OPEN TEXT CORP. NDQ-OTEX

RECENT PRICE 40.38 | P/E RATIO 35.1 (Trailing: 38.1 Median: 26.0) | RELATIVE P/E RATIO 2.11 | DIV'D YLD 1.7% | VALUE LINE

TIMELINESS 3 Lowered 9/20/19
SAFETY 3 New 2/1/02
TECHNICAL 2 Raised 10/4/19
BETA .90 (1.00 = Market)

High:	9.8	10.4	12.7	18.1	15.7	23.3	30.2	30.9	33.4	35.8	40.3	43.3
Low:	5.5	7.2	9.0	11.4	11.2	13.4	22.0	18.3	21.0	30.6	31.0	31.4

18-Month Target Price Range

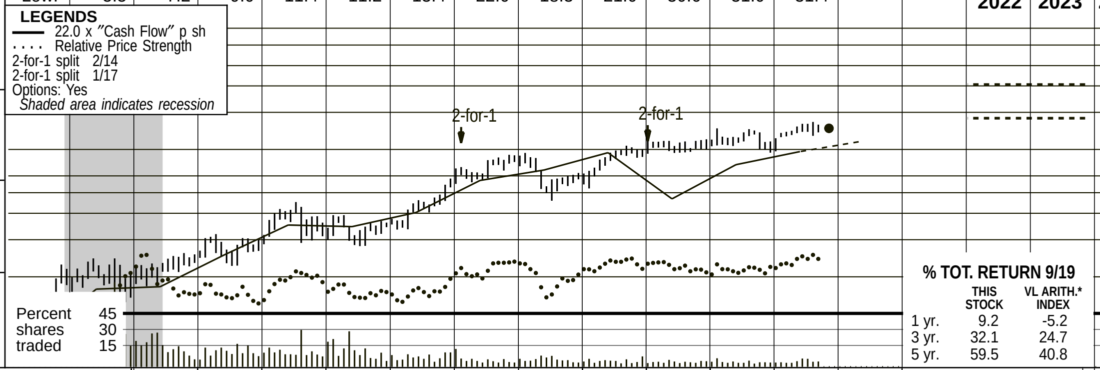
Low-High	Midpoint (% to Mid)
$35-$54	$45 (10%)

2022-24 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	65	(+60%)	*14%*
Low	45	(+10%)	*5%*

Institutional Decisions

	4Q2018	1Q2019	2Q2019
to Buy	133	142	154
to Sell	125	119	116
Hld's(000)	182864	181864	174518



% TOT. RETURN 9/19

	THIS STOCK	VL ARITH.* INDEX
1 yr.	9.2	-5.2
3 yr.	32.1	24.7
5 yr.	59.5	40.8

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.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	© VALUE LINE PUB. LLC	22-24
3.73	4.01	4.55	5.17	5.77	6.67	7.57	7.55	8.71	10.55	10.66	*11.00*	Revenues per sh A	*13.75*
.33	.46	.64	.63	.73	1.04	1.17	1.41	.85	1.23	1.42	*1.60*	"Cash Flow" per sh	*2.65*
.27	.38	.53	.53	.63	.91	.96	1.17	.62	.91	1.06	*1.25*	Earnings per sh AB	*2.20*
- -	- -	- -	- -	.08	.31	.36	.42	.48	.55	.63	*.73*	Div'ds Decl'd per sh E	*1.05*
.06	.09	.16	.11	.10	.17	.32	.29	.30	.39	.24	*.35*	Cap'l Spending per sh	*.35*
3.26	3.90	4.57	5.05	5.66	6.74	7.48	8.19	13.43	13.92	14.44	*14.65*	Book Value per sh C	*15.55*
210.87	227.30	227.30	233.44	236.12	243.52	244.59	241.54	262.96	266.96	269.03	*268.00*	Common Shs Outst'g D	*265.00*
29.7	26.9	24.1	26.2	22.7	23.8	28.2	20.9	NMF	37.2	34.9		Avg Ann'l P/E Ratio	*25.0*
1.98	1.71	1.51	1.67	1.28	1.25	1.42	1.10	NMF	2.01	1.97		Relative P/E Ratio	*1.40*
- -	- -	- -	- -	.5%	1.4%	1.3%	1.7%	1.5%	1.6%	1.7%		Avg Ann'l Div'd Yield	*1.9%*
785.7	912.0	1033.3	1207.5	1363.3	1624.7	1851.9	1824.2	2291.1	2815.2	2868.8	*2950*	Revenues ($mill) A	*3650*
13.9%	13.7%	16.7%	14.2%	16.3%	20.7%	28.1%	31.3%	27.6%	28.6%	31.0%	*30.0%*	Operating Margin	*30.0%*
12.0	17.4	22.1	21.6	24.5	35.2	50.9	54.9	64.3	86.9	97.7	*100*	Depreciation ($mill)	*115*
56.9	87.6	123.2	125.2	148.5	218.1	234.3	284.5	159.3	242.2	285.6	*335*	Net Profit ($mill)	*580*
29.4%	1.5%	7.1%	8.9%	16.7%	21.1%	11.9%	2.2%	36.1%	37.2%	35.2%	*23.0%*	Income Tax Rate	*23.0%*
7.2%	9.6%	11.9%	10.4%	10.9%	13.4%	12.7%	15.6%	7.0%	8.6%	10.0%	*11.3%*	Net Profit Margin	*15.9%*
116.2	116.7	99.8	312.8	189.2	155.8	475.0	1001.3	d123.5	333.0	546.6	*850*	Working Cap'l ($mill)	*1250*
299.2	285.0	282.0	555.0	513.8	1256.8	1580.0	2138.0	2387.1	2610.5	2604.9	*2400*	Long-Term Debt ($mill)	*2350*
686.5	886.2	1039.4	1179.4	1337.2	1642.2	1829.3	1978.7	3532.4	3716.2	3883.5	*3925*	Shr. Equity ($mill) C	*4125*
6.5%	7.9%	9.7%	7.6%	8.4%	8.0%	7.7%	7.8%	3.7%	4.9%	5.5%	*6.5%*	Return on Total Cap'l	*10.0%*
8.3%	9.9%	11.9%	10.6%	11.1%	13.3%	12.8%	14.4%	4.5%	6.5%	7.4%	*8.5%*	Return on Shr. Equity	*14.0%*
8.3%	9.9%	11.9%	10.6%	9.8%	8.7%	8.0%	9.4%	1.1%	2.6%	3.0%	*3.5%*	Retained to Com Eq	*7.5%*
- -	- -	- -	- -	12%	34%	37%	35%	76%	60%	59%	*59%*	All Div'ds to Net Prof	*48%*

CAPITAL STRUCTURE as of 6/30/19
Total Debt $2614.9 mill. **Due in 5 Yrs.** $950.0 mill.
LT Debt $2604.9 mill. **LT Interest** $130.0 mill.
(41% of Cap'l)
Leases, Uncapitalized Annual rentals $72.8 mill.

Pension Assets-6/19 Nil
Oblig. $77.5 mill.

Common Stock 269,030,000 shs.

MARKET CAP: $10.9 billion (Large Cap)

CURRENT POSITION ($MILL.)	2017	2018	6/30/19
Cash Assets	443.4	682.9	941.0
Receivables	445.8	488.0	463.8
Other	114.3	156.7	156.5
Current Assets	1003.5	1327.6	1561.3
Accts Payable	342.1	302.2	329.9
Debt Due	182.8	10.0	10.0
Other	602.1	682.4	674.8
Current Liab.	1127.0	994.6	1014.7

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '22-'24
Revenues	11.5%	11.0%	*6.5%*
"Cash Flow"	15.5%	8.0%	*17.0%*
Earnings	15.5%	4.5%	*20.5%*
Dividends	- -	34.0%	*13.5%*
Book Value	16.5%	19.0%	*2.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Sep.30	Dec. 31	Mar. 31	Jun. 30	Full Fiscal Year
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	685.9	754.2	2815.2
2019	667.2	735.2	719.1	747.2	2868.7
2020	*690*	*760*	*735*	*765*	*2950*

Fiscal Year Ends	EARNINGS PER SHARE AB Sep.30	Dec. 31	Mar. 31	Jun. 30	Full Fiscal Year
2016	.17	.36	.29	.35	1.17
2017	.19	.18	.08	.17	.62
2018	.14	.32	.22	.23	.91
2019	.13	.39	.27	.27	1.06
2020	*.15*	*.40*	*.33*	*.37*	*1.25*

Cal-endar	QUARTERLY DIVIDENDS PAID E Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2015	.087	.10	.10	.10	.39
2016	.10	.115	.115	.115	.45
2017	.115	.132	.132	.132	.51
2018	.132	.152	.152	.152	.59
2019	.152	.175	.175		

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. '19 revs. by segment: licenses, 15%; customer support, 44%; cloud services, 32%; professional services, 9%. R&D: 11% of '19 revs. Acquired Global 360, 7/11; EasyLink Services, 7/12; GSX Group, 1/14. Has about 13,100 employees. Officers & directors own 2.6% of common stock ('19 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 concluded fiscal 2019 (year ended June 30th) on a mediocre note. Fourth-quarter revenues of $747 million registered a modest contraction, on an annual basis. For the full year, the top line edged about 2% higher. Unfavorable currency translations impacted the recent period, while low double-digit growth in Cloud Services and Subscriptions was encouraging. June-period GAAP EPS did improve about 17% from the previous-year tally, to $0.27 a share, though the result was noticeably shy of our $0.36 estimate. Nonetheless, the company managed to post a 16% bottom-line advance in fiscal 2019.

Open Text's recently announced restructuring plan ought to aid profitability and help maintain margins in fiscal 2020 and beyond. Management has unveiled a $29 million restructuring plan aimed at streamlining operations. Cost-cutting initiatives are slated to begin this fiscal year, though the bulk of the savings probably won't be realized until 2020. While we have shaved a nickel off our fiscal 2020 earnings-per-share forecast, to $1.25, our call represents a solid annual improvement of 18%.

Cloud operations and bolt-on acquisitions will probably account for the majority of Open Text's top-line growth going forward. At year's end, the company's cloud business comprised approximately 32% of total revenues. We think this figure has ample room to run as the segment should continue to experience elevated product demand. Moreover, acquisitions will likely supplement robust cloud growth. Open Text has historically been known as an industry consolidator, and we don't expect management to stray from tradition anytime soon, especially given its strong cash position.

Neutrally ranked Open Text stock does not particularly stand out at this juncture. The issue is just an average selection for both relative year-ahead and 18-month price performance. Also, upside over the 3- to 5-year stretch is limited at the recent quotation. While we are bullish on general E-Commerce Industry prospects, as well as OTEX's company-specific story, we are not presently recommending the stock.

Nicholas P. Patrikis *October 11, 2019*

(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 November. (C) Includes intangibles in 2019: $4916.4 mill., $18.27/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	75
Price Growth Persistence	95
Earnings Predictability	50