

OPEN TEXT CORP
Form 10-Q
May 07, 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 March 31, 2009.

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 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

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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 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 April 20, 2009, there were 52,622,018 outstanding Common Shares of the registrant.

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CONDENSED CONSOLIDATED BALANCE SHEETS

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

	March 31, 2009	June 30, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 237,048	\$ 254,916
Accounts receivable trade, net of allowance for doubtful accounts of \$3,784 as of March 31, 2009 and \$3,974 as of June 30, 2008 (note 9)	111,731	134,396
Inventory (note 4)	1,939	-
Income taxes recoverable (note 16)	6,895	16,763
Prepaid expenses and other current assets	14,401	10,544
Deferred tax assets (note 16)	16,838	13,455
Total current assets	388,852	430,074
Investments in marketable securities (note 3)	6,656	-
Capital assets (note 5)	39,202	43,582
Goodwill (note 6)	564,018	564,648
Acquired intangible assets (note 7)	354,743	281,824
Deferred tax assets (note 16)	61,339	59,881
Other assets (note 8)	11,245	10,491
Long-term income taxes recoverable (note 16)	41,073	44,176
Total assets	\$ 1,467,128	\$ 1,434,676
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (note 10)	\$ 116,372	\$ 99,035
Current portion of long-term debt (note 12)	3,407	3,486
Deferred revenues	193,676	176,967
Income taxes payable (note 16)	1,705	13,499
Deferred tax liabilities (note 16)	3,315	4,876
Total current liabilities	318,475	297,863
Long-term liabilities:		
Accrued liabilities (note 10)	19,984	20,513
Pension liability (note 11)	15,790	-
Long-term debt (note 12)	299,174	304,301
Deferred revenues	7,305	2,573
Long-term income taxes payable (note 16)	51,472	54,681
Deferred tax liabilities (note 16)	136,776	109,912
Total long-term liabilities	530,501	491,980
Minority interest	-	8,672
Shareholders' equity:		
Share capital (note 14)		
52,618,018 and 51,151,666 Common Shares issued and outstanding at March 31, 2009 and June 30, 2008, respectively; Authorized Common Shares: unlimited	456,278	438,471

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Additional paid-in capital	50,991	39,330
Accumulated other comprehensive income	25,885	110,819
Retained earnings	84,998	47,541
Total shareholders' equity	618,152	636,161
Total liabilities and shareholders' equity	\$ 1,467,128	\$ 1,434,676
Guarantees and contingencies (note 18)		
Subsequent events (note 21)		

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 March 31,		Nine months ended March 31,	
	2009	2008	2009	2008
Revenues:				
License	\$ 51,919	\$ 51,534	\$ 166,845	\$ 150,952
Customer support	101,949	91,606	300,816	268,524
Service and other	38,167	35,622	114,648	105,787
Total revenues	192,035	178,762	582,309	525,263
Cost of revenues:				
License	4,496	3,093	12,670	11,296
Customer support	17,304	14,292	50,227	41,081
Service and other	30,288	28,856	89,898	86,552
Amortization of acquired technology-based intangible assets	11,625	10,440	34,171	30,900
Total cost of revenues	63,713	56,681	186,966	169,829
Gross profit	128,322	122,081	395,343	355,434
Operating expenses:				
Research and development	28,809	27,990	87,335	78,120
Sales and marketing	44,426	41,307	138,605	121,466
General and administrative	17,937	18,268	54,604	52,233
Depreciation	3,229	2,909	8,847	9,645
Amortization of acquired customer-based intangible assets	11,176	8,077	29,529	23,006
Special charges (recoveries) (note 19)	1,788	(14)	13,234	(122)
Total operating expenses	107,365	98,537	332,154	284,348
Income from operations	20,957	23,544	63,189	71,086
Other income (expense), net	11,655	(6,831)	(148)	(12,341)
Interest expense, net	(2,431)	(6,684)	(10,772)	(22,123)
Income before income taxes	30,181	10,029	52,269	36,622
Provision for income taxes (note 16)	8,146	2,594	14,761	10,448
Net income before minority interest	22,035	7,435	37,508	26,174
Minority interest	-	168	51	422
Net income for the period	\$ 22,035	\$ 7,267	\$ 37,457	\$ 25,752
Net income per share—basic (note 15)	\$ 0.42	\$ 0.14	\$ 0.72	\$ 0.51
Net income per share—diluted (note 15)	\$ 0.41	\$ 0.14	\$ 0.71	\$ 0.49
Weighted average number of Common Shares outstanding—basic				
	52,312	50,979	51,825	50,666
Weighted average number of Common Shares outstanding—diluted				
	53,441	52,789	53,122	52,424

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		Nine months ended	
	March 31,		March 31,	
	2009	2008	2009	2008
Retained earnings (deficit), beginning of period	\$ 62,963	\$ 13,020	\$ 47,541	\$ (5,465)
Net income	22,035	7,267	37,457	25,752
Retained earnings, end of period	\$ 84,998	\$ 20,287	\$ 84,998	\$ 20,287

See accompanying Notes to Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of U.S. Dollars)

(Unaudited)

	Nine months ended March 31,	
	2009	2008
Cash flows from operating activities:		
Net income for the period	\$ 37,457	\$ 25,752
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	72,547	63,551
In-process research and development	121	500
Share-based compensation expense	3,957	2,795
Employee long-term incentive plan	2,396	