

OPEN TEXT CORP. NDQ-OTEX

RECENT PRICE **34.34** P/E RATIO **27.3** (Trailing: 48.4 Median: 26.0) RELATIVE P/E RATIO **1.48** DIV'D YLD **1.5%**

VALUE LINE

TIMELINESS 3 Lowered 12/1/17	High: 9.1 9.8 10.4 12.7 18.1 15.7 23.3 30.2 30.9 33.4 35.8 40.3	Target Price Range 2021 2022 2023
SAFETY 3 New 2/1/02	Low: 4.4 5.5 7.2 9.0 11.4 11.2 13.4 22.0 18.3 21.0 30.6 33.2	120
TECHNICAL 3 Lowered 2/9/18	LEGENDS 22.0 x "Cash Flow" p sh ... Relative Price Strength 2-for-1 split 2/14 2-for-1 split 1/17 Options: Yes Shaded area indicates recession	100
BETA 90 (1.00 = Market)		80
2021-23 PROJECTIONS		64
Ann'l Total		48
Price Gain Return		32
High 65 (+90%) 19%		24
Low 45 (+30%) 9%		20
Insider Decisions		16
J J A S O N D J F		12
to Buy 0 0 0 0 0 0 0 0 0 0 0 0		8
Options to Buy 0 0 0 0 0 0 0 0 0 0 0 0		
Options to Sell 0 0 0 0 0 0 0 0 0 0 0 0		
Institutional Decisions		
2Q2017 3Q2017 4Q2017	Percent shares traded 45 30 15	
to Buy 112 121 88		
to Sell 115 100 99		
Hld's(000) 176353 177632 189409		

Open Text was founded in 1991 at the University of Waterloo as part of a project to index and update the Oxford English Dictionary for online use. In 1995, the company shifted its focus from search engines to intranet-based collaboration tools. Open Text went public on January 23, 1996, selling 9.2 million shares at \$7.50 each (adjusted for split) through Montgomery Securities.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	© VALUE LINE PUB. LLC	21-23
Revenues per sh ^A	3.55	3.73	4.01	4.55	5.17	5.77	6.67	7.57	7.55	8.71	10.70	11.10	Revenues per sh ^A	13.85
"Cash Flow" per sh	.32	.33	.46	.64	.63	.73	1.04	1.17	1.41	.85	1.45	1.65	"Cash Flow" per sh	2.50
Earnings per sh ^{AB}	.25	.27	.38	.53	.53	.63	.91	.96	1.17	.62	1.20	1.40	Earnings per sh ^{AB}	2.20
Div'ds Decl'd per sh ^E	--	--	--	--	--	.08	.31	.36	.42	.48	.55	.62	Div'ds Decl'd per sh ^E	.88
Cap'l Spending per sh	.03	.06	.09	.16	.11	.10	.17	.32	.29	.30	.35	.35	Cap'l Spending per sh	.35
Book Value per sh ^C	3.11	3.26	3.90	4.57	5.05	5.66	6.74	7.48	8.19	13.43	14.00	14.45	Book Value per sh ^C	15.85
Common Shs Outst'g ^D	204.61	210.87	227.30	227.30	233.44	236.12	243.52	244.59	241.54	262.96	264.00	263.00	Common Shs Outst'g ^D	260.00
Avg Ann'l P/E Ratio	29.7	29.7	26.9	24.1	26.2	22.7	23.8	28.2	20.9	NMF	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	25.0
Relative P/E Ratio	1.79	1.98	1.71	1.51	1.67	1.28	1.25	1.42	1.10	NMF			Relative P/E Ratio	1.40
Avg Ann'l Div'd Yield	--	--	--	--	--	.5%	1.4%	1.3%	1.7%	1.5%			Avg Ann'l Div'd Yield	1.6%
Revenues (\$mill) ^A	725.5	785.7	912.0	1033.3	1207.5	1363.3	1624.7	1851.9	1824.2	2291.1	2825	2925	Revenues (\$mill) ^A	3600
Operating Margin	15.5%	13.9%	13.7%	16.7%	14.2%	16.3%	20.7%	28.1%	31.3%	27.6%	23.0%	24.0%	Operating Margin	26.0%
Depreciation (\$mill)	12.0	12.0	17.4	22.1	21.6	24.5	35.2	50.9	54.9	64.3	70.0	72.5	Depreciation (\$mill)	75.0
Net Profit (\$mill)	53.0	56.9	87.6	123.2	125.2	148.5	218.1	234.3	284.5	159.3	320	370	Net Profit (\$mill)	575
Income Tax Rate	30.1%	29.4%	1.5%	7.1%	8.9%	16.7%	21.1%	11.9%	2.2%	36.1%	23.0%	21.0%	Income Tax Rate	21.0%
Net Profit Margin	7.3%	7.2%	9.6%	11.9%	10.4%	10.9%	13.4%	12.7%	15.6%	7.0%	11.3%	12.6%	Net Profit Margin	15.9%
Working Cap'l (\$mill)	132.2	116.2	116.7	99.8	312.8	189.2	155.8	475.0	1001.3	d123.5	250	700	Working Cap'l (\$mill)	1250
Long-Term Debt (\$mill)	304.3	299.2	285.0	282.0	555.0	513.8	1256.8	1580.0	2138.0	2387.1	2400	2375	Long-Term Debt (\$mill)	2350
Shr. Equity (\$mill) ^C	636.2	686.5	886.2	1039.4	1179.4	1337.2	1642.2	1829.3	1978.7	3532.4	3700	3800	Shr. Equity (\$mill) ^C	4125
Return on Total Cap'l	6.8%	6.5%	7.9%	9.7%	7.6%	8.4%	8.0%	7.7%	7.8%	3.7%	6.5%	7.0%	Return on Total Cap'l	10.0%
Return on Shr. Equity	8.3%	8.3%	9.9%	11.9%	10.6%	11.1%	13.3%	12.8%	14.4%	4.5%	8.5%	9.5%	Return on Shr. Equity	14.0%
Retained to Com Eq	8.3%	8.3%	9.9%	11.9%	10.6%	9.8%	8.7%	8.0%	9.4%	1.1%	4.5%	5.5%	Retained to Com Eq	8.5%
All Div'ds to Net Prof	--	--	--	--	--	12%	34%	37%	35%	76%	46%	44%	All Div'ds to Net Prof	40%

CAPITAL STRUCTURE as of 12/31/17
 Total Debt \$2768.5 mill. Due in 5 Yrs. \$954.0 mill.
 LT Debt \$2385.7 mill. LT Interest \$130.0 mill.
 (40% of Cap'l)
 Leases, Uncapitalized Annual rentals \$67.0 mill.

Pension Assets-6/17 Nil
 Oblig. \$60.3 mill.

Common Stock 264,911,346 shs.

MARKET CAP: \$9.1 billion (Large Cap)

CURRENT POSITION	2016	2017	12/31/17 (\$MILL.)
Cash Assets	1283.8	443.4	476.0
Receivables	285.9	445.8	512.0
Other	102.6	114.3	124.9
Current Assets	1672.3	1003.5	1112.9
Accts Payable	257.5	342.1	318.0
Debt Due	8.0	182.8	382.8
Other	405.5	602.1	587.9
Current Liab.	671.0	1127.0	1288.7

ANNUAL RATES of change (per sh)	10 Yrs.	Past 5 Yrs.	Est'd '15-'17 to '21-'23
Revenues	12.5%	11.5%	9.5%
"Cash Flow"	19.0%	14.5%	14.0%
Earnings	20.5%	13.5%	16.0%
Dividends	--	--	13.0%
Book Value	15.0%	16.5%	8.5%

Fiscal Year Ends	QUARTERLY REVENUES (\$ mill.) ^A				Full Fiscal Year
	Sep.30	Dec. 31	Mar. 31	Jun. 30	
2015	453.8	467.8	447.6	482.7	1851.9
2016	434.5	465.4	440.5	483.8	1824.2
2017	491.7	542.7	593.1	663.6	2291.1
2018	640.7	734.4	705	744.9	2825
2019	685	745	725	770	2925

Fiscal Year Ends	EARNINGS PER SHARE ^{AB}				Full Fiscal Year
	Sep.30	Dec. 31	Mar. 31	Jun. 30	
2015	.27	.30	.11	.28	.96
2016	.17	.36	.29	.35	1.17
2017	.19	.18	.08	.17	.62
2018	.14	.32	.35	.39	1.20
2019	.20	.35	.40	.45	1.40

Calendar	QUARTERLY DIVIDENDS PAID ^E				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2014	.075	.087	.087	.087	.34
2015	.087	.10	.10	.10	.39
2016	.10	.115	.115	.115	.45
2017	.115	.132	.132	.132	.51
2018	.132				

BUSINESS: Open Text Corporation develops, markets, licenses, and supports collaboration and enterprise information management software that stores, finds, and distributes information across intranets, extranets, and the Internet. '17 revs. by segment: licenses, 16%; customer support, 43%; cloud services, 31%; professional services, 10%. R&D: 12% of '17 revs. Acquired Global 360, 7/11;

EasyLink Services, 7/12; GSX Group, 1/14. Has about 8,900 employees. Officers & directors own 3.3% of common stock; FMR LLC., 5.2% ('17 10K). Chairman: P. Thomas Jenkins. Chief Executive Officer: Mark Barrenechea. Incorporated: Ontario, Canada. Address: 275 Frank Tompa Drive, Waterloo, Ontario, Canada N2L 0A1. Telephone: 519-888-7111. Internet: www.opentext.com.

Open Text outperformed on the revenue front during the second quarter (fiscal year ends June 30th). Revenues of about \$734 million came in well above consensus estimates of \$665 million. Open Text is showing exceptional growth along all business lines, most notably License, Customer Support, and Cloud. Robust customer additions in previous periods are among the main growth drivers here. Additionally, it appears its handful of recent acquisitions (ECD, Recommend, and Covisint, for example) have been integrated smoother than expected, and are contributing nicely to the top line. Consequently, we are lifting our current-year revenue forecast by \$125 million, to \$2.825 billion.

sistent M&A strategy that OTEX has built its business on will likely continue to serve it well over the long haul.

The company completed yet another acquisition. Open Text purchased Hightail, a leading cloud file-sharing service, for an undisclosed amount. Hightail brings with it nearly six million global customers, and should further diversify Open Text's cloud product suite. The purchase is not expected to have a material impact on revenues until the fiscal fourth quarter. No doubt, the fairly aggressive and con-

A new Chief Financial Officer has been appointed. A seasoned financial veteran with more than 25 years experience in the software, hardware, and tech-service realm, Madhu Ranganathan became acting CFO effective April 2nd.

We are introducing our fiscal 2019 financial projections. Modest top-line expansion is anticipated next year, as our model calls for revenues of \$2.925 billion. Meanwhile, share net of \$1.40 represents an annual increase of 17%, buoyed by customer additions and slightly lower sales and marketing expenses. To that point, we think operating margins ought to inch back up to the 25%-30% range by early next decade.

Those looking to add a long-term holding to their portfolio may want to take these shares into consideration. At the recent quotation, this neutrally ranked (3) equity offers above-average capital appreciation potential over the pull to 2021-2023.

Nicholas P. Patrikis April 13, 2018

(A) Fiscal year ends June 30th. All amounts reported in U.S. dollars. (B) Diluted earnings. Excl. nonrecurring gains/(losses): '16, \$3.42. Egs. may not sum due to rounding. Next egs. report early May. (C) Includes intangibles in 2017: \$488.2 mill., \$18.52/share. (D) In millions, adjusted for splits. (E) Dividend payment initiated June, 2013. Quarterly payments will likely be made in late March, June, Sept., Dec.

Company's Financial Strength		B++
Stock's Price Stability		60
Price Growth Persistence		90
Earnings Predictability		50

To subscribe call 1-800-VALUELINE

© 2018 Value Line, Inc. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.