OPEN TEXT CORP
Form 10-Q
April 28, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2015.

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	98-0154400
(State or other jurisdiction of incorporation or organization)	(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)

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 ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý 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 ý 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 ý

At April 27, 2015, there were 122,213,136 outstanding Common Shares of the registrant.

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

	March 31, 2015 (unaudited)	June 30, 2014
ASSETS		
Cash and cash equivalents	$613,177	$427,890
Short-term investments	19,029	—
Accounts receivable trade, net of allowance for doubtful accounts of $6,818 as of March 31, 2015 and $4,727 as of June 30, 2014 (note 3)	251,826	292,929
Income taxes recoverable (note 14)	20,543	24,648
Prepaid expenses and other current assets	53,563	42,053
Deferred tax assets (note 14)	35,936	28,215
Total current assets	994,074	815,735
Property and equipment (note 4)	155,129	142,261
Goodwill (note 5)	2,155,243	1,963,557
Acquired intangible assets (note 6)	730,673	725,318
Deferred tax assets (note 14)	149,570	156,712
Other assets (note 7)	84,223	52,041
Deferred charges (note 8)	41,043	52,376
Long-term income taxes recoverable (note 14)	8,587	10,638
Total assets	$4,318,542	$3,918,638
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (note 9)	$212,397	$231,954
Current portion of long-term debt (note 10)	15,802	62,582
Deferred revenues	364,728	332,664
Income taxes payable (note 14)	4,529	31,630
Deferred tax liabilities (note 14)	2,220	1,053
Total current liabilities	599,676	659,883
Long-term liabilities:		
Accrued liabilities (note 9)	30,802	41,999
Deferred credits (note 8)	14,089	17,529
Pension liability (note 11)	64,000	60,300
Long-term debt (note 10)	1,582,000	1,256,750
Deferred revenues	20,042	17,248
Long-term income taxes payable (note 14)	163,232	162,131
Deferred tax liabilities (note 14)	65,659	60,631
Total long-term liabilities	1,939,824	1,616,588
Shareholders' equity:		
Share capital (note 12)		
122,207,636 and 121,758,432 Common Shares issued and outstanding at March 31, 2015 and June 30, 2014, respectively; Authorized Common Shares: unlimited	806,532	792,834
Additional paid-in capital	120,246	112,398
Accumulated other comprehensive income	43,720	39,449
Retained earnings	818,666	716,317
Treasury stock, at cost (407,725 shares at March 31, 2015 and 763,278 at June 30, 2014, respectively)	(10,680)	(19,132)
Total OpenText shareholders' equity	1,778,484	1,641,866

Non-controlling interests	558	301
Total shareholders’ equity	1,779,042	1,642,167
Total liabilities and shareholders’ equity	$4,318,542	$3,918,638
Guarantees and contingencies (note 13)		
Related party transactions (note 21)		
Subsequent events (note 22)		

See accompanying Notes to Condensed Consolidated Financial Statements

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	2014	2015	2014
Revenues:				
License	$63,958	$73,083	198,397	$209,553
Cloud services	143,822	128,400	445,097	212,178
Customer support	184,335	180,290	547,707	523,155
Professional service and other	55,462	60,981	178,008	185,835
Total revenues	447,577	442,754	1,369,209	1,130,721
Cost of revenues:				
License	3,014	3,527	9,514	9,867
Cloud services	59,989	49,464	174,959	79,692
Customer support	24,092	25,206	71,252	71,785
Professional service and other	44,330	49,218	136,332	145,898
Amortization of acquired technology-based intangible assets (note 6)	22,136	17,147	58,548	51,712
Total cost of revenues	153,561	144,562	450,605	358,954
Gross profit	294,016	298,192	918,604	771,767
Operating expenses:				
Research and development	53,222	47,199	144,134	129,332
Sales and marketing	95,787	93,700	265,896	244,403
General and administrative	45,722	39,336	121,327	101,037
Depreciation	12,809	10,527	37,516	23,883
Amortization of acquired customer-based intangible assets (note 6)	28,250	24,679	79,498	54,388
Special charges (note 17)	5,622	15,902	4,032	25,901
Total operating expenses	241,412	231,343	652,403	578,944
Income from operations	52,604	66,849	266,201	192,823
Other income (expense), net	(9,550)	1,652	(28,737)	2,838
Interest and other related expense, net	(16,872)	(9,734)	(36,426)	(17,159)
Income before income taxes	26,182	58,767	201,038	178,502
Provision for (recovery of) income taxes (note 14)	(309)	12,971	35,401	48,576
Net income for the period	$26,491	$45,796	$165,637	$129,926
Net (income) loss attributable to non-controlling interests	119	88	(114)	88
Net income attributable to OpenText	$26,610	$45,884	$165,523	$130,014
Earnings per share—basic attributable to OpenText (note 20)	$0.22	$0.38	$1.36	$1.09
Earnings per share—diluted attributable to OpenText (note 20)	$0.22	$0.38	$1.35	$1.08
Weighted average number of Common Shares outstanding—basic	122,158	120,873	122,042	119,048
Weighted average number of Common Shares outstanding—diluted	123,054	122,100	122,980	120,031
Dividends declared per Common Share	$0.1725	$0.1500	$0.5175	$0.4500

See accompanying Notes to Condensed Consolidated Financial Statements

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	2014	2015	2014
Net income for the period	$ 26,491	$ 45,796	$ 165,637	$ 129,926
Other comprehensive income—net of tax:				
Net foreign currency translation adjustments	9,280	(1,087)	17,626	(733)
Unrealized gain (loss) on cash flow hedges:				
Unrealized gain (loss)	(2,801)	(1,604)	(7,017)	(1,517)
Loss reclassified into net income	2,488	1,237	3,485	2,410
Actuarial gain (loss) relating to defined benefit pension plans:				
Actuarial gain (loss)	(3,052)	(1,808)	(10,107)	(781)
Amortization of actuarial loss into net income	75	74	280	220
Unrealized gain on short-term investments	4	—	4	—
Unrealized gain on marketable securities (Actuate)	—	—	1,906	—
Release of unrealized gain on marketable securities (Actuate)	(1,906)	—	(1,906)	—
Total other comprehensive income (loss), net, for the period	4,088	(3,188)	4,271	(401)
Total comprehensive income	30,579	42,608	169,908	129,525
Comprehensive income attributable to non-controlling interests	119	88	(114)	88
Total comprehensive income attributable to OpenText	$ 30,698	$ 42,696	$ 169,794	$ 129,613

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

	Nine Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net income for the period	$165,637	$129,926
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of intangible assets	175,562	129,983
Share-based compensation expense	15,940	15,707
Excess tax benefits on share-based compensation expense	(1,611)	(1,675)
Pension expense	3,602	1,964
Amortization of debt issuance costs	3,410	2,060
Amortization of deferred charges and credits	7,893	8,640
Loss on sale and write down of property and equipment	118	15
Deferred taxes	(4,037)	(4,203)
Release of unrealized gain on marketable securities to income	(3,098)	—
Write off of unamortized debt issuance costs	2,919	—
Changes in operating assets and liabilities:		
Accounts receivable	76,560	19,129
Prepaid expenses and other current assets	(4,001)	(18,625)
Income taxes	1,354	5,578
Deferred charges and credits	—	9,870
Accounts payable and accrued liabilities	(53,747)	(32,878)
Deferred revenue	6,705	20,022
Other assets	(1,992)	(3,300)
Net cash provided by operating activities	391,214	282,213
Cash flows from investing activities:		
Additions of property and equipment	(60,586)	(28,443)
Proceeds from maturity of short-term investments	7,092	—
Purchase of patents	—	(192)
Purchase of Actuate Corporation, net of cash acquired	(291,768)	—
Purchase of Informative Graphics Corporation, net of cash acquired	(35,180)	—
Purchase of GXS Group, Inc., net of cash acquired	—	(1,077,671)
Purchase of Cordys Holding B.V., net of cash acquired	—	(30,588)
Purchase of a division of Spicer Corporation	(222)	—
Purchase consideration for prior period acquisitions	(590)	(665)
Other investing activities	(8,915)	(2,547)
Net cash used in investing activities	(390,169)	(1,140,106)
Cash flows from financing activities:		
Excess tax benefits on share-based compensation expense	1,611	1,675
Proceeds from issuance of Common Shares	12,827	19,718
Equity issuance costs	—	(144)
Purchase of Treasury Stock	(1,251)	(1,275)
Proceeds from long-term debt	800,000	800,000
Repayment of long-term debt	(520,485)	(32,499)
Debt issuance costs	(18,076)	(16,032)
Payments of dividends to shareholders	(63,174)	(53,692)

Net cash used in financing activities	211,452	717,751
Foreign exchange gain (loss) on cash held in foreign currencies	(27,210)	5,768
Increase (decrease) in cash and cash equivalents during the period	185,287	(134,374)
Cash and cash equivalents at beginning of the period	427,890	470,445
Cash and cash equivalents at end of the period	$613,177	$336,071

Supplementary cash flow disclosures (note 19)

See accompanying Notes to Condensed Consolidated Financial Statements

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OPEN TEXT CORPORATION
UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Nine Months Ended March 31, 2015
(Tabular amounts in thousands, except share and per share data)

NOTE 1—BASIS OF PRESENTATION

The accompanying Condensed Consolidated Financial Statements include the accounts of Open Text Corporation and our wholly-owned and majority-owned subsidiaries, collectively referred to as "OpenText" or the "Company". Our majority owned subsidiaries include Open Text South Africa Proprietary Ltd. (OT South Africa), GXS, Inc. (GXS Korea) and EC1 Pte. Ltd. (GXS Singapore), which as of March 31, 2015, were 90%, 85% and 81% owned, respectively, by OpenText.

Throughout this Quarterly Report on Form 10-Q: (i) the term “Fiscal 2015” means our fiscal year beginning on July 1, 2014 and ending June 30, 2015; (ii) the term “Fiscal 2014” means our fiscal year beginning on July 1, 2013 and ending June 30, 2014; (iii) the term “Fiscal 2013” means our fiscal year beginning on July 1, 2012 and ending June 30, 2013; and (iv) the term “Fiscal 2012” means our fiscal year beginning on July 1, 2011 and ending June 30, 2012.

These Condensed Consolidated Financial Statements are expressed in U.S. dollars and are prepared in accordance with United States generally accepted accounting principles (U.S. GAAP). The information furnished reflects all adjustments necessary for a fair presentation of the results for the periods presented and includes the financial results of Informative Graphics Corporation (IGC), with effect from January 2, 2015, and Actuate Corporation (Actuate), with effect from January 16, 2015 (see note 18).

Use of estimates

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

Reclassifications

Certain prior year balances have been reclassified to conform to the current year's presentation. Such reclassifications were not considered material and did not affect our consolidated total revenues, consolidated income from operations or consolidated net income.

NOTE 2—ACCOUNTING POLICIES UPDATE AND RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Policy Updates

Short-Term Investments

In accordance with Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) Topic 320 "Investments - Debt and Equity Securities" (Topic 320) related to accounting for certain investments in debt and equity securities, and based on our intentions regarding these instruments, we classify our marketable securities as available for sale and account for these investments at fair value. Marketable securities consist primarily of high quality debt securities with original maturities over 90 days, and may include corporate notes, United States government agency notes and municipal notes.

Recent Accounting Pronouncements

Presentation of Debt Issuance Costs

In April 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-03 "Simplifying the Presentation of Debt Issuance Costs" (ASU 2015-03). This update amended the ASC Subtopic 835-30, "Interest - Imputation of Interest" to simplify the presentation of debt issuance costs by requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. ASU 2015-03 is effective for our fiscal year ending June 30, 2017, with early adoption permitted. We believe the pending adoption of ASU 2015-03 will not have a material impact on our consolidated financial statements.

Disclosure of Going Concern Uncertainties:

In August 2014, the FASB issued ASU No. 2014-15 "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" (ASU 2014-15). ASU 2014-15 provides guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and about related footnote disclosures. For each reporting period, management will be required to evaluate whether there are conditions or events that raise substantial doubt about a company's ability to continue as a going concern within one year from the date the financial statements are issued. ASU 2014-15 is effective for our fiscal year ending June 30, 2017, with early adoption permitted. We do not believe the pending adoption of ASU 2014-15 will have a material impact on our consolidated financial statements.

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers: Topic 606” (ASU 2014-09). This update supersedes the revenue recognition requirements in ASC Topic 605, "Revenue Recognition" and nearly all other existing revenue recognition guidance under U.S. GAAP. The core principal of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 identifies five steps to be followed to achieve this core principal, which includes (i) identifying contract(s) with customers, (ii) identifying performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the performance obligations in the contract(s) and (v) recognizing revenue when (or as) the entity satisfies a performance obligation. On April 1, 2015 the FASB voted to defer the effective date of ASU 2014-09 for one year. ASU 2014-09 is now effective for us in the first quarter of our fiscal year ending June 30, 2019. Early adoption is not permitted. When applying ASU 2014-09 we can either apply the amendments: (i) retrospectively to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09 or (ii) retrospectively with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined within ASU 2014-09. We are currently evaluating the impact of the pending adoption of ASU 2014-09 on our consolidated financial statements.

NOTE 3—ALLOWANCE FOR DOUBTFUL ACCOUNTS

Balance as of June 30, 2014	$4,727	
Bad debt expense	4,685	
Write-off /adjustments	(2,594	)
Balance as of March 31, 2015	$6,818	

Included in accounts receivable are unbilled receivables in the amount of $25.0 million as of March 31, 2015 (June 30, 2014—$41.7 million).

NOTE 4—PROPERTY AND EQUIPMENT

	As of March 31, 2015		
	Cost	Accumulated Depreciation	Net
Furniture and fixtures	$17,468	$(10,655)	$6,813
Office equipment	1,540	(826)	714
Computer hardware	106,558	(67,192)	39,366
Computer software	31,996	(15,664)	16,332
Capitalized software development costs	34,797	(5,478)	29,319
Leasehold improvements	50,084	(28,110)	21,974
Land and buildings	47,481	(6,870)	40,611
Total	$289,924	$(134,795)	$155,129

	As of June 30, 2014		
	Cost	Accumulated Depreciation	Net
Furniture and fixtures	$16,089	$(8,856)	$7,233
Office equipment	1,573	(869)	704
Computer hardware	90,469	(55,433)	35,036
Computer software	28,556	(10,656)	17,900
Capitalized software development costs	19,965	(1,542)	18,423
Leasehold improvements	45,934	(24,251)	21,683
Land and buildings	47,149	(5,867)	41,282
Total	$249,735	$(107,474)	$142,261

NOTE 5—GOODWILL

Goodwill is recorded when the consideration paid for an acquisition of a business exceeds the fair value of identifiable net tangible and intangible assets. The following table summarizes the changes in goodwill since June 30, 2014:

Balance as of June 30, 2014	$1,963,557
Acquisition of GXS Group, Inc. (note 18)	(23,475)
Acquisition of Informative Graphics Corporation (note 18)	24,295
Acquisition of Actuate Corporation (note 18)	190,644
Adjustments relating to prior acquisitions	222
Balance as of March 31, 2015	$2,155,243

NOTE 6—ACQUIRED INTANGIBLE ASSETS

	As of March 31, 2015		
	Cost	Accumulated Amortization	Net
Technology Assets	$768,714	$(528,398)	$240,316
Customer Assets	929,060	(438,703)	490,357
Total	$1,697,774	$(967,101)	$730,673

	As of June 30, 2014		
	Cost	Accumulated Amortization	Net
Technology Assets	$699,206	$(473,043)	$226,163
Customer Assets	874,257	(375,102)	499,155
Total	$1,573,463	$(848,145)	$725,318

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

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

	Fiscal years ending June 30,
2015 (three months ended June 30)	$51,197
2016	181,453
2017	164,266
2018	151,573
2019 and beyond	182,184
Total	$730,673

NOTE 7—OTHER ASSETS

	As of March 31, 2015	As of June 30, 2014
Debt issuance costs	$31,580	$19,834
Deposits and restricted cash	12,335	14,251
Deferred implementation costs	9,911	5,409
Cost basis investments	9,724	7,276
Marketable securities	11,182	—
Long-term prepaid expenses and other long-term assets	9,491	5,271
Total	$84,223	$52,041

Debt issuance costs relate primarily to costs incurred for the purpose of obtaining our credit facilities and the Senior Notes (as defined in note 10 below), and are being amortized over the respective terms of the debt agreements. During the three and nine months ended March 31, 2015 we wrote off $2.9 million, respectively, of unamortized debt issuance costs associated with the repayment of Term Loan A (see note 10).

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

Deferred implementation costs relate to deferred direct and relevant costs on implementation of long-term contracts, to the extent such costs can be recovered through guaranteed contract revenues.

Marketable securities are classified as available for sale securities and are recorded on our Condensed Consolidated Balance Sheets at fair value with unrealized gains or losses reported as a separate component of Accumulated Other Comprehensive Income.

Cost basis investments relate to investments for which the Company holds less than a 20% interest, is a limited partner and does not exert significant influence over operational or investment decisions.

Long-term prepaid expenses and other long-term assets primarily relate to advance payments on long-term licenses that are being amortized over the applicable terms of the licenses.

NOTE 8—DEFERRED CHARGES AND CREDITS

Deferred charges and credits relate to cash taxes payable and the elimination of deferred tax balances relating to legal entity consolidations completed as part of internal reorganizations of our international subsidiaries. Deferred charges and credits are amortized to income tax expense over a period of 6 to 15 years.

NOTE 9—ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Current liabilities

Accounts payable and accrued liabilities are comprised of the following:

	As of March 31, 2015	As of June 30, 2014
Accounts payable—trade	$18,003	$16,025
Accrued salaries and commissions	68,550	80,991
Accrued liabilities	106,651	121,558
Accrued interest on the Senior Notes	9,375	—
Amounts payable in respect of restructuring and other Special charges (note 17)	8,438	11,694
Asset retirement obligations	1,380	1,686
Total	$212,397	$231,954

Long-term accrued liabilities

	As of March 31, 2015	As of June 30, 2014
Amounts payable in respect of restructuring and other Special charges (note 17)	$1,115	$4,531
Other accrued liabilities*	22,397	29,331
Asset retirement obligations	7,290	8,137
Total	$30,802	$41,999

* Other accrued liabilities consist primarily of tenant allowances, deferred rent and lease fair value adjustments relating to certain facilities acquired through business acquisitions.

Asset retirement obligations

We are required to return certain of our leased facilities to their original state at the conclusion of our lease. We have accounted for such obligations in accordance with ASC Topic 410 “Asset Retirement and Environmental Obligations” (Topic 410). As of March 31, 2015, the present value of this obligation was $8.7 million (June 30, 2014—$9.8 million), with an undiscounted value of $9.2 million (June 30, 2014—$10.4 million).

NOTE 10—LONG-TERM DEBT

Long-term debt

Long-term debt is comprised of the following:

	As of March 31, 2015	As of June 30, 2014
Total debt		
Senior Notes	$800,000	$—
Term Loan A	—	513,750
Term Loan B	790,000	796,000
Mortgage	7,802	9,582
	1,597,802	1,319,332
Less:		
Current portion of long-term debt		
Term Loan A	—	45,000
Term Loan B	8,000	8,000
Mortgage	7,802	9,582
	15,802	62,582
Non-current portion of long-term debt	$1,582,000	$1,256,750

Senior Unsecured Fixed Rate Notes

On January 15, 2015, we issued $800.0 million in aggregate principal amount of our 5.625% Senior Notes due 2023 (the Senior Notes) in a private placement to initial purchasers in connection with offerings pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended. The Senior Notes bear interest at a rate of 5.625% per annum and are payable semi-annually in arrears on January 15 and July 15, commencing on July 15, 2015. The Senior Notes will mature on January 15, 2023, unless earlier redeemed, in accordance with their terms, or repurchased.

For the three and nine months ended March 31, 2015, we recorded interest expense of $9.4 million, respectively, relating to the Senior Notes.

Term Loan A and Revolver

Prior to January 15, 2015, one of our credit facilities consisted of a $600 million term loan facility (Term Loan A) and a $300 million committed revolving credit facility (the Revolver and, together with Term Loan A, defined as the 2011 Credit Agreement).

On January 15, 2015, concurrently with the closing of the offering of the Senior Notes, we used a portion of the net proceeds from the offering of the Senior Notes to repay in full, the outstanding balance of Term Loan A.

Term Loan A had a five year term and repayments made under Term Loan A were equal to 1.25% of the original principal amount at each quarter for the first 2 years, approximately 1.88% for years 3 and 4 and 2.5% for year 5. Term Loan A bore interest at a floating rate of LIBOR plus a fixed amount, depending on our consolidated leverage ratio. Prior to the repayment of Term Loan A, the fixed amount was 2.5%.

For the three and nine months ended March 31, 2015, we recorded interest expense of $0.6 million and $7.7 million, respectively, relating to Term Loan A (three and nine months ended March 31, 2014—$3.2 million and $10.1 million, respectively).

On January 15, 2015, concurrently with the closing of the offering of the Senior Notes and effective upon the repayment in full of Term Loan A with a portion of the net proceeds of the offering, the 2011 Credit Agreement was amended and restated as described in the second amendment to the 2011 Credit Agreement to, among other things, remove the provisions related to Term Loan A and modify certain provisions related to the incurrence of debt and liens and the making of acquisitions, investments and restricted payments, replace the covenants to maintain a "consolidated leverage" ratio of no more than 3:1 and a "consolidated interest coverage" ratio of 3:1 or more with a covenant to maintain a "consolidated net leverage" ratio of no more than 4:1, and make other changes, in each case, generally to conform with Term Loan B, as further described below.

Borrowings under the Revolver are secured by a first charge over substantially all of our assets, and as of January 16, 2014, on a pari passu basis with Term Loan B (as defined below). As part of the second amendment to the 2011 Credit Agreement, the commitments available under the Revolver was increased to $300 million from $100 million. The Revolver

will mature on December 22, 2019 with no fixed repayment date prior to the end of the term. As of March 31, 2015, we have not drawn any amounts on the Revolver.

Term Loan B

In connection with the acquisition of GXS Group, Inc. (GXS), on January 16, 2014, we entered into a credit facility, which provides for a $800 million term loan facility (Term Loan B).

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. We entered into Term Loan B and borrowed the full amount on January 16, 2014.

Term Loan B has a seven year term and repayments made under Term Loan B are equal to 0.25% of the original principal amount in equal quarterly installments for the life of Term Loan B, with the remainder due at maturity.

Borrowings under Term Loan B currently bear a floating rate of interest at a rate per annum equal to 2.5% plus the higher of LIBOR or 0.75%.

For the three and nine months ended March 31, 2015, we recorded interest expense of $6.4 million and $19.6 million, respectively, relating to Term Loan B (three and nine months ended March 31, 2014—$5.3 million, respectively).

Mortgage

We currently have an "open" mortgage with a Canadian bank where we can pay all or a portion of the mortgage on or before August 1, 2015. The original principal amount of the mortgage was Canadian $15.0 million and interest accrues monthly at a variable rate of Canadian prime plus 0.50%. Principal and interest are payable in monthly installments of approximately Canadian $0.1 million with a final lump sum principal payment due on maturity. The mortgage is secured by a lien on our headquarters in Waterloo, Ontario, Canada. We first entered into this mortgage in December 2005.

As of March 31, 2015, the carrying value of the mortgage was approximately $7.8 million (June 30, 2014—$9.6 million).

As of March 31, 2015, the carrying value of the Waterloo building that secures the mortgage was $15.5 million (June 30, 2014—$15.6 million).

For the three and nine months ended March 31, 2015, we recorded interest expense of approximately $0.1 million and $0.3 million, respectively, relating to the mortgage (three and nine months ended March 31, 2014—$0.1 million and $0.3 million, respectively).

NOTE 11—PENSION PLANS AND OTHER POST RETIREMENT BENEFITS

The following table provides details of our defined benefit pension plans and long-term employee benefit obligations for Open Text Document Technologies GmbH (CDT), GXS GmbH (GXS GER) and GXS Philippines, Inc. (GXS PHP) as of March 31, 2015 and June 30, 2014:

	As of March 31, 2015		
	Total benefit obligation	Current portion of benefit obligation*	Non-current portion of benefit obligation
CDT defined benefit plan	$29,851	$547	$ 29,304
GXS Germany defined benefit plan	26,485	767	25,718
GXS Philippines defined benefit plan	6,446	25	6,421
Other plans	2,660	103	2,557
Total	$65,442	$1,442	$ 64,000

	As of June 30, 2014		
	Total benefit obligation	Current portion of benefit obligation*	Non-current portion of benefit obligation
CDT defined benefit plan	$29,344	$634	$ 28,710
GXS Germany defined benefit plan	24,182	917	23,265
GXS Philippines defined benefit plan	5,276	—	5,276
Other plans	3,148	99	3,049
Total	$61,950	$1,650	$ 60,300

* The current portion of the benefit obligation has been included within "Accounts payable and accrued liabilities" in the Condensed Consolidated Balance Sheets.

Defined Benefit Plans

CDT Plan

CDT sponsors an unfunded defined benefit pension plan covering substantially all CDT employees (CDT pension plan) which provides for old age, disability and survivors' benefits. Benefits under the CDT pension plan are generally based on age at retirement, years of service and the employee's annual earnings. The net periodic cost of this pension plan is determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and estimated service costs. No contributions have been made since the inception of the plan. Actuarial gains or losses in excess of 10% of the projected benefit obligation are being amortized and recognized as a component of net periodic benefit costs over the average remaining service period of the plan's active employees. As of March 31, 2015, there is approximately $0.1 million in accumulated other comprehensive income related to the CDT pension plan that is expected to be recognized as a component of net periodic benefit costs over the next fiscal year.

GXS Germany Plan

As part of our acquisition of GXS, we acquired an unfunded defined benefit pension plan covering certain German employees which provides for old age, disability and survivors' benefits. The GXS GER plan has been closed to new participants since 2006. Benefits under the GXS GER plan are generally based on a participant's remuneration, date of hire, years of eligible service and age at retirement. The net periodic cost of this pension plan is determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and estimated service costs. No contributions have been made since the inception of the plan. If actuarial gains or losses are in excess of 10% of the projected benefit obligation, such gains or losses will be amortized and recognized as a component of net periodic benefit costs over the average remaining service period of the plan's active employees. All information presented below for the GXS GER plan is presented for the period indicated, starting on January 16, 2014, when such plan was assumed by us with the acquisition of GXS.

GXS Philippines Plan

As part of our acquisition of GXS, we acquired a primarily unfunded defined benefit pension plan covering substantially all of the GXS Philippines employees which provides for retirement, disability and survivors' benefits. Benefits under the GXS PHP plan are generally based on a participant's remuneration, years of eligible service and age at retirement. The net periodic cost of this pension plan is determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and estimated service costs. Aside from an initial contribution which had a fair value of approximately $36.0 thousand as of March 31, 2015, no additional contributions have been made since the inception of the plan. If actuarial gains or losses are in excess of 10% of the projected benefit obligation, such gains or losses will be amortized and recognized as a component of net periodic benefit costs over the average remaining service period of the plan's active employees. All information presented below for the GXS PHP plan is presented for the period indicated, starting on January 16, 2014, when such plan was assumed by us with the acquisition of GXS.

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

	As of March 31, 2015				As of June 30, 2014			
	CDT	GXS GER	GXS PHP	Total	CDT	GXS GER	GXS PHP	Total
Benefit obligation—beginning of period	$29,344	$24,182	$5,276	$58,802	$23,871	$23,637 *	$5,182 *	$52,690
Service cost	344	257	1,113	1,714	458	173	724	1,355
Interest cost	560	497	208	1,265	877	408	125	1,410
Benefits paid	(378)	(604)	(47)	(1,029)	(522)	(461)	(66)	(1,049)
Actuarial (gain) loss	6,508	7,611	27	14,146	3,595	452	(818)	3,229
Foreign exchange (gain) loss	(6,527)	(5,458)	(131)	(12,116)	1,065	(27)	129	1,167
Benefit obligation—end of period	29,851	26,485	6,446	62,782	29,344	24,182	5,276	58,802
Less: Current portion	(547)	(767)	(25)	(1,339)	(634)	(917)	—	(1,551)

Non-current portion of benefit obligation	$29,304	$25,718	$6,421	$61,443	$28,710	$23,265	$5,276	$57,251

* Beginning benefit obligation as of January 16, 2014.

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

	Three Months Ended March 31,							
	2015				2014			
	CDT	GXS GER	GXS PHP	Total	CDT	GXS GER	GXS PHP	Total
Pension expense:								
Service cost	$104	$100	$416	$620	$116	$87	$358	$561
Interest cost	170	125	73	368	222	206	62	490
Amortization of actuarial gains and losses	93	—	—	93	70	—	—	70
Net pension expense	$367	$225	$489	$1,081	$408	$293	$420	$1,121

	Nine Months Ended March 31,							
	2015				2014			
	CDT	GXS GER	GXS PHP	Total	CDT	GXS GER	GXS PHP	Total
Pension expense:								
Service cost	$344	$257	$1,113	$1,714	$344	$87	$358	$789
Interest cost	560	497	208	1,265	658	206		