30,				
	2023	Change increase (decrease)	2022	Change increase (decrease)	2021
Special charges (recoveries)	\$ 169,159	\$ 122,286	\$ 46,873	\$ 45,125	\$ 1,748

Special charges (recoveries) increased by \$122.3 million during the year ended June 30, 2023 as compared to the prior fiscal year. Restructuring activities increased by \$55.5 million driven by the Micro Focus Restructuring Plan, acquisition related costs increased by \$42.1 million primarily due to the Micro Focus Acquisition and other miscellaneous charges increased by \$24.7 million, primarily driven by severance charges related to the Micro Focus Acquisition.

For more details on Special charges (recoveries), see Note 18 “Special Charges (Recoveries)” to our Consolidated Financial Statements.

Other Income (Expense), Net

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

(In thousands)	Year Ended June 30,				
	2023	Change increase (decrease)	2022	Change increase (decrease)	2021
Foreign exchange gains (losses) ⁽¹⁾	\$ 56,599	\$ 59,269	\$ (2,670)	\$ (1,397)	\$ (1,273)
Unrealized losses on derivatives not designated as hedges ⁽²⁾	(128,841)	(128,841)	—	—	—
Realized gains on derivatives not designated as hedges ⁽³⁾	137,471	137,471	—	—	—
OpenText share in net income (loss) of equity investees ⁽⁴⁾	(23,077)	(81,779)	58,702	(4,195)	62,897
Loss on debt extinguishment ⁽⁵⁾⁽⁶⁾	(8,152)	19,261	(27,413)	(27,413)	—
Other miscellaneous income (expense)	469	(30)	499	689	(190)
Total other income (expense), net	<u>\$ 34,469</u>	<u>\$ 5,351</u>	<u>\$ 29,118</u>	<u>\$ (32,316)</u>	<u>\$ 61,434</u>

- (1) The year ended June 30, 2023 includes a foreign exchange gain of \$36.6 million resulting from the delayed payment of a portion of the purchase consideration, settled on February 9, 2023, related to the Micro Focus Acquisition (see Note 19 “Acquisitions” to our Consolidated Financial Statements for more details).
- (2) Represents the unrealized losses on our derivatives not designated as hedges related to the financing of the Micro Focus Acquisition (see Note 17 “Derivative Instruments and Hedging Activities” to our Consolidated Financial Statements for more details).
- (3) Represents the realized gains on our derivatives not designated as hedges related to the financing of the Micro Focus Acquisition (see Note 17 “Derivative Instruments and Hedging Activities” to our Consolidated Financial Statements for more details).
- (4) Represents our share in net income (loss) of equity investees, which approximates fair value and subject to volatility based on market trends and business conditions, based on our interest in certain investment funds in which we are a limited partner. Our interests in each of these investees range from 4% to below 20% and these investments are accounted for using the equity method (see Note 9 “Prepaid Expenses and Other Assets” to our Consolidated Financial Statements for more details).
- (5) On December 1, 2022, we amended the Acquisition Term Loan and Bridge Loan to reallocate commitments under the Bridge Loan to the Acquisition Term Loan and terminated all remaining commitments under the Bridge Loan which resulted in a loss on debt extinguishment related to unamortized debt issuance costs (see Note 11 “Long-Term Debt” to our Consolidated Financial Statements for more details).
- (6) On December 9, 2021, we redeemed the Senior Notes 2026 in full, which resulted in a loss on debt extinguishment of \$27.4 million. Of this, \$25.0 million related to the early termination call premium, \$6.2 million related to unamortized debt issuance costs and (\$3.8) million related to unamortized premium (see Note 11 “Long-Term Debt” to our Consolidated Financial Statements for more details).

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)	Year Ended June 30,				
	2023	Change increase (decrease)	2022	Change increase (decrease)	2021
Interest expense related to total outstanding debt ⁽¹⁾	\$ 363,632	\$ 212,063	\$ 151,569	\$ 5,923	\$ 145,646
Interest income	(53,486)	(48,849)	(4,637)	(781)	(3,856)
Other miscellaneous expense ⁽²⁾	19,282	8,334	10,948	1,171	9,777
Total interest and other related expense, net	<u>\$ 329,428</u>	<u>\$ 171,548</u>	<u>\$ 157,880</u>	<u>\$ 6,313</u>	<u>\$ 151,567</u>

- (1) For more details see Note 11 “Long-Term Debt” to our Consolidated Financial Statements.
- (2) Other miscellaneous expense primarily consists of the amortization of debt discount and the debt issuance costs. For more details see Note 11 “Long-Term Debt” to our 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)	Year Ended June 30,				
	2023	Change increase (decrease)	2022	Change increase (decrease)	2021
Provision for (recovery of) income taxes	\$ 70,767	\$ (47,985)	\$ 118,752	\$ (221,154)	\$ 339,906

The effective tax rate increased to a provision of 32.0% for the year ended June 30, 2023, compared to a provision of 23.0% for the year ended June 30, 2022. Tax expense decreased from \$118.8 million during the year ended June 30, 2022 to \$70.8 million during the year ended June 30, 2023. The increase in the effective tax rate was driven by increases in withholding taxes, changes in valuation allowance, permanent differences related to foreign source income inclusions, and the impact of

internal reorganizations, partially offset by lower pretax income, tax credits and permanent adjustments related to the preferential tax treatment of the mark-to-market gains on derivatives. The tax rate for the year ended June 30, 2022 varied from the statutory rate due favorable permanent adjustments related to excess share-based compensation deductions, tax credits, and the reduction in the accrual on unremitted foreign earnings, partially offset by the impact of internal reorganizations and an increase in unrecognized tax benefits.

Beginning July 1, 2022, as a result of the Tax Cuts and Jobs Act of 2017 (“Tax Act”), our research and development expenditures are now being capitalized and amortized. For fiscal year 2023, the new regulations resulted in incremental cash tax payments of approximately \$68 million. The actual impact on future cash flows from operations will primarily depend on if or when this legislation is deferred, modified, or repealed by the U.S. Congress and the amount of R&D expenditures paid or incurred in those respective years. We estimate the largest potential impact will be related to Fiscal 2023 cash flows from operations and that the impact in future years should gradually decrease over the respective amortization periods.

The Inflation Reduction Act and Creating Helpful Incentives to Produce Semiconductors (CHIPS) and Science Act (the Inflation Reduction Act) were signed into law in August 2022. The Inflation Reduction Act introduced new provisions, including a 15% corporate alternative minimum tax for certain large corporations that have at least an average of \$1 billion of adjusted financial statement income over a consecutive three-tax-year period. The corporate minimum tax will be effective for Fiscal 2024. We are currently evaluating the applicability and the effect of the new law to our financial results.

For information on certain potential tax contingencies, including the Canada Revenue Agency (CRA) matter, see Note 14 “Guarantees and Contingencies” and Note 15 “Income Taxes” to our Consolidated Financial Statements. Please also see Part I, Item 1A, “Risk Factors” within this Annual Report on Form 10-K.

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 June 30, 2023	Change increase (decrease)	As of June 30, 2022	Change increase (decrease)	As of June 30, 2021
Cash and cash equivalents	\$ 1,231,625	\$ (462,116)	\$ 1,693,741	\$ 86,435	\$ 1,607,306
Restricted cash ⁽¹⁾	2,327	157	2,170	(324)	2,494
Total cash, cash equivalents and restricted cash	\$ 1,233,952	\$ (461,959)	\$ 1,695,911	\$ 86,111	\$ 1,609,800

(1) Restricted cash is classified under the Prepaid expenses and other current assets and Other assets line items on the Consolidated Balance Sheets (see Note 9 “Prepaid Expenses and Other Assets” to our Consolidated Financial Statements for more details).

(In thousands)	Year Ended June 30,				
	2023	Change	2022	Change	2021
Cash provided by operating activities	\$ 779,205	\$ (202,605)	\$ 981,810	\$ 105,690	\$ 876,120
Cash used in investing activities	\$ (5,651,420)	\$ (4,680,461)	\$ (970,959)	\$ (902,189)	\$ (68,770)
Cash provided by (used in) financing activities	\$ 4,403,053	\$ 4,264,597	\$ 138,456	\$ 1,063,003	\$ (924,547)

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.

As of June 30, 2023, we have recognized a provision of \$28.3 million (June 30, 2022—\$15.1 million) in respect of 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.

Cash flows provided by operating activities

Cash flows from operating activities decreased by \$202.6 million during the year ended June 30, 2023, as compared to the same period in the prior fiscal year due to a decrease in net changes from working capital of \$255.8 million, partially offset by an increase in net income after the impact of non-cash items of \$53.2 million.

During the fourth quarter of Fiscal 2023 we had a days sales outstanding (DSO) of 41 days, compared to our DSO of 43 days during the fourth quarter of Fiscal 2022. The per day impact of our DSO in the fourth quarter of Fiscal 2023 and Fiscal 2022 on our cash flows was \$16.6 million and \$10.0 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 increased by \$4.68 billion during the year ended June 30, 2023, as compared to the same period in the prior fiscal year primarily due to consideration paid for acquisitions during Fiscal 2023, which includes cash paid for the Micro Focus Acquisition of \$5.658 billion, as compared to the cash paid during Fiscal 2022 for the acquisition of Zix of \$856.2 million and the acquisition of Bricata Inc. of \$17.8 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 and Employee Stock Purchase Plan (ESPP) purchases 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 provided by financing activities increased by \$4.265 billion during the year ended June 30, 2023 as compared to the same period in the prior fiscal year. This is primarily due to the net impact of the following activities:

- (i) \$3.427 billion increase in proceeds from the issuance of long-term debt and draw down on the Revolver;
- (ii) \$657.1 million decrease in repayments of long-term debt and Revolver;
- (iii) \$266.7 million related to less cash used in the repurchases of Common Shares and treasury stock; and
- (iv) \$25.0 million relating to early call termination premium upon redemption of Senior Notes 2026 in Fiscal 2022 that did not occur in Fiscal 2023.

The increases in cash flows provided by financing activities above were partially offset by the following decreases:

- (i) \$60.7 million increase in debt issuance costs;
- (ii) \$27.9 million related to lower proceeds from the issuance of Common Shares for the exercise of options and the OpenText ESPP; and
- (iii) \$21.9 million related to higher cash dividends paid to shareholders.

Cash Dividends

During the year ended June 30, 2023, we declared and paid cash dividends of \$0.9720 per Common Share in the aggregate amount of \$259.5 million (year ended June 30, 2022 and 2021—\$0.8836 and \$0.7770 per Common Share, respectively, in the aggregate amount of \$237.7 million and \$210.7 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” included in this Annual Report on Form 10-K for more information.

Long-term Debt and Credit Facilities

Senior Unsecured Fixed Rate Notes

Senior Notes 2031

On November 24, 2021, OpenText Holdings, Inc. (OTH), a wholly-owned indirect subsidiary of the Company, issued \$650 million in aggregate principal amount of 4.125% Senior Notes due 2031 guaranteed by the Company (Senior Notes 2031) 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 non-U.S. persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2031 bear interest at a rate of 4.125% per annum, payable semi-annually in arrears on June 1 and December 1, commencing on June 1, 2022. Senior Notes 2031 will mature on December 1, 2031, unless earlier redeemed, in accordance with their terms, or repurchased.

OTH may redeem all or a portion of the Senior Notes 2031 at any time prior to December 1, 2026 at a redemption price equal to 100% of the principal amount of the Senior Notes 2031 plus an applicable premium, plus accrued and unpaid interest, if any, to the redemption date. OTH may also redeem up to 40% of the aggregate principal amount of the Senior Notes 2031, on one or more occasions, prior to December 1, 2024, 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. OTH may, on one or more occasions, redeem the Senior Notes 2031, in whole or in part, at any time on and after December 1, 2026 at the applicable redemption prices set forth in the indenture governing the Senior Notes 2031, dated as of November 24, 2021, among OTH, 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 2031 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 2031 Indenture, OTH will be required to make an offer to repurchase the Senior Notes 2031 at a price equal to 101% of the principal amount of the Senior Notes 2031, plus accrued and unpaid interest, if any, to the date of purchase.

The 2031 Indenture contains covenants that limit OTHI, the Company 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) in the case of our non-guarantor subsidiaries, create, assume, incur or guarantee additional indebtedness of OTHI, the Company or the guarantors without such subsidiary becoming a subsidiary guarantor of Senior Notes 2031; 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 2031 Indenture. The 2031 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 2031 to be due and payable immediately.

Senior Notes 2031 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 senior credit facilities. Senior Notes 2031 and the guarantees rank equally in right of payment with all of the Company's, OTHI's and the guarantors' existing and future senior unsubordinated debt and will rank senior in right of payment to all of the Company's, OTHI's and the guarantors' future subordinated debt. Senior Notes 2031 and the guarantees will be effectively subordinated to all of the Company's, OTHI's 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 2031 Indenture does not purport to be complete and is qualified in its entirety by reference to the full text of the 2031 Indenture, which is filed as an exhibit to the Company's Current Report on Form 8-K filed with the SEC on November 24, 2021.

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

Senior Notes 2030

On February 18, 2020 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, and to certain non-U.S. 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.

OTHI 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. OTHI 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. OTHI 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, OTHI 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) in the case of our non-guarantor subsidiaries, create, assume, incur or guarantee additional indebtedness of the Company, OTHI or the guarantors 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 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.

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

Senior Notes 2029

On November 24, 2021, we issued \$850 million in aggregate principal amount of 3.875% Senior Notes due 2029 (Senior Notes 2029) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain non-U.S. persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2029 bear interest at a rate of 3.875% per annum, payable semi-annually in arrears on June 1 and December 1, commencing on June 1, 2022. Senior Notes 2029 will mature on December 1, 2029, unless earlier redeemed, in accordance with their terms, or repurchased.

We may redeem all or a portion of the Senior Notes 2029 at any time prior to December 1, 2024 at a redemption price equal to 100% of the principal amount of the Senior Notes 2029 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 2029, on one or more occasions, prior to December 1, 2024, 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 2029, in whole or in part, at any time on and after December 1, 2024 at the applicable redemption prices set forth in the indenture governing the Senior Notes 2029, dated as of November 24, 2021, 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 2029 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 2029 Indenture, we will be required to make an offer to repurchase the Senior Notes 2029 at a price equal to 101% of the principal amount of the Senior Notes 2029, plus accrued and unpaid interest, if any, to the date of purchase.

The 2029 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) in the case of our non-guarantor subsidiaries, create, assume, incur or guarantee additional indebtedness of the Company or the guarantors without such subsidiary becoming a subsidiary guarantor of Senior Notes 2029; 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 2029 Indenture. The 2029 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 2029 to be due and payable immediately.

Senior Notes 2029 are guaranteed on a senior unsecured basis by our existing and future wholly-owned subsidiaries that borrow or guarantee the obligations under our senior credit facilities. Senior Notes 2029 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 2029 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 2029 Indenture does not purport to be complete and is qualified in its entirety by reference to the full text of the 2029 Indenture, which is filed as an exhibit to the Company's Current Report on Form 8-K filed with the SEC on November 24, 2021.

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

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 non-U.S. 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) in the case of our non-guarantor subsidiaries, 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 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.

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

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 had 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 would have matured on June 1, 2026.

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 had identical terms, were fungible with and were 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, was \$850 million as of December 9, 2021.

On December 9, 2021, we redeemed Senior Notes 2026 in full at a price equal to 102.9375% of the principal amount plus accrued and unpaid interest to, but excluding, the redemption date. A portion of the net proceeds from the offerings of Senior Notes 2029 and Senior Notes 2031 was used to redeem Senior Notes 2026. Upon redemption, Senior Notes 2026 were cancelled, and any obligation thereunder was extinguished. The resulting loss of \$27.4 million, consisting of \$25.0 million

relating to the early termination call premium, \$6.2 million relating to unamortized debt issuance costs and \$(3.8) million relating to unamortized premium, has been recorded as a component of Other income (expense), net in our Consolidated Statements of Income. See Note 23 “Other Income (Expense), Net” to our Consolidated Financial Statements.

For further details relating to our debt, please see Note 11 “Long-Term Debt” to our Consolidated Financial Statements.

Senior Secured Fixed Rate Notes

Senior Secured Notes 2027

On December 1, 2022, we issued \$1 billion in aggregate principal amount of Senior Secured Notes 2027 in connection with the financing of the Micro Focus Acquisition in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain non-U.S. persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Secured Notes 2027 bear interest at a rate of 6.90% per annum, payable semi-annually in arrears on June 1 and December 1, commencing on June 1, 2023. Senior Secured Notes 2027 will mature on December 1, 2027, unless earlier redeemed, in accordance with their terms, or repurchased.

We may redeem all or a portion of the Senior Secured Notes 2027 at any time prior to November 1, 2027 at a redemption price equal to the greater of (a) 100% of the principal amount of the Senior Secured Notes 2027 to be redeemed and (b) the net present value of the remaining scheduled payments of principal and interest thereon discounted to the Par Call Date less interest accrued to the date of redemption, plus accrued and unpaid interest to, but excluding, the redemption date. On or after the Par Call Date (as defined in the 2027 Indenture), the Company may redeem the Senior Secured Notes 2027, in whole or in part, at any time and from time to time, at a redemption price equal to 100% of the principal amount of the Senior Secured Notes 2027 being redeemed plus accrued and unpaid interest thereon to the redemption date.

If we experience one of the kinds of change of control triggering events specified in the indenture governing the Senior Secured Notes 2027 dated as of December 1, 2022, 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 2027 Indenture), we will be required to make an offer to repurchase the Senior Secured Notes 2027 at a price equal to 101% of the principal amount of the Senior Secured Notes 2027, plus accrued and unpaid interest, if any, to the date of purchase.

The 2027 Indenture contains covenants that limit our 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 or certain of the Company’s subsidiaries without such subsidiary becoming a subsidiary guarantor of the Senior Secured Notes 2027; and (iii) consolidate, amalgamate or merge with, or convey, transfer, lease or otherwise dispose of the Company’s 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 2027 Indenture. The 2027 Indenture also provides for certain 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 Secured Notes 2027 to be due and payable immediately.

The Senior Secured Notes 2027 are guaranteed on a senior secured basis by certain of the Company’s subsidiaries and are secured with the same priority as the Company’s senior credit facilities. The Senior Secured Notes 2027 and the related guarantees are effectively senior to all of the Company’s and the guarantors’ senior unsecured debt to the extent of the value of the Collateral (as defined in the 2027 Indenture) and are structurally subordinated to all existing and future liabilities of each of the Company’s existing and future subsidiaries that do not guarantee the Senior Secured Notes 2027.

The foregoing description of the 2027 Indenture does not purport to be complete and is qualified in its entirety by reference to the full text of the 2027 Indenture, which is filed as an exhibit to the Company’s Current Report on Form 8-K filed with the SEC on December 1, 2022.

For further details relating to our debt, please see Note 11 “Long-Term Debt” to our Consolidated Financial Statements.

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, the Acquisition Term Loan and Senior Secured Notes 2027. Term Loan B has a seven-year term, maturing in

May 2025. On June 6, 2023, we amended the Term Loan B to replace the LIBOR benchmark rate applicable to borrowings under Term Loan B with a SOFR benchmark rate.

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 SOFR benchmark rate for the interest period relevant to such borrowing or (2) an alternate base rate (ABR). The applicable margin for borrowings under Term Loan B is 1.75%, with respect to SOFR 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 SOFR (subject to a 0.00% floor). As of June 30, 2023, the outstanding balance on the Term Loan B bears an interest rate of 6.90%.

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 4.00:1.00 at the end of each financial quarter. Consolidated net leverage ratio is defined for this purpose as the proportion of our total debt reduced by unrestricted cash, including guarantees and letters of credit, over our trailing twelve months net income before interest, taxes, depreciation, amortization, restructuring, share-based compensation and other miscellaneous charges. As of June 30, 2023, our consolidated net leverage ratio, as calculated in accordance with the applicable agreement, was 3.49:1.00.

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

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 Acquisition Term Loan and Senior Secured Notes 2027. The Revolver has no fixed repayment date prior to the end of the term. On June 6, 2023, we amended the Revolver to replace the LIBOR benchmark rate applicable to borrowings with a SOFR benchmark rate. Borrowings under the Revolver currently bear interest per annum at a floating rate of interest equal to Term SOFR plus the SOFR Adjustment (as defined in the Revolver) and a fixed margin dependent on our consolidated net leverage ratio ranging from 1.25% to 1.75%.

Under the Revolver, we must maintain a "consolidated net leverage" ratio of no more than 4.00:1.00 at the end of each financial quarter. Consolidated net leverage ratio is defined for this purpose as the proportion of our total debt reduced by unrestricted cash, including guarantees and letters of credit, over our trailing twelve months net income before interest, taxes, depreciation, amortization, restructuring, share-based compensation and other miscellaneous charges.

As of June 30, 2023, we had \$275 million outstanding balance under the Revolver (June 30, 2022—nil). For the year ended June 30, 2023, we recorded interest expense of \$10.1 million relating to the Revolver (June 30, 2022—nil). In July 2023, the Company subsequently repaid \$175 million drawn under the Revolver.

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

Acquisition Term Loan

On December 1, 2022, we amended our first lien term loan facility (the Acquisition Term Loan), dated as of August 25, 2022, to increase the aggregate commitments under the senior secured delayed-draw term loan facility from an aggregate principal amount of \$2.585 billion to an aggregate principal amount of \$3.585 billion. During the third quarter of Fiscal 2023, the Company drew down \$3.585 billion, net of original issuance discount of 3% and other fees, of which the net proceeds were used to fund the Micro Focus Acquisition (see Note 19 "Acquisitions" to our Consolidated Financial Statements for more details).

The Acquisition Term Loan has a seven-year term from the date of funding, and repayments under the Acquisition Term Loan are equal to 0.25% of the principal amount in equal quarterly installments for the life of the Acquisition Term Loan, with the remainder due at maturity. Borrowings under the Acquisition Term Loan currently bear a floating rate of interest equal to Term SOFR plus the SOFR Adjustment (as defined in the Acquisition Term Loan) and applicable margin of 3.50%. As of June 30, 2023, the outstanding balance on the Acquisition Term Loan bears an interest rate of 8.75%. As of June 30, 2023, the Acquisition Term Loan bears an effective interest rate of 9.85%. The effective interest rate includes interest expense of \$125.7 million and amortization of debt discount and issuance costs of \$9.3 million.

The Acquisition Term Loan 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 the Company's total debt reduced by unrestricted cash, including guarantees and letters of credit, that is secured by the Company's or any of the Company's subsidiaries' assets, over the Company's trailing four financial quarter net income before interest, taxes, depreciation, amortization, restructuring, share-based compensation and other miscellaneous charges. Under the Acquisition Term Loan, we must maintain a "consolidated net leverage" ratio of no more than 4.50:1.00 at the end of each financial quarter. Consolidated net leverage ratio is defined for this purpose as the proportion of the Company's total debt reduced by unrestricted cash, including guarantees and letters of credit, over the Company's trailing four financial quarter net income before interest, taxes, depreciation, amortization, restructuring, share-based compensation and other miscellaneous charges as defined in the Acquisition Term Loan. As of June 30, 2023, our consolidated net leverage ratio, as calculated in accordance with the applicable agreement, was 3.49:1.

The Acquisition Term Loan is unconditionally guaranteed by certain subsidiary guarantors, as defined in the Acquisition Term Loan, and is secured by a first charge on substantially all of the assets of the Company and the subsidiary guarantors on a pari passu basis with the Revolver, Term Loan B and the Senior Secured Notes 2027.

For the year ended June 30, 2023, we recorded interest expense of \$125.7 million, relating to the Acquisition Term Loan (year ended June 30, 2022— nil).

The foregoing description of the Acquisition Term Loan does not purport to be complete and is qualified in its entirety by reference to the full text of the Acquisition Term Loan, which is filed as an exhibit to the Company's Current Report on Form 8-K filed with the SEC on August 25, 2022.

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

Bridge Loan

On August 25, 2022, we entered into a bridge loan agreement (Bridge Loan) which provided for commitments of up to \$2.0 billion to finance a portion of the repayment of Micro Focus' existing debt. On December 1, 2022, we entered into an amendment to the Bridge Loan that reallocated commitments under the Bridge Loan to the Acquisition Term Loan. In connection with the amendment to the Bridge Loan and the receipt of proceeds from the issuance of the Senior Secured Notes 2027, all remaining commitments under the Bridge Loan were reduced to zero and the Bridge Loan was terminated, which resulted in a loss on debt extinguishment of \$8.2 million relating to unamortized debt issuance costs (see Note 22 "Other Income (Expense), Net" to our Consolidated Financial Statements for more details).

As of June 30, 2023, we had no borrowings under the Bridge Loan. For the year ended June 30, 2023, we did not record any interest expense relating to the Bridge Loan.

The foregoing description of the Bridge Loan does not purport to be complete and is qualified in its entirety by reference to the full text of the Bridge Loan, which is filed as an exhibit to the Company's Current Report on Form 8-K filed with the SEC on August 25, 2022.

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

Shelf Registration Statement

On December 6, 2021, 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 short-form base shelf prospectus qualifying the distribution of such securities was concurrently filed with Canadian securities regulators on December 6, 2021. 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 / Normal Course Issuer Bid

On November 5, 2020, the Board authorized a share repurchase plan (the Fiscal 2021 Repurchase Plan), pursuant to which we were authorized to 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 TSX 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 price that we were authorized to pay for Common Shares in open market transactions was the market price at the time of purchase or such other price as was permitted by applicable law or stock exchange rules.

The Fiscal 2021 Repurchase Plan was effected in accordance with Rule 10b-18. Purchases made under the Fiscal 2021 Repurchase Plan were 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 Fiscal 2021 Repurchase Plan were cancelled.

On November 4, 2021, the Board authorized a share repurchase plan (the Fiscal 2022 Repurchase Plan), pursuant to which we were authorized to purchase in open market transactions, from time to time over the 12 month period commencing November 12, 2021, up to an aggregate of \$350 million of our Common Shares on the NASDAQ Global Select Market, the TSX (as part of a Fiscal 2022 Normal Course Issuer Bid (NCIB)) 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 price that we paid for Common Shares in open market transactions was the market price at the time of purchase or such other price as was permitted by applicable law or stock exchange rules.

The Fiscal 2022 Repurchase Plan was effected in accordance with Rule 10b-18. All Common Shares purchased by us pursuant to the Fiscal 2022 Repurchase Plan were cancelled.

During the year ended June 30, 2023, we did not repurchase and cancel any Common Shares (year ended June 30, 2022 and 2021— 3,809,559 and 2,500,000 Common Shares for \$177.0 million and \$119.1 million, respectively).

Normal Course Issuer Bid

The Company established the Fiscal 2021 NCIB in order to provide it with a means to execute purchases over the TSX as part of the overall Fiscal 2021 Repurchase Plan.

The TSX approved the Company's notice of intention to commence the Fiscal 2021 NCIB pursuant to which the Company was authorized to purchase Common Shares over the TSX for the period commencing November 12, 2020 until November 11, 2021 in accordance with the TSX's normal course issuer bid rules, including that such purchases were to be made at prevailing market prices or as otherwise permitted. Under the rules of the TSX, the maximum number of Common Shares that could be purchased in this period was 13,618,774 (representing 5% of the Company's issued and outstanding Common Shares as of November 4, 2020), and the maximum number of Common Shares that could be purchased on a single day was 143,424 Common Shares, which was 25% of 573,699 (the average daily trading volume for the Common Shares on the TSX for the six months ended October 31, 2020), subject to certain exceptions for block purchases, subject in any case to the volume and other limitations under Rule 10b-18.

The Company renewed the NCIB in Fiscal 2022 in order to provide it with a means to execute purchases over the TSX as part of the overall Fiscal 2022 Repurchase Plan.

The TSX approved the Company's notice of intention to commence the Fiscal 2022 NCIB pursuant to which the Company was authorized to purchase Common Shares over the TSX for the period commencing November 12, 2021 until November 11, 2022 in accordance with the TSX's normal course issuer bid rules, including that such purchases were to be made at prevailing market prices or as otherwise permitted. Under the rules of the TSX, the maximum number of Common Shares that could be purchased in this period was 13,638,008 (representing 5% of the Company's issued and outstanding Common Shares as of October 31, 2021), and the maximum number of Common Shares that could be purchased on a single day was 112,590 Common Shares, which is 25% of 450,361 (the average daily trading volume for the Common Shares on the TSX for the six months ended October 31, 2021), subject to certain exceptions for block purchases, subject in any case to the volume and other limitations under Rule 10b-18.

Pensions

As of June 30, 2023, our total unfunded pension plan obligations were \$130.82 million, of which \$4.50 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.

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

	<u>Fiscal years ending June 30,</u>	
2024	\$	13,115
2025		13,221
2026		14,258
2027		16,146
2028		17,745
2029 to 2033		102,196
Total	<u>\$</u>	<u>176,681</u>

For a detailed discussion on pensions, see Note 12 “Pension Plans and Other Post Retirement Benefits” to our Consolidated Financial Statements.

Commitments and Contractual Obligations

As of June 30, 2023, we have entered into the following contractual obligations with minimum payments for the indicated fiscal periods as follows:

	<u>Payments due between</u>				
	<u>Total</u>	<u>July 1, 2023 - June 30, 2024</u>	<u>July 1, 2024 - June 30, 2026</u>	<u>July 1, 2026 - June 30, 2028</u>	<u>July 1, 2028 and beyond</u>
Long-term debt obligations ⁽¹⁾	\$ 12,424,286	\$ 648,414	\$ 2,373,260	\$ 2,948,038	\$ 6,454,574
Operating lease obligations ⁽²⁾	411,394	105,685	144,062	90,267	71,380
Finance lease obligations ⁽³⁾	11,482	5,712	5,311	459	—
Purchase obligations for contracts not accounted for as lease obligations	176,440	52,588	108,346	15,506	—
	<u>\$ 13,023,602</u>	<u>\$ 812,399</u>	<u>\$ 2,630,979</u>	<u>\$ 3,054,270</u>	<u>\$ 6,525,954</u>

- (1) Includes interest up to maturity and principal payments. Please see Note 11 “Long-Term Debt” to our 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 Consolidated Financial Statements for more details.
- (3) Represents the undiscounted future minimum lease payments under our financing 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 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 Consolidated Financial Statements.

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

Litigation

We are currently involved in various claims and legal proceedings.

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

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

Contingencies

CRA Matter

As part of its ongoing audit of our Canadian tax returns, the CRA has disputed our transfer pricing methodology used for certain intercompany transactions with our international subsidiaries and has issued notices of reassessment for Fiscal 2012, Fiscal 2013, Fiscal 2014, Fiscal 2015 and Fiscal 2016. Assuming the utilization of available tax attributes (further described below), we estimate our potential aggregate liability, as of June 30, 2023, 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 \$76 million. As of June 30, 2023, we have provisionally paid approximately \$33 million in order to fully preserve our rights to object to the CRA’s audit positions, being the minimum payment required under Canadian legislation while the matter is in dispute. This amount is recorded within “Long-term income taxes recoverable” on the Consolidated Balance Sheets as of June 30, 2023.

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, and we are continuing to contest these reassessments. On June 30, 2022, we filed a notice of appeal with the Tax Court of Canada seeking to reverse all such reassessments (including penalties) in full and the customary court process is ongoing.

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 has audited Fiscal 2017 and Fiscal 2018 on a basis that we strongly disagree with and are contesting. 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. CRA’s position for Fiscal 2017 and Fiscal 2018 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 and Fiscal 2018 conflict with the expert valuation prepared by the independent leading accounting and advisory firm that was used to support our original filing position. The CRA issued notices of reassessment in respect of Fiscal 2017 and Fiscal 2018 on a basis consistent with its proposal to reduce the available depreciable basis of these assets in Canada. On April 19, 2022, we filed our notice of objection regarding the reassessment in respect of Fiscal 2017 and on March 15, 2023, we filed our notice of objection regarding the reassessment in respect of Fiscal 2018. If 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 Fiscal 2018 and intend to vigorously defend our original filing position. We are not required to provisionally pay any cash amounts to the CRA as a result of the reassessment in respect of Fiscal 2017 and Fiscal 2018 due to the utilization of available tax attributes; however, to the extent the CRA reassesses subsequent fiscal years on a similar basis, we expect to make certain minimum payments required under Canadian legislation, which may need to be provisionally made starting in Fiscal 2024 while the matter is in dispute.

We will continue to vigorously contest the adjustments to our taxable income and any penalty and interest assessments, as well as any reduction to the basis of our depreciable property. We are confident that our original tax filing positions were appropriate. Accordingly, as of the date of this Annual Report on Form 10-K, we have not recorded any accruals in respect of these reassessments or proposed reassessment in our Consolidated Financial Statements. The CRA is auditing Fiscal 2019, and may reassess Fiscal 2019 on a similar basis as Fiscal 2017 and Fiscal 2018. The CRA is also in preliminary stages of auditing Fiscal 2020.

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 Luna Complaint). 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 district 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. On October 22, 2020, the district 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 United States Court of Appeals for the First Circuit. On December 21, 2021, the United States Court of Appeals for the First Circuit issued a decision reversing and remanding the Securities Actions to the district court for further proceedings. The parties have completed discovery and defendants have filed a motion for summary judgment. The defendants remain confident in their position, believe the Securities Actions are without merit, and will continue to vigorously defend the matter.

Carbonite vs Realtime Data

On February 27, 2017, before 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 captioned *Realtime Data LLC v. Carbonite, Inc. et al* (No 6:17-cv-00121-RWS-JDL). Therein, it alleged 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 same asserted patents against other companies. After a stay pending appeal in one of those suits, on January 21, 2021, the district court held a hearing to construe the claims of the asserted patents. As to the fourth patent asserted against Carbonite, on September 24, 2019, the U.S. Patent & Trademark Office Patent Trial and Appeal Board invalidated certain claims of that patent, including certain claims that had been asserted against Carbonite. The parties then jointly stipulated to dismiss that patent from this action. On August 23, 2021, in one of the suits against other companies, the District of Delaware (No. 1:17-cv-800), held all of the patents asserted against Carbonite to be invalid. Realtime Data has appealed that decision to the U.S. Court of Appeals for the Federal Circuit. We continue to vigorously defend the matter, and the U.S. District Court for the District of Massachusetts has issued a claim construction order. 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.

Other Matters

Please also see Part I, Item 1A, "Risk Factors" in this Annual Report on Form 10-K for Fiscal 2023, as well as Note 15 "Income Taxes" to the Consolidated Financial Statements included in this Annual Report on Form 10-K related to certain historical matters arising prior to the Micro Focus Acquisition.

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.

Use of Non-GAAP Financial Measures

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

The Company uses these Non-GAAP financial measures to supplement the information provided in its Consolidated Financial Statements, which are presented in accordance with U.S. GAAP. The presentation of Non-GAAP financial measures 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 (loss) 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 (recovery of) 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 and most recently in response to our return to office planning, that have resulted in costs associated with reductions in headcount, consolidation of leased facilities and related costs, all which are recorded under the Company's "Special charges (recoveries)" caption on the Consolidated Statements of Income. Each restructuring activity is a discrete event based on a unique set of business objectives or circumstances, and each differs in terms of its operational implementation, business impact and scope, and the size of each restructuring plan can vary significantly from period to period. Therefore, the Company believes that the exclusion of these special charges (recoveries) will also better aid readers of financial statements in the understanding and comparability of the Company's operating results and underlying operational trends.

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

The following charts provide unaudited reconciliations of U.S. GAAP-based financial measures to Non-GAAP-based financial measures for the following periods presented. The Micro Focus Acquisition significantly impacts period-over-period comparability.

**Reconciliation of selected GAAP-based measures to Non-GAAP-based measures
for the year ended June 30, 2023**

(In thousands, except for per share data)

	Year Ended June 30, 2023					
	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	\$ 590,165		\$ (10,664)	(1)	\$ 579,501	
Customer support	209,705		(3,627)	(1)	206,078	
Professional service and other	276,888		(6,998)	(1)	269,890	
Amortization of acquired technology-based intangible assets	223,184		(223,184)	(2)	—	
GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)	3,168,393	70.6%	244,473	(3)	3,412,866	76.1%
Operating expenses						
Research and development	680,587		(39,065)	(1)	641,522	
Sales and marketing	948,598		(41,710)	(1)	906,888	
General and administrative	419,590		(28,238)	(1)	391,352	
Amortization of acquired customer-based intangible assets	326,406		(326,406)	(2)	—	
Special charges (recoveries)	169,159		(169,159)	(4)	—	
GAAP-based income from operations / Non-GAAP-based income from operations	516,292		849,051	(5)	1,365,343	
Other income (expense), net	34,469		(34,469)	(6)	—	
Provision for income taxes	70,767		74,261	(7)	145,028	
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText	150,379		740,321	(8)	890,700	
GAAP-based EPS / Non-GAAP-based EPS-diluted, attributable to OpenText	\$ 0.56		\$ 2.73	(8)	\$ 3.29	

- (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 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. Other income (expense) also includes unrealized and realized gains (losses) on our derivatives which are not designated as hedges. We exclude gains and losses on these derivatives as we do not believe they are reflective of our ongoing business and operating results.
- (7) Adjustment relates to differences between the GAAP-based tax provision rate of approximately 32% and a Non-GAAP-based tax rate of approximately 14%; these rate differences are due to the income tax effects of items that are excluded for the purpose of calculating Non-GAAP-based 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.

[Table of Contents](#)

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

	Year Ended June 30, 2023	
		Per share diluted
GAAP-based net income, attributable to OpenText	\$ 150,379	\$ 0.56
Add:		
Amortization	549,590	2.03
Share-based compensation	130,302	0.48
Special charges (recoveries)	169,159	0.63
Other (income) expense, net	(34,469)	(0.13)
GAAP-based provision for income taxes	70,767	0.26
Non-GAAP-based recovery of income taxes	(145,028)	(0.54)
Non-GAAP-based net income, attributable to OpenText	<u>\$ 890,700</u>	<u>\$ 3.29</u>

Reconciliation of Adjusted EBITDA

	Year Ended June 30, 2023	
GAAP-based net income, attributable to OpenText	\$	150,379
Add:		
Provision for income taxes		70,767
Interest and other related expense, net		329,428
Amortization of acquired technology-based intangible assets		223,184
Amortization of acquired customer-based intangible assets		326,406
Depreciation		107,761
Share-based compensation		130,302
Special charges (recoveries)		169,159
Other (income) expense, net		(34,469)
Adjusted EBITDA	<u>\$</u>	<u>1,472,917</u>

**Reconciliation of selected GAAP-based measures to Non-GAAP-based measures
for the year ended June 30, 2022**
(In thousands, except for per share data)

	Year Ended June 30, 2022					Non-GAAP-based Measures % of Total Revenue
	GAAP-based Measures	GAAP-based Measures % of Total Revenue	Adjustments	Note	Non-GAAP-based Measures	
Cost of revenues						
Cloud services and subscriptions	\$ 511,713		\$ (5,285)	(1)	\$ 506,428	
Customer support	121,485		(2,399)	(1)	119,086	
Professional service and other	216,895		(3,740)	(1)	213,155	
Amortization of acquired technology-based intangible assets	198,607		(198,607)	(2)	—	
GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)	2,431,643	69.6%	210,031	(3)	2,641,674	75.6%
Operating expenses						
Research and development	440,448		(17,122)	(1)	423,326	
Sales and marketing	677,118		(22,628)	(1)	654,490	
General and administrative	317,085		(18,382)	(1)	298,703	
Amortization of acquired customer-based intangible assets	217,105		(217,105)	(2)	—	
Special charges (recoveries)	46,873		(46,873)	(4)	—	
GAAP-based income from operations / Non-GAAP-based income from operations	644,773		532,141	(5)	1,176,914	
Other income (expense), net	29,118		(29,118)	(6)	—	
Provision for income taxes	118,752		23,913	(7)	142,665	
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText	397,090		479,110	(8)	876,200	
GAAP-based EPS / Non-GAAP-based EPS-diluted, attributable to OpenText	\$ 1.46		\$ 1.76	(8)	\$ 3.22	

- (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 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 23% 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 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.

[Table of Contents](#)

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

	Year Ended June 30, 2022	
		Per share diluted
GAAP-based net income, attributable to OpenText	\$ 397,090	\$ 1.46
Add:		
Amortization	415,712	1.52
Share-based compensation	69,556	0.26
Special charges (recoveries)	46,873	0.17
Other (income) expense, net	(29,118)	(0.11)
GAAP-based provision for income taxes	118,752	0.44
Non-GAAP-based recovery of income taxes	(142,665)	(0.52)
Non-GAAP-based net income, attributable to OpenText	<u>\$ 876,200</u>	<u>\$ 3.22</u>

Reconciliation of Adjusted EBITDA

	Year Ended June 30, 2022	
GAAP-based net income, attributable to OpenText	\$ 397,090	
Add:		
Provision for income taxes	118,752	
Interest and other related expense, net	157,880	
Amortization of acquired technology-based intangible assets	198,607	
Amortization of acquired customer-based intangible assets	217,105	
Depreciation	88,241	
Share-based compensation	69,556	
Special charges (recoveries)	46,873	
Other (income) expense, net	(29,118)	
Adjusted EBITDA	<u>\$ 1,264,986</u>	

**Reconciliation of selected GAAP-based measures to Non-GAAP-based measures
for the year ended June 30, 2021**

(In thousands, except for per share data)

	Year Ended June 30, 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	\$ 481,818		\$ (3,419)	(1)	\$ 478,399	
Customer support	122,753		(1,910)	(1)	120,843	
Professional service and other	197,183		(2,565)	(1)	194,618	
Amortization of acquired technology-based intangible assets	218,796		(218,796)	(2)	—	
GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)	2,351,649	69.4%	226,690	(3)	2,578,339	76.1%
Operating expenses						
Research and development	421,447		(9,859)	(1)	411,588	
Sales and marketing	622,221		(18,312)	(1)	603,909	
General and administrative	263,521		(15,904)	(1)	247,617	
Amortization of acquired customer-based intangible assets	216,544		(216,544)	(2)	—	
Special charges (recoveries)	1,748		(1,748)	(4)	—	
GAAP-based income from operations / Non-GAAP-based income from operations	740,903		489,057	(5)	1,229,960	
Other income (expense), net	61,434		(61,434)	(6)	—	
Provision for income taxes	339,906		(188,931)	(7)	150,975	
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText	310,672		616,554	(8)	927,226	
GAAP-based EPS/ Non-GAAP-based EPS-diluted, attributable to OpenText	\$ 1.14		\$ 2.25	(8)	\$ 3.39	

- (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 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 52% 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 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 year ended June 30, 2021 includes an income tax provision charge from IRS settlements 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 second quarter of Fiscal 2021.

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

	<u>Year Ended June 30, 2021</u>	
		<u>Per share diluted</u>
GAAP-based net income, attributable to OpenText	\$ 310,672	\$ 1.14
Add:		
Amortization	435,340	1.59
Share-based compensation	51,969	0.19
Special charges (recoveries)	1,748	0.01
Other (income) expense, net	(61,434)	(0.22)
GAAP-based provision for income taxes	339,906	1.23
Non-GAAP-based recovery of income taxes	(150,975)	(0.55)
Non-GAAP-based net income, attributable to OpenText	<u>\$ 927,226</u>	<u>\$ 3.39</u>

Reconciliation of Adjusted EBITDA

	<u>Year Ended June 30, 2021</u>	
GAAP-based net income, attributable to OpenText	\$	310,672
Add:		
Provision for income taxes		339,906
Interest and other related expense, net		151,567
Amortization of acquired technology-based intangible assets		218,796
Amortization of acquired customer-based intangible assets		216,544
Depreciation		85,265
Share-based compensation		51,969
Special charges (recoveries)		1,748
Other (income) expense, net		(61,434)
Adjusted EBITDA	<u>\$</u>	<u>1,315,033</u>

Item 7A. 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 relates primarily to our Term Loan B, Revolver and Acquisition Term Loan.

As of June 30, 2023, we had an outstanding balance of \$947.5 million on the Term Loan B. Borrowings under the Term Loan B currently bear a floating rate of interest equal to Term SOFR plus the SOFR Adjustment (as defined in the Term Loan B) and applicable margin of 1.75%. As of June 30, 2023, an adverse change of 100 basis points on the interest rate would have the effect of increasing our annual interest payment on Term Loan B by approximately \$9.5 million, assuming that the loan balance as of June 30, 2023 is outstanding for the entire period (June 30, 2022—\$9.6 million).

As of June 30, 2023, we had an outstanding balance of \$275 million under the Revolver. Borrowings under the Revolver currently bear interest per annum at a floating rate of interest equal to Term SOFR plus the SOFR Adjustment (as defined in the Revolver) and a fixed margin dependent on our consolidated net leverage ratio ranging from 1.25% to 1.75%. As of June 30, 2023, an adverse change of 100 basis points on the interest rate would have the effect of increasing our annual interest payment on the Revolver by approximately \$2.8 million, assuming the loan balance as of June 30, 2023 is outstanding for the entire period (June 30, 2022—nil).

As of June 30, 2023, we had an outstanding balance of \$3.6 billion under the Acquisition Term Loan. Borrowings under the Acquisition Term Loan currently bear a floating rate of interest equal to Term SOFR plus the SOFR Adjustment (as defined in the Acquisition Term Loan) and applicable margin of 3.50%. As of June 30, 2023, an adverse change of 100 basis points on the interest rate would have the effect of increasing our annual interest payment on the Acquisition Term Loan by approximately \$35.7 million, assuming that the loan balance as of June 30, 2023 is outstanding for the entire period (June 30, 2022—nil).

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. We have hedged certain of our Canadian dollar foreign currency exposures relating to our payroll expenses in Canada.

Based on the CAD foreign exchange forward contracts outstanding as of June 30, 2023, 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 valuation on our existing foreign exchange forward contracts (June 30, 2022—\$0.5 million).

Additionally, in connection with the Micro Focus Acquisition, in August 2022, we entered into certain derivative transactions to meet certain foreign currency obligations related to the purchase price of the Micro Focus Acquisition, mitigate the risk of foreign currency appreciation in the GBP denominated purchase price and mitigate the risk of foreign currency appreciation in the EUR denominated existing debt held by Micro Focus. We entered into the following derivatives: (i) three deal-contingent forward contracts, (ii) a non-contingent forward contract, and (iii) EUR/USD cross currency swaps. In connection with the closing of the Micro Focus Acquisition the deal-contingent forward and non-deal contingent forward contracts were settled and we designated the 7-year EUR/USD cross currency swaps as net investment hedges.

Based on the 5-year EUR/USD cross currency swaps outstanding as of June 30, 2023, a one cent change in the Euro to U.S. dollar forward exchange rate would have caused a change of \$7.3 million in the mark-to-market valuation on our existing cross currency swap (June 30, 2022—nil).

Based on the 7-year EUR/USD cross currency swaps outstanding as of June 30, 2023, a one cent change in the Euro to U.S. dollar forward exchange rate would have caused a change of \$7.8 million in the mark-to-market valuation on our existing cross currency swaps (June 30, 2022—nil).

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 (loss) on our Consolidated Balance Sheets).

The following table shows our cash and cash equivalents denominated in certain major foreign currencies as of June 30, 2023 (equivalent in U.S. dollar):

(In thousands)	U.S. Dollar Equivalent at June 30, 2023	U.S. Dollar Equivalent at June 30, 2022
Euro	\$ 200,282	\$ 254,546
British Pound	69,108	44,020
Indian Rupee	57,199	38,247
Swiss Franc	53,122	48,674
Other foreign currencies	218,663	103,453
Total cash and cash equivalents denominated in foreign currencies	598,374	488,940
U.S. Dollar	633,251	1,204,801
Total cash and cash equivalents	\$ 1,231,625	\$ 1,693,741

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 \$59.8 million (June 30, 2022—\$48.9 million), assuming we have not entered into any derivatives discussed above under “Foreign Currency Transaction Risk.”

Item 8. Financial Statements and Supplementary Data

The response to this Item 8 is submitted as a separate section of this Annual Report on Form 10-K. See Part IV, Item 15.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(A) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report on Form 10-K, 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 Exchange Act. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of June 30, 2023, 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) Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (ICFR), as such term is defined in Exchange Act Rule 13a-15(f). ICFR is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles. ICFR includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with the authorizations of our management and our directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Our management assessed our ICFR as of June 30, 2023, the end of our most recent fiscal year. In making our assessment, our management used the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Our management has excluded the ICFR of Micro Focus, which we acquired on January 31, 2023 as discussed in Note 19 “Acquisitions” to the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K. Total revenues subject to Micro Focus’ ICFR represented 21.8% of our consolidated total revenues for the fiscal year ended June 30, 2023. Total assets subject to Micro Focus’ ICFR represented 47.6% of our consolidated total assets as of June 30, 2023 (of which \$6.8 billion, or 39.6% of our consolidated total assets, represents Micro Focus’ goodwill and net intangible assets subject to our internal control over financial reporting as of June 30, 2023). Under guidelines established by the SEC, companies are permitted to exclude acquisitions from their assessment of ICFR for a period of up to one year following an acquisition while integrating the acquired company.

Based on the results of our evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our ICFR was effective as of June 30, 2023. The results of our management’s assessment were reviewed with our Audit Committee and the conclusion that our ICFR was effective as of June 30, 2023 has been audited by KPMG LLP, our independent registered public accounting firm, as stated in their report which is included in Part IV, Item 15 of this Annual Report.

Our management, including the Chief Executive Officer and Chief Financial Officer, do not expect that our disclosure controls or our ICFR will prevent or detect all error or all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. The design of a control