OPEN TEXT CORP

FORM 8-K
(Current report filing)

Filed 12/15/16 for the Period Ending 12/15/16

Telephone	519-888-7111
CIK	0001002638
Symbol	OTEX
SIC Code	7373 - Computer Integrated Systems Design
Industry	Software
Sector	Technology
Fiscal Year	06/30

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): December 15, 2016

Open Text Corporation
(Exact name of Registrant as specified in its charter)

Canada	0-27544	98-0154400
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

275 Frank Tompa Drive, Waterloo, Ontario, Canada N2L 0A1
(Address of principal executive offices)

(519) 888-7111
Registrant's telephone number, including area code

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01. Regulation FD Disclosure.

Open Text Corporation ("OpenText") is furnishing certain unaudited financial measures that are not in accordance with U.S. GAAP ("Non-GAAP"), and certain related reconciliations to the most directly comparable measure under U.S. GAAP, and last twelve month ("LTM") financial data (including with respect to Dell EMC's Enterprise Content Division), which information is included in the offering memorandum for the proposed offering described under 8.01 below. The disclosure is attached hereto as Exhibit 99.1 and incorporated by reference into this Item 7.01.

The information set forth in this Item 7.01 including Exhibit 99.1 is being furnished under Item 7.01 of Form 8-K and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section. In addition, this information shall not be incorporated by reference into any registration statement filed under the Securities Act of 1933, as amended (the "Securities Act"), or any filing under the Exchange Act, regardless of any general incorporation language in any such filing.

Item 8.01. Other Events.

On December 15, 2016, OpenText issued a press release announcing a proposed offering of an additional U.S. $250 million aggregate principal amount of its 5.875% senior unsecured notes due 2026 (the "reopened notes"), guaranteed on a senior unsecured basis by OpenText's existing and future wholly-owned subsidiaries that borrow or guarantee OpenText's obligations under its existing senior credit facilities. The reopened notes will have identical terms, be fungible with and be a part of a single series with the U.S. $600 million aggregate principal amount of OpenText's 5.875% senior unsecured notes due 2026 issued on May 31, 2016. The press release announcing the proposed offering is attached hereto as Exhibit 99.2, and is incorporated by reference into this Item 8.01.

The reopened notes and related guarantees will not be registered under the Securities Act. The reopened notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act), except to persons reasonably believed to be qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the Securities Act and to certain persons in offshore transactions in reliance on Regulation S under the Securities Act. The reopened notes will be offered in Canada under available prospectus exemptions.

OpenText intends to use the net proceeds from the proposed offering to finance a portion of the purchase price for its previously announced acquisition of Dell EMC's Enterprise Content Division (the "Acquisition"). The proposed offering is not contingent on the closing of the Acquisition or the closing of our recently announced offering of 9,250,000 common shares (or 10,637,500 common shares if the underwriters exercise their over-allotment option to purchase additional common shares in full) (the "Equity Financing"). We currently expect the Equity Financing will close on December 19, 2016. This Current Report on Form 8-K is not an offer to sell any such common shares; any offer or sale of such common shares is being made only by means of the separate prospectus supplement and accompanying prospectus. If for any reason the Acquisition does not close, OpenText intends to use the net proceeds from the proposed offering for general corporate purposes, which may include the financing of future acquisitions and the repayment of existing indebtedness.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1	Disclosures Regarding OpenText and the EMC Enterprise Content Division
99.2	Press Release dated December 15, 2016

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

OPEN TEXT CORPORATION

December 15, 2016

By: /s/ John M. Doolittle

John M. Doolittle
Chief Financial Officer

Exhibit Index

Exhibit No.	Description
99.1	Disclosures Regarding OpenText and the EMC Enterprise Content Division
99.2	Press Release dated December 15, 2016

Disclosures Regarding OpenText and the EMC Enterprise Content Division

The following chart provides unaudited financial data for the last twelve months ("LTM") ended September 30, 2016 for Open Text Corporation and its consolidated subsidiaries ("OpenText" or the "Company").

(In thousands)	LTM Ended September 30, 2016 (Unaudited)
Revenue	$ 1,881,357
Net income attributable to Open Text	$ 1,156,075
EBITDA (1)	$ 630,101
EBITDA Margin (1)(2)	33.5%
Adjusted EBITDA (1)	$ 677,460
Adjusted EBITDA Margin (1)(3)	36.0%
Net cash provided by operating activities	$ 506,451

The following chart provides unaudited financial measures, certain of which are not calculated in accordance with U.S. GAAP ("Non-GAAP") for OpenText on an actual and a pro forma basis, giving effect to the pro forma transactions described in Exhibit 99.3 to our Current Report on Form 8-K, filed on December 12, 2016; *provided, however* that the pro forma numbers used to calculate the following Non-GAAP financial measures assume that the Anticipated Acquisition (as defined below) was financed through $564 million (instead of $500 million) raised through the Equity Offering (as defined therein) and $436 million (instead of $500 million) raised through the Debt Financing (as defined therein). The impact of the adjusted assumptions on the unaudited pro forma consolidated statement of income for the twelve months ended June 30, 2016 and the three months ended September 30, 2016, respectively, are as follows:

- Pro forma net income attributable to OpenText changed from $313.3 million to $316.1 million for the twelve months ended June 30, 2016 and from $894.7 million to $895.2 million for the three months ended September 30, 2016.
- Pro forma income tax (recoveries) changed from $19.5 million to $20.5 million for the twelve months ended June 30, 2016 and from $(867.8 million) to $(867.4 million) for the three months ended September 30, 2016.
- Pro forma interest expense, net changed from $106.0 million to $102.2 million for the twelve months ended June 30, 2016 and from $34.7 million to $33.7 million for the three months ended September 30, 2016.

	Fiscal Year Ended June 30,				Three Months Ended September 30,		
(In thousands)	2014	2015	2016	Pro Forma 2016	2015	2016	Pro Forma 2016
Other Financial Data (Unaudited):							
Ratio of earnings to fixed charges (4)	10.90	5.87	4.81	4.29	3.76	2.96	1.83
EBITDA (1)	$490,697	$560,732	$609,490	$ 799,445	$132,136	$152,747	$ 163,169(5)
EBITDA Margin (1)(2)	30.2%	30.3%	33.4%	33.3%	30.4%	31.1%	26.0%
Adjusted EBITDA (1)	$537,976	$623,649	$671,737	$ 870,928	$160,919	$166,642	$ 203,005
Adjusted EBITDA Margin (1)(3)	33.1%	33.7%	36.8%	36.2%	37.0%	33.9%	32.4%

(1) In addition to those Non-GAAP measures included, and reconciled, in OpenText's reports filed under the Securities Exchange Act of 1934, as amended, this disclosure contains the following Non-GAAP financial measures with respect to the Company and the EMC Enterprise Content Division (as defined below) individually and on a pro forma basis: earnings (loss) before interest, taxes, depreciation and amortization ("EBITDA"); Adjusted EBITDA ("Adjusted EBITDA"), which further adjusts EBITDA to exclude share-based compensation, other income (expense), net and special charges (recoveries) related to restructurings and acquisitions and, in the case of the EMC Enterprise Content Division only, capitalized software; and EBITDA Margin and Adjusted EBITDA Margin which are calculated as EBITDA or Adjusted EBITDA, as applicable, divided by revenues as determined in accordance with U.S. GAAP.

This disclosure provides reconciliations of these measures to the most directly comparable measure under U.S. GAAP. OpenText believes that EBITDA, Adjusted EBITDA, EBITDA Margin and Adjusted EBITDA Margin improve comparability from period to period by excluding the distorting effect 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 management. OpenText believes that EBITDA, Adjusted EBITDA, EBITDA Margin and Adjusted EBITDA Margin are measures widely used by securities analysts, investors and others to evaluate the financial performance of companies in OpenText's and the EMC Enterprise Content Division's industry. Other companies may calculate EBITDA, Adjusted EBITDA, EBITDA Margin and Adjusted EBITDA Margin differently, and, therefore, OpenText's and the EMC Enterprise Content Division's measures may not be comparable to similarly titled measures of other companies. EBITDA, Adjusted EBITDA, EBITDA Margin and Adjusted EBITDA Margin are not measures of financial performance or liquidity under U.S. GAAP and should not be considered in isolation or as an alternative to net income, cash flows from operating activities and other measures determined in accordance with U.S. GAAP. Items excluded from EBITDA and Adjusted EBITDA, as noted in the above and in the following table, are significant and necessary components of the operations of OpenText's and the EMC Enterprise Content Division's business. Given the foregoing limitations, EBITDA, Adjusted EBITDA, EBITDA Margin and Adjusted EBITDA Margin should only be used as supplemental measures of OpenText's and the EMC Enterprise Content Division's operating performance.

The following chart provides unaudited reconciliations of OpenText's EBITDA and Adjusted EBITDA to net income attributable to OpenText for the following periods presented on an actual and pro forma basis:

	Fiscal Year Ended June 30,				Three Months Ended September 30,			LTM Ended September 30,
(In thousands)	**2014**	**2015**	**2016**	**Pro Forma 2016**	**2015**	**2016**	**Pro Forma 2016**	**2016**
Net income attributable to OpenText	$218,125	$234,327	$284,477	$ 316,058	$ 41,286	$ 912,884	$ 895,246	$ 1,156,075
Add:								
Income tax	58,461	31,638	6,282	20,541	11,202	(859,425)	(867,394)	(864,345)
Interest expense, net	27,934	54,620	76,363	102,195	19,046	27,275	33,733	84,592
Amortization of intangible assets	150,940	189,241	187,439	301,499	47,688	56,743	85,258	196,494
Depreciation	35,237	50,906	54,929	59,152	12,914	15,270	16,326	57,285
EBITDA	$490,697	$560,732	$609,490	$ 799,445	$132,136	$ 152,747	$ 163,169(5)	$ 630,101
Add:								
Share-based compensation	19,906	22,047	25,978	48,807	6,533	8,140	38,753	27,585
Special charges (a)	31,314	12,823	34,846	35,150	17,337	12,454	9,182	29,963
Other expense (income), net (b)	(3,941)	28,047	1,423	1,423	4,913	(6,699)	(6,699)	(10,189)
Capitalized software	—	—	—	(13,897)	—	—	(1,400)	—
Adjusted EBITDA	$537,976	$623,649	$671,737	$ 870,928	$160,919	$ 166,642	$ 203,005	$ 677,460

(a) See the note entitled "Special Charges" to OpenText's audited consolidated financial statements and OpenText's unaudited condensed consolidated financial statements for the periods presented in OpenText's Annual Report on Form 10-K for the fiscal year ended June 30, 2016 and in OpenText's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016.

(b) See the note entitled "Other Income (Expense)" to OpenText's audited consolidated financial statements for the periods presented and OpenText's unaudited condensed consolidated financial statements for the periods presented in OpenText's Annual Report on Form 10-K for the fiscal year ended June 30, 2016 and in OpenText's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016.

(2) EBITDA Margin is calculated as EBITDA divided by revenues as determined in accordance with U.S. GAAP.

(3) Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by revenues as determined in accordance with U.S. GAAP.

(4) For the purpose of the calculation of the Ratio of earnings to fixed charges, "earnings" is the amount resulting from adding together earnings before taxes, fixed charges, and losses attributable to non-controlling interests. "Fixed charges" consist of interest expense.

(5) For the three months ended September 30, 2016, included in the EMC Enterprise Content Division's income from operations is a one-time, non-recurring charge of approximately $27 million relating to accelerated stock awards that vested upon the EMC Enterprise Content Division being acquired by Dell Technologies, Inc. and approximately $4 million of compensation costs related to merger-related retention bonuses with EMC Enterprise Content Division's employees participating in Dell Technologies Inc.'s cash-based long term incentive plan. See Note 3, footnote P under "Unaudited Pro Forma Condensed Consolidated Financial Statements" filed as Exhibit 99.3 to OpenText's Current Report on Form 8-K, filed December 12, 2016.

As previously announced by OpenText on September 12, 2016, and reported on OpenText's Current Report on Form 8-K, filed September 12, 2016, the Company entered into a Master Acquisition Agreement dated September 12, 2016, with EMC Corporation, a Massachusetts corporation, EMC International Company, a company organized under the laws of Ireland, and EMC (Benelux) B.V., a besloten vennootschap organized under the laws of Netherlands (collectively referred to as "Dell-EMC"), pursuant to which OpenText has agreed to acquire (the "Anticipated Acquisition") certain assets and assume certain liabilities of the enterprise content division of Dell-EMC (the "EMC Enterprise Content Division"). The Anticipated Acquisition is expected to close within 90 to 120 days of the date of the Master Acquisition Agreement and is subject to customary regulatory approvals and closing conditions.

For the year ended December 31, 2015 the EMC Enterprise Content Division's EBITDA and Adjusted EBITDA was approximately $167 million and $191 million, respectively, as compared to approximately $171 million and $185 million, respectively, for the year ended December 31, 2014. For the LTM period ending June 30, 2016, the EMC Enterprise Content Division's EBITDA and Adjusted EBITDA was approximately $191 million and $200 million, respectively. See also the historical consolidated financial statements of the EMC Enterprise Content Division and related notes thereto included as Exhibit 99.1 and Exhibit 99.2 of OpenText's Current Report on Form 8-K, filed December 12, 2016.

The following chart provides unaudited reconciliations of the EMC Enterprise Content Division's EBITDA and Adjusted EBITDA to the EMC Enterprise Content Division's net income for the following periods presented:

	Fiscal Year Ended December 31,		LTM Ended June 30,
(In thousands)	**2014**	**2015**	**2016**
Net income	$ 93,452	$ 105,837	$ 127,572
Add:			
Income tax	28,304	25,973	31,704
Interest expense, net	—	—	—
Amortization and depreciation	49,113	34,908	31,688
EBITDA	$ 170,869	$ 166,718	$ 190,964
Add:			
Share-based compensation	22,787	23,141	22,829
Special charges	16,028	16,651	304
Other expenses (income), net	—	—	—
Capitalized software	(24,900)	(15,700)	(13,897)
Adjusted EBITDA	$ 184,784	$ 190,810	$ 200,200

Exhibit 99.2

OpenText Announces Proposed Reopening of Senior Unsecured Fixed Rate Notes

Waterloo, ON, December 15, 2016 - Open Text Corporation (NASDAQ: OTEX) (TSX: OTC) (“OpenText” or the “Company”) announced today a proposed offering (the “Offering”) of an additional U.S. $250 million aggregate principal amount of its 5.875% senior unsecured notes due 2026 (the “notes”), guaranteed on a senior unsecured basis by OpenText’s existing and future wholly-owned subsidiaries that borrow or guarantee the Company’s obligations under its existing senior credit facilities. The notes will have identical terms, be fungible with and be a part of a single series with the U.S. $600 million principal amount of the 5.875% senior unsecured notes due 2026 issued by the Company on May 31, 2016.

OpenText intends to use the net proceeds from the Offering to finance a portion of the purchase price for its previously announced acquisition of Dell EMC’s Enterprise Content Division (the “Acquisition”). The Offering is not contingent on the closing of the Acquisition. If for any reason the Acquisition does not close, OpenText intends to use the net proceeds from the Offering for general corporate purposes, which may include the financing of future acquisitions and the repayment of existing indebtedness.

The notes and related guarantees will not be registered under the Securities Act of 1933, as amended (the “Securities Act”). The notes and related guarantees may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to persons reasonably believed to be qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the Securities Act and to certain persons in offshore transactions in reliance on Regulation S under the Securities Act. The notes will be offered in Canada under available prospectus exemptions.

This press release does not constitute an offer to sell or the solicitation of an offer to buy the notes and related guarantees. Any offers of the notes and related guarantees will be made only by means of a private offering memorandum.

About OpenText

OpenText is the largest independent software provider of Enterprise Information Management (EIM).

Cautionary Statement Regarding Forward-Looking Statements

This press release contains forward-looking statements. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, and created under the Securities Act of 1933, as amended (the “Securities Act”), and the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and applicable Canadian securities laws. All statements other than statements of historical facts are statements that could be deemed forward-looking statements. We have based those forward-looking statements on OpenText’s current expectations and projections about future results.

When used in this press release, the words “anticipates,” “expects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “may,” “could,” “would” and variations of these words or similar expressions, identify forward-looking statements. 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 OpenText’s current expectations, forecasts and projections about the operating environment, economies and markets in which we operate. Forward-looking statements in this press release include, but are not limited to, the expected timing, size, terms and completion of the proposed offering of the notes and the use of proceeds therefrom and the completion of the Acquisition and financing thereof.

Forward-looking statements reflect OpenText’s 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. Certain of these assumptions include, but are not limited to, 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, currency exchange rates, and interest rates; (iv) equity and debt markets continuing to provide us with access to capital; (v) our continued ability to identify and source attractive and executable business combination opportunities; and (vi) our continued compliance with third party intellectual property rights. Management’s estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and, as such, are subject to change. We can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

Such forward looking statements involve known and unknown risks, uncertainties and other factors and assumptions that may cause the actual results, performance or achievements to differ materially. Such factors include, but are not limited to: (i) the future performance, financial and otherwise, of 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 the Company's ability to provide its products or services; (vi) failure to comply with privacy laws and regulations that are extensive, open to various interpretations and complex to implement; (vii) growth and profitability prospects of the Company; (viii) the estimated size and growth prospects of the EIM market; (ix) the Company's competitive position in the EIM 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 its products and services in the EIM marketplace; (xii) financial condition and capital requirements of the Company; (xiii) system or network failures or information security breaches in connection with the Company's services and products; and (xiv) failure to attract and retain key personnel to develop and effectively manage the Company's business.

The risks and uncertainties that may affect forward-looking statements include, but are not limited to: (i) integration of acquisitions and related restructuring efforts, including the quantum of restructuring charges and the timing thereof; (ii) the potential for the incurrence of or assumption of debt in connection with acquisitions and the impact on the ratings or outlooks of rating agencies on the Company's outstanding debt securities; (iii) the possibility that the Company may be unable to meet its future reporting requirements under the Exchange Act and the rules promulgated thereunder or applicable Canadian securities regulation; (iv) the risks associated with bringing new products and services to market; (v) fluctuations in currency exchange rates (including as a result of the impact of the June 23, 2016 referendum in the United Kingdom whereby British citizens voted to exit the European Union (the so-called "Brexit")); (vi) delays in the purchasing decisions of the Company's customers; (vii) the competition the Company faces in its industry and/or marketplace; (viii) the final determination of litigation, tax audits (including tax examinations in the United States or elsewhere) and other legal proceedings; (ix) potential exposure to greater than anticipated tax liabilities or expenses, including with respect to changes in Canadian, U.S. or international tax regimes; (x) the possibility of technical, logistical or planning issues in connection with the deployment of the Company's products or services; (xi) the continuous commitment of the Company's customers; (xii) demand for the Company's products; (xiii) increase in exposure to international business risks (including as a result of the impact of Brexit) as the Company continues to increase its international operations; (xiv) inability to raise capital at all or on not unfavorable terms in the future; (xv) downward pressure on our share price and dilutive effect of the equity offering or future sales or issuances of equity securities (including in connection with the Acquisition and/or other future acquisitions); (xvi) potential changes in ratings or outlooks of rating agencies on the Company's outstanding debt securities; (xvii) the Company's ability to complete the Offering, the equity offering and/or other financing transactions to finance the Acquisition; and (xviii) successful closing of the Acquisition. For additional information with respect to risks and other factors which could occur, see the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and other securities filings with the SEC and other securities regulators. 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.

For more information, please contact:

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