

OPEN TEXT CORP
Form 10-Q
February 04, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2008.

OR

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

For the transition period from

to

Commission file number: 0-27544

OPEN TEXT CORPORATION
(Exact name of registrant as specified in its charter)

CANADA
(State or other jurisdiction of
incorporation or organization)

98-0154400
(IRS Employer
Identification No.)

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

Registrant's telephone number, including area code: (519) 888-7111
(Former name former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At January 26, 2009, there were 51,900,406 outstanding Common Shares of the registrant.

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CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands of U.S. Dollars, except share data)

	December 31, 2008 (unaudited)	June 30, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 172,870	\$ 254,916
Accounts receivable trade, net of allowance for doubtful accounts of \$4,128 as of December 31, 2008 and \$3,974 as of June 30, 2008 (note 9)	126,757	134,396
Inventory (note 4)	2,227	-
Income taxes recoverable (note 15)	6,655	16,763
Prepaid expenses and other current assets	12,029	10,544
Deferred tax assets (note 15)	16,604	13,455
Total current assets	337,142	430,074
Investments in marketable securities (note 3)	2,789	-
Capital assets (note 5)	40,163	43,582
Goodwill (note 6)	577,244	564,648
Acquired intangible assets (note 7)	383,325	281,824
Deferred tax assets (note 15)	62,305	59,881
Other assets (note 8)	9,656	10,491
Long-term income taxes recoverable (note 15)	40,776	44,176
Total assets	\$ 1,453,400	\$ 1,434,676
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (note 10)	\$ 123,715	\$ 99,035
Current portion of long-term debt (note 12)	3,412	3,486
Deferred revenues	169,858	176,967
Income taxes payable (note 15)	140	13,499
Deferred tax liabilities (note 15)	3,366	4,876
Total current liabilities	300,491	297,863
Long-term liabilities:		
Accrued liabilities (note 10)	21,718	20,513
Pension liability (note 11)	16,243	-
Long-term debt (note 12)	300,307	304,301
Deferred revenues	6,957	2,573
Long-term income taxes payable (note 15)	51,240	54,681
Deferred tax liabilities (note 15)	144,701	109,912
Total long-term liabilities	541,166	491,980
Minority interest (note 20)	-	8,672
Shareholders' equity:		
Share capital (note 13)		
51,887,209 and 51,151,666 Common Shares issued and outstanding at December 31, 2008 and June 30, 2008, respectively; Authorized Common Shares: unlimited	444,512	438,471

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Additional paid-in capital	48,441	39,330
Accumulated other comprehensive income	55,827	110,819
Retained earnings	62,963	47,541
Total shareholders' equity	611,743	636,161
Total liabilities and shareholders' equity	\$ 1,453,400	\$ 1,434,676
Commitments and contingencies (note 18)		

See accompanying Notes to Condensed Consolidated Financial Statements

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands of U.S. Dollars, except per share data)

(Unaudited)

	Three months ended December 31,		Six months ended December 31,	
	2008	2007	2008	2007
Revenues:				
License	\$ 64,852	\$ 55,158	\$ 114,926	\$ 99,418
Customer support	100,438	90,614	198,867	176,918
Service and other	42,361	36,762	76,481	70,165
Total revenues	207,651	182,534	390,274	346,501
Cost of revenues:				
License	5,281	4,649	8,174	8,203
Customer support	17,356	14,191	32,923	26,789
Service and other	31,881	30,192	59,610	57,696
Amortization of acquired technology-based intangible assets	11,799	10,308	22,546	20,460
Total cost of revenues	66,317	59,340	123,253	113,148
Gross profit	141,334	123,194	267,021	233,353
Operating expenses:				
Research and development	29,948	26,147	58,526	50,130
Sales and marketing	49,347	42,300	94,179	80,159
General and administrative	18,280	16,955	36,667	33,965
Depreciation	2,920	3,752	5,618	6,736
Amortization of acquired customer-based intangible assets	10,138	7,514	18,353	14,929
Special charges (recoveries) (note 19)	11,446	(47)	11,446	(108)
Total operating expenses	122,079	96,621	224,789	185,811
Income from operations	19,255	26,573	42,232	47,542
Other income (expense), net	(12,532)	(3,683)	(11,803)	(5,510)
Interest income (expense), net	(5,347)	(7,567)	(8,341)	(15,439)
Income before income taxes	1,376	15,323	22,088	26,593
Provision for income taxes (note 15)	683	4,511	6,615	7,854
Net income before minority interest	693	10,812	15,473	18,739
Minority interest (note 18)	(68)	127	51	254
Net income for the period	\$ 761	\$ 10,685	\$ 15,422	\$ 18,485
Net income per share—basic (note 14)	\$ 0.01	\$ 0.21	\$ 0.30	\$ 0.37
Net income per share—diluted (note 14)	\$ 0.01	\$ 0.20	\$ 0.29	\$ 0.35
Weighted average number of Common Shares outstanding—basic				
	51,873	50,736	51,586	50,511
Weighted average number of Common Shares outstanding—diluted				
	53,242	52,689	52,955	52,224

See accompanying Notes to Condensed Consolidated Financial Statements

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CONDENSED CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (DEFICIT)

(In thousands of U.S. Dollars)

(Unaudited)

	Three months ended December 31,		Six months ended December 31,	
	2008	2007	2008	2007
Retained earnings (deficit), beginning of period	\$ 62,202	\$ 2,335	\$ 47,541	\$ (5,465)
Net income	761	10,685	15,422	18,485
Retained earnings, end of period	\$ 62,963	\$ 13,020	\$ 62,963	\$ 13,020

See accompanying Notes to Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. Dollars)
(Unaudited)