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Form 10-Q
October 31, 2018

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As a practical expedient, we do not account for significant financing components if the period between when we transfer the promised good or service to the customer and when the customer pays for the product or service will be one year or less.We apply the practical expedient and do not disclose performance obligations that have original expected durations of one year or less.P3Y6903369913680 0001002638 2018-07-01 2018-09-30 0001002638 2018-10-29 0001002638 2018-09-30 0001002638 2018-06-30 0001002638 2017-07-01 2017-09-30 0001002638 otex:CustomerSupportMember 2018-07-01 2018-09-30 0001002638 us-gaap:LicenseMember 2017-07-01 2017-09-30 0001002638 otex:CustomerSupportMember 2017-07-01 2017-09-30 0001002638 otex:CloudServicesAndSubscriptionsMember 2018-07-01 2018-09-30 0001002638 otex:ProfessionalServiceAndOtherMember 2017-07-01 2017-09-30 0001002638 us-gaap:LicenseMember 2018-07-01 2018-09-30 0001002638 otex:CloudServicesAndSubscriptionsMember 2017-07-01 2017-09-30 0001002638 otex:ProfessionalServiceAndOtherMember 2018-07-01 2018-09-30 0001002638 2017-09-30 0001002638 2017-06-30 0001002638 otex:GuidanceSoftwareInc.Member 2018-07-01 2018-09-30 0001002638 otex:GuidanceSoftwareInc.Member 2017-07-01 2017-09-30 0001002638 otex:CovisintCorporationMember 2018-07-01 2018-09-30 0001002638 otex:CovisintCorporationMember 2017-07-01 2017-09-30 0001002638 srt:ScenarioPreviouslyReportedMember 2017-09-30 0001002638 srt:RestatementAdjustmentMember us-gaap:AccountingStandardsUpdate201618Member 2017-06-30 0001002638 srt:ScenarioPreviouslyReportedMember 2017-07-01 2017-09-30 0001002638 srt:ScenarioPreviouslyReportedMember 2017-06-30 0001002638 srt:RestatementAdjustmentMember us-gaap:AccountingStandardsUpdate201618Member 2017-09-30 0001002638 srt:RestatementAdjustmentMember us-gaap:AccountingStandardsUpdate201618Member 2017-07-01 2017-09-30 0001002638 otex:OpenTextSouthAfricaProprietaryLtdMember 2018-09-30 0001002638 us-gaap:AccountingStandardsUpdate201409Member us-gaap:DifferenceBetweenRevenueGuidanceInEffectBeforeAndAfterTopic606Member 2018-07-01 0001002638 us-gaap:AccountingStandardsUpdate201616Member 2018-07-01 0001002638 otex:GXSKoreaMember 2018-06-30 0001002638 otex:GXSKoreaMember 2018-07-01 2018-09-30 0001002638 otex:EC1Pte.LtdMember 2018-09-30 0001002638 us-gaap:AccountingStandardsUpdate201616Member us-gaap:RetainedEarningsMember 2018-07-01 0001002638 srt:RestatementAdjustmentMember us-gaap:AccountingStandardsUpdate201707Member 2017-07-01 2017-09-30 0001002638 otex:ProfessionalServiceAndOtherMember srt:ScenarioPreviouslyReportedMember 2017-07-01 2017-09-30 0001002638 otex:ProfessionalServiceAndOtherMember srt:RestatementAdjustmentMember us-gaap:AccountingStandardsUpdate201707Member 2017-07-01 2017-09-30 0001002638 otex:CloudServicesAndSubscriptionsMember srt:RestatementAdjustmentMember us-gaap:AccountingStandardsUpdate201707Member 2017-07-01 2017-09-30 0001002638 otex:CloudServicesAndSubscriptionsMember srt:ScenarioPreviouslyReportedMember 2017-07-01 2017-09-30 0001002638 otex:CustomerSupportMember srt:ScenarioPreviouslyReportedMember 2017-07-01 2017-09-30 0001002638 otex:CustomerSupportMember srt:RestatementAdjustmentMember us-gaap:AccountingStandardsUpdate201707Member 2017-07-01 2017-09-30 0001002638 us-gaap:AccountingStandardsUpdate201409Member us-gaap:DifferenceBetweenRevenueGuidanceInEffectBeforeAndAfterTopic606Member 2018-09-30 0001002638 us-gaap:CalculatedUnderRevenueGuidanceInEffectBeforeTopic606Member 2018-09-30 0001002638 srt:MaximumMember 2018-07-01 2018-09-30 0001002638 2018-10-01 2018-09-30 0001002638 2018-09-30 0001002638 otex:CloudRevenuesAndCustomerSupportRevenuesMember 2018-07-01 2018-09-30 0001002638 us-gaap:TransferredAtPointInTimeMember 2018-07-01 2018-09-30 0001002638 srt:AsiaPacificMember 2018-07-01 2018-09-30 0001002638 us-gaap:EMEAMember 2018-07-01 2018-09-30 0001002638 us-gaap:TransferredOverTimeMember 2018-07-01 2018-09-30 0001002638 srt:AmericasMember 2018-07-01 2018-09-30 0001002638 2018-07-01 0001002638 us-gaap:AccountingStandardsUpdate201409Member us-gaap:DifferenceBetweenRevenueGuidanceInEffectBeforeAndAfterTopic606Member 2018-07-01 2018-09-30

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otex:LiaisonTechnologiesInc.Member us-gaap:ScenarioForecastMember us-gaap:SubsequentEventMember 2018-10-31 2019-06-30 0001002638 us-gaap:SubsequentEventMember 2018-10-30 2018-10-30 otex:revenue_stream iso4217:USD iso4217:USD xbrli:shares xbrli:pure xbrli:shares

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 September 30, 2018.

OR

o **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, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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 ¨ Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

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 October 29, 2018, there were 268,514,817 outstanding Common Shares of the registrant.

OPEN TEXT CORPORATION
TABLE OF CONTENTS

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

	September 30, 2018	June 30, 2018
ASSETS	**(unaudited)**	
Cash and cash equivalents	$ 787,919	$ 682,942
Accounts receivable trade, net of allowance for doubtful accounts of $12,970 as of September 30, 2018 and $9,741 as of June 30, 2018 (note 4)	416,346	487,956
Contract assets (note 3)	8,767	—
Income taxes recoverable (note 14)	31,450	55,623
Prepaid expenses and other current assets	80,624	101,059
Total current assets	1,325,106	1,327,580
Property and equipment (note 5)	246,500	264,205
Long-term contract assets (note 3)	12,041	—
Goodwill (note 6)	3,578,641	3,580,129
Acquired intangible assets (note 7)	1,203,284	1,296,637
Deferred tax assets (note 14)	1,106,377	1,122,729
Other assets (note 8)	116,536	111,267
Deferred charges	—	38,000
Long-term income taxes recoverable (note 14)	30,563	24,482
Total assets	$ 7,619,048	$ 7,765,029
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (note 9)	$ 252,079	$ 302,154
Current portion of long-term debt (note 10)	10,000	10,000
Deferred revenues	582,139	644,211
Income taxes payable (note 14)	31,055	38,234
Total current liabilities	875,273	994,599
Long-term liabilities:		
Accrued liabilities (note 9)	51,168	52,827
Deferred credits	—	2,727
Pension liability (note 11)	64,730	65,719
Long-term debt (note 10)	2,609,127	2,610,523
Deferred revenues	43,585	69,197
Long-term income taxes payable (note 14)	173,807	172,241
Deferred tax liabilities (note 14)	74,328	79,938
Total long-term liabilities	3,016,745	3,053,172
Shareholders' equity:		
Share capital and additional paid-in capital (note 12)		
268,331,579 and 267,651,084 Common Shares issued and outstanding at September 30, 2018 and June 30, 2018, respectively; authorized Common Shares: unlimited	1,730,933	1,707,073
Accumulated other comprehensive income	32,256	33,645
Retained earnings	1,993,099	1,994,235
Treasury stock, at cost (991,368 shares at September 30, 2018 and 690,336 shares at June 30, 2018, respectively)	(30,381)	(18,732)
Total OpenText shareholders' equity	3,725,907	3,716,221
Non-controlling interests	1,123	1,037
Total shareholders' equity	3,727,030	3,717,258
Total liabilities and shareholders' equity	$ 7,619,048	$ 7,765,029
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 September 30,			
	2018		**2017**	
Revenues:				
License	$ 76,887		$ 78,231	
Cloud services and subscriptions	208,083		193,853	
Customer support	311,551		295,404	
Professional service and other	70,636		73,199	
Total revenues	667,157		640,687	
Cost of revenues:				
License	3,872		2,960	
Cloud services and subscriptions	87,703		84,134	
Customer support	30,465		32,770	
Professional service and other	56,796		59,428	
Amortization of acquired technology-based intangible assets (note 7)	47,477		43,960	
Total cost of revenues	226,313		223,252	
Gross profit	440,844		417,435	
Operating expenses:				
Research and development	77,470		77,574	
Sales and marketing	120,182		122,615	
General and administrative	50,924		48,902	
Depreciation	23,854		18,878	
Amortization of acquired customer-based intangible assets (note 7)	45,876		43,789	
Special charges (recoveries) (note 17)	23,311		18,031	
Total operating expenses	341,617		329,789	
Income from operations	99,227		87,646	
Other income (expense), net	1,522		10,224	
Interest and other related expense, net	(34,531	)	(33,811	)
Income before income taxes	66,218		64,059	
Provision for (recovery of) income taxes (note 14)	29,850		27,369	
Net income for the period	$ 36,368		$ 36,690	
	(44	)	(94	)

Net (income) loss attributable to non-controlling interests				
Net income attributable to OpenText	$	36,324	$	36,596
Earnings per share—basic attributable to OpenText (note 20)	$	0.14	$	0.14
Earnings per share—diluted attributable to OpenText (note 20)	$	0.13	$	0.14
Weighted average number of Common Shares outstanding—basic (in '000's)	268,028		264,802	
Weighted average number of Common Shares outstanding—diluted (in '000's)	269,387		266,235	
Dividends declared per Common Share	$	0.1518	$	0.1320

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 September 30, 2018	2017
Net income for the period	$36,368	$36,690
Other comprehensive income (loss)—net of tax:		
Net foreign currency translation adjustments	(3,520)	906
Unrealized gain (loss) on cash flow hedges:		
Unrealized gain (loss) - net of tax expense (recovery) effect of $181 and $463 for the three months ended September 30, 2018 and 2017, respectively	502	1,285
(Gain) loss reclassified into net income - net of tax (expense) recovery effect of $132 and ($287) for the three months ended September 30, 2018 and 2017, respectively	366	(797)
Actuarial gain (loss) relating to defined benefit pension plans:		
Actuarial gain (loss) - net of tax expense (recovery) effect of $306 and ($83) for the three months ended September 30, 2018 and 2017, respectively	1,197	(115)
Amortization of actuarial (gain) loss into net income - net of tax (expense) recovery effect of $73 and $42 for the three months ended September 30, 2018 and 2017, respectively	66	56
Release of unrealized gain on marketable securities - net of tax effect of nil	—	(617)
Total other comprehensive income (loss) net, for the period	(1,389)	718
Total comprehensive income	34,979	37,408
Comprehensive (income) loss attributable to non-controlling interests	(44)	(94)
Total comprehensive income attributable to OpenText	$34,935	$37,314

See accompanying Notes to Condensed Consolidated Financial Statements

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

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017
Cash flows from operating activities:		
Net income for the period	$36,368	$36,690
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of intangible assets	117,207	106,627
Share-based compensation expense	6,555	8,235
Pension expense	1,145	1,035
Amortization of debt issuance costs	1,078	1,298
Amortization of deferred charges and credits	—	1,117
Loss on sale and write down of property and equipment	7,789	163
Release of unrealized gain on marketable securities to income	—	(841)
Deferred taxes	7,769	5,947
Share in net (income) loss of equity investees	(2,372)	512
Changes in operating assets and liabilities:		
Accounts receivable	73,875	5,162
Contract assets	(5,346)	—
Prepaid expenses and other current assets	9,732	(2,808)
Income taxes and deferred charges and credits	12,561	9,148
Accounts payable and accrued liabilities	(40,001)	(64,476)
Deferred revenue	(57,403)	(38,480)
Other assets	2,444	(2,083)
Net cash provided by operating activities	171,401	67,246
Cash flows from investing activities:		
Additions of property and equipment	(24,495)	(30,449)
Purchase of Guidance Software, Inc., net of cash acquired	(2,279)	(220,765)
Purchase of Covisint Corporation, net of cash acquired	—	(71,279)
Other investing activities	(1,004)	(4,206)
Net cash used in investing activities	(27,778)	(326,699)
Cash flows from financing activities:		
Proceeds from long-term debt and Revolver	—	200,000
Proceeds from issuance of Common Shares from exercise of stock options and ESPP	18,127	21,825
Repayment of long-term debt and Revolver	(2,500)	(1,940)
Debt issuance costs	(322)	—
Purchase of Treasury Stock	(11,719)	—
Repurchase of non-controlling interests	(583)	—
Payments of dividends to shareholders	(40,466)	(35,017)
Net cash provided by (used in) financing activities	(37,463)	184,868
Foreign exchange gain (loss) on cash held in foreign currencies	428	7,762
Increase (decrease) in cash, cash equivalents and restricted cash during the period	106,588	(66,823)
Cash, cash equivalents and restricted cash at beginning of the period	683,991	446,210
Cash, cash equivalents and restricted cash at end of the period	$790,579	$379,387

Reconciliation of cash, cash equivalents and restricted cash:	**September 30, 2018**	**September 30, 2017**
Cash and cash equivalents	$ 787,919	$ 376,390

Restricted cash included in Other assets	2,660	2,997
Total Cash, cash equivalents and restricted cash	$ 790,579	$ 379,387

Supplemental cash flow disclosures (note 19)

See accompanying Notes to Condensed Consolidated Financial Statements

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OPEN TEXT CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended September 30, 2018
(Tabular amounts in thousands of U.S. dollars, except share and per share data)
(unaudited)

NOTE 1—BASIS OF PRESENTATION

The accompanying Condensed Consolidated Financial Statements include the accounts of Open Text Corporation and our subsidiaries, collectively referred to as "OpenText" or the "Company". We wholly own all of our subsidiaries with the exception of Open Text South Africa Proprietary Ltd. (OT South Africa) and EC1 Pte. Ltd. (GXS Singapore), which as of September 30, 2018, were 70% and 81% owned, respectively, by OpenText. All inter-company balances and transactions have been eliminated.

Previously, our ownership in GXS Inc. (GXS Korea) was 85%. During the first quarter of Fiscal 2019, we acquired all of the outstanding non-controlling interests in GXS Korea for $0.6 million in cash.

Throughout this Quarterly Report on Form 10-Q: (i) the term “Fiscal 2019” means our fiscal year beginning on July 1, 2018 and ending June 30, 2019; (ii) the term “Fiscal 2018” means our fiscal year beginning on July 1, 2017 and ended June 30, 2018; (iii) the term “Fiscal 2017” means our fiscal year beginning on July 1, 2016 and ended June 30, 2017; (iv) the term “Fiscal 2016” means our fiscal year beginning on July 1, 2015 and ended June 30, 2016; and (v) the term “Fiscal 2015” means our fiscal year beginning on July 1, 2014 and ended June 30, 2015.

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.

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) testing of goodwill for impairment, (iii) the valuation of acquired intangible assets, (iv) the valuation of long-lived assets, (v) the recognition of contingencies, (vi) restructuring accruals, (vii) acquisition accruals and pre-acquisition contingencies, (viii) the realization of investment tax credits, (ix) the valuation of stock options granted and obligations related to share-based payments, including the valuation of our long-term incentive plans, (x) the valuation of pension assets and obligations, and (xi) accounting for income taxes.

Beginning in the second quarter of Fiscal 2018, our income tax estimates were impacted by legislation informally known as the Tax Cuts and Jobs Act, which was enacted in the United States on December 22, 2017. The Company has recorded a provisional charge and continues to assess the effect of the new law on its consolidated financial statements in accordance with Staff Accounting Bulletin 118 “Income Tax Accounting Implications of the Tax Cuts and Jobs Act” (SAB 118). For more details related to this matter, please refer to note 14 "Income Taxes".

Impact of Recently Adopted Accounting Pronouncements

Revenue Recognition

Effective July 1, 2018, we adopted Accounting Standards Codification (ASC) Topic 606 "Revenue from Contracts with Customers" (Topic 606) using the cumulative effect approach. We applied the standard to contracts that were not completed as of the date of the initial adoption. Results for reporting periods commencing on July 1, 2018 are presented under the new revenue standard, while prior period results continue to be reported under the previous standard. As a result of this adoption, we recorded a net increase of approximately $30 million to retained earnings as of July 1, 2018 on the Condensed Consolidated Balance Sheets, with the following corresponding impacts:

- A decrease to deferred revenues of approximately $31 million;
- A decrease to other assets of approximately $22 million in connection with lower deferred implementation costs;

- An increase to other assets of approximately $14 million in connection with higher capitalized sales commission costs;
- An increase in contract assets of approximately $18 million representing future billings in excess of revenues; and
- An increase in net deferred tax liabilities of approximately $11 million.

Please refer to Note 3 "Revenues" for additional information relating to Topic 606, including our updated revenue recognition policies.

Additionally, certain prior period balances have been reclassified within other assets on the Condensed Consolidated Balance Sheets, to conform to the current period presentation as a result of this adoption. Please refer to Note 8 "Other Assets" for details.

Income Taxes

Effective July 1, 2018, we adopted Accounting Standards Update (ASU) No. 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory" (ASU 2016-16) which requires entities to recognize the income tax consequence of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. We adopted ASU 2016-16 on a modified retrospective basis through a cumulative-effect adjustment to opening retained earnings. Results for reporting periods as of July 1, 2018 are presented under the new standard, while prior period results continue to be reported under the previous standard. As a result of this adoption, we recorded a net decrease of approximately $27 million to retained earnings as of July 1, 2018 on the Condensed Consolidated Balance Sheets, with the following corresponding impacts:

- A decrease to deferred charges of approximately $38 million;
- An increase to deferred tax assets of approximately $8 million; and
- A decrease to deferred credits of approximately $3 million.

There was no impact to the Condensed Consolidated Statements of Income, Condensed Consolidated Statements of Comprehensive Income or Condensed Consolidated Statements of Cash Flows as a result of this adoption.

Restricted Cash

Effective July 1, 2018, we adopted ASU No. 2016-18, “Statement of Cash Flows (Topic 230): Restricted Cash” (ASU 2016-18), which requires amounts described as restricted cash and cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts in the statement of cash flows. We adopted ASU 2016-18 using the retrospective method. As a result, certain prior period comparative figures in the Condensed Consolidated Statements of Cash Flows have been adjusted to conform to current period presentation as follows:

	Three Months Ended September 30, 2017		
	As Previously Reported	**Adjustments**	**As Adjusted**
Net cash provided by operating activities	$67,102	$ 144	$67,246
Cash, cash equivalents and restricted cash at beginning of period	443,357	2,853	446,210
Increase (decrease) in cash, cash equivalents and restricted cash during the period	(66,967)	144	(66,823)
Cash, cash equivalents and restricted cash at end of period	$376,390	$ 2,997	$379,387

There was no impact to the Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Income, or Condensed Consolidated Statements of Comprehensive Income as a result of this adoption.

Pension Expense

Effective July 1, 2018, we adopted ASU No. 2017-07, “Retirement Benefits - Presentation of Net Period Pension Costs (Topic 715)” (ASU 2017-07), which provides guidance on the capitalization, presentation and disclosure of net benefit costs related to postretirement benefit plans. Upon adoption, only service-related net periodic pension costs will be recorded within operating expense. All other non-service related net periodic pension costs will be classified under "Interest and other related expense" on our Condensed Consolidated Statements of Income. We adopted ASU 2017-07 on a retrospective basis. As a result, certain prior period comparative figures in the Condensed Consolidated Statements of Income for the three months ended September 30, 2017 have been adjusted to conform to current period presentation as follows:

	Three Months Ended September 30, 2017		
	As Previously Reported	Adjustments	As Adjusted
Cost of revenues - Cloud services	$84,330	$ (196)	$84,134
Cost of revenues - Customer Support	32,791	(21)	32,770
Cost of revenues - Professional service and other	59,459	(31)	59,428
Total cost of revenues	223,500	(248)	223,252
Gross profit	417,187	248	417,435
Research and Development	77,629	(55)	77,574
Sales and Marketing	122,822	(207)	122,615
General and administrative	48,915	(13)	48,902
Total operating expense	330,064	(275)	329,789
Income from operations	87,123	523	87,646
Interest and other related expense, net	(33,288)	(523)	(33,811)

There was no change to net income or net earnings per share in any of the periods presented as a result of this adoption. Additionally, there was no impact to the Condensed Consolidated Balance Sheets, Consolidated Statements of Comprehensive Income, or Condensed Consolidated Statements of Cash Flows as a result of this adoption.

NOTE 2—RECENT ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

Retirement Benefits

In August 2018, the Financial Accounting Standards Board (FASB) issued ASU No. 2018-14 “Compensation-Retirement Benefits-Defined Benefit Plans - General (Topic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans” (ASU 2018-14), which modifies the disclosure requirements for defined benefit pension plans and other post retirement plans. ASU 2018-14 is effective for us in the first quarter of our fiscal year ending June 30, 2022. We are currently evaluating the impact of our pending adoption of ASU 2018-14 on our consolidated financial statements.

Leases

In February 2016, the FASB issued ASU No. 2016-02 “Leases (Topic 842)” and issued subsequent amendments to the initial guidance under ASU 2017-13, ASU 2018-10 and ASU 2018-11 (collectively, Topic 842). Topic 842 supersedes the guidance in former ASC Topic 840 “Leases”. Topic 842 requires companies to generally recognize on the balance sheet operating and financing lease liabilities and corresponding right-of-use assets. For OpenText, the most significant change will result in the recognition of lease assets for the right to use the underlying asset and lease liabilities for the obligation to make lease payments by lessees, for those leases classified as operating leases under current guidance. The new guidance will also require significant additional disclosures about the amount, timing and uncertainty of cash flows related to leases. Topic 842 is effective for us in the first quarter of our fiscal year ending June 30, 2020, with early adoption permitted. We are currently evaluating the impact of our pending adoption of Topic 842 on our consolidated financial statements. We have formed a sub-committee consisting of internal members from various departments to assess the effect and although we are still in the process of reviewing, we expect the majority of the impact of adopting Topic 842 to come from our facility leases, and that most of our operating lease commitments will be recognized as right-of-use assets and operating lease liabilities, which will increase our total assets and total liabilities, as reported on our Condensed Consolidated Balance Sheets, relative to such amounts prior to adoption.

NOTE 3—REVENUES

In accordance with Topic 606, we account for a customer contract when we obtain written approval, the contract is committed, the rights of the parties, including the payment terms, are identified, the contract has commercial substance and consideration is probable of collection. Revenue is recognized when, or as, control of a promised product or service is transferred to our customers in an amount that reflects the consideration we expect to be entitled to in exchange for our products and services (at its transaction price). Estimates of variable consideration and the determination of whether to include estimated amounts in the transaction price are based on readily available information, which may include historical, current and forecasted information, taking into consideration the type of customer, the type of transaction and specific facts and circumstances of each arrangement. We report revenue net of any revenue-based taxes assessed by governmental authorities that are imposed on and concurrent with specific revenue producing transactions.

We have four revenue streams: license, cloud services and subscriptions, customer support, and professional service and other.

License revenue

Our license revenue can be broadly categorized as perpetual licenses, term licenses and subscription licenses, all of which are deployed on the customer’s premises (on-premise).

Perpetual licenses: We sell perpetual licenses which provide customers the right to use software for an indefinite period of time in exchange for a one-time license fee, which is generally paid at contract inception. Our perpetual licenses provide a right to use intellectual property (IP) that is functional in nature and have significant stand-alone functionality. Accordingly, for perpetual licenses of functional IP, revenue is recognized at the point-in-time when control has been transferred to the customer, which normally occurs once software activation keys have been made available for download.

Term licenses and Subscription licenses: We sell both term and subscription licenses which provide customers the right to use software for a specified period in exchange for a fee, which may be paid at contract inception or paid in installments over the period of the contract. Like perpetual licenses, both our term licenses and subscription licenses are functional IP that have significant stand-alone functionality. Accordingly, for both term and subscription licenses, revenue is recognized at the point-in-time when the customer is able to use and benefit from the software, which is normally once software activation keys have been made available for download at the commencement of the term.

Cloud services and subscriptions revenue

Cloud services and subscriptions revenue are from hosting arrangements where in connection with the licensing of software, the end user doesn’t take possession of the software, as well as from end-to-end fully outsourced business-to-business (B2B) integration solutions to our customers (collectively referred to as cloud arrangements). The software application resides on our hardware or that of a third party, and the customer accesses and uses the software on an as-needed basis via an identified line. Our cloud arrangements can be broadly categorized as "platform as a service" (PaaS), "software as a service" (SaaS), cloud subscriptions and managed services.

PaaS/ SaaS/ Cloud Subscriptions (collectively referred to here as cloud-based solutions): We offer cloud-based solutions that provide customers the right to access our software through the internet. Our cloud-based solutions represent a series of distinct services that are substantially the same and have the same pattern of transfer to the customer. These services are made available to the customer continuously throughout the contractual period, however, the extent to which the customer uses the services may vary at the customer’s discretion. The payment for cloud-based solutions may be received either at inception of the arrangement, or over the term of the arrangement.

These cloud-based solutions are considered to have a single performance obligation where the customer simultaneously receives and consumes the benefit, and as such we recognize revenue for these cloud-based solutions ratably over the term of the contractual agreement. For example, revenue related to cloud-based solutions that are provided on a usage basis, such as the number of users, is recognized based on a customer’s utilization of the services in a given period.

Additionally, a software license is present in a cloud-based solutions arrangement if all of the following criteria are met:

(i) The customer has the contractual right to take possession of the software at any time without significant penalty; and

(ii) It is feasible for the customer to host the software independent of us.

In these cases where a software license is present in a cloud-based solutions arrangement it is assessed to determine if it is distinct from the cloud-based solutions arrangement. The revenue allocated to the distinct software license would be recognized at the point in time the software license is transferred to the customer, whereas the revenue allocated to the hosting performance obligation would be recognized ratably on a monthly basis over the contractual term unless evidence suggests that revenue is earned, or obligations are fulfilled in a different pattern over the contractual term of the arrangement.

Managed services: We provide comprehensive B2B process outsourcing services for all day-to-day operations of a customers' B2B integration program. Customers using these managed services are not permitted to take possession of our software and the contract is for a defined period, where customers pay a monthly or quarterly fee. Our performance obligation is satisfied as we provide services of operating and managing a customer's electronic data interchange (EDI) environment. Revenue relating to these services is recognized using an output method based on the expected level of service we will provide over the term of the contract.

In connection with cloud subscription and managed service contracts, we often agree to perform a variety of services before the customer goes live, such as for example, converting and migrating customer data, building interfaces and providing training. These services are considered an outsourced suite of professional services which can involve certain project-based activities. These services can be provided at the initiation of a contract, during the implementation or on an ongoing basis as part of the customer life cycle. These services can be charged separately on a fixed fee or time and materials basis, or the costs associated may be recovered as part of the ongoing cloud subscription or managed services fee. These outsourced professional services are considered to be distinct from the ongoing hosting services and represent a separate performance obligation within our cloud subscription or managed services arrangements. The obligation to provide outsourced professional services is satisfied over time, with the customer simultaneously receiving and consuming the benefits as we satisfy our performance obligations. For outsourced professional services, we recognize revenue by measuring progress toward the satisfaction of our performance obligation. Progress for services that are contracted for a fixed price is generally measured based on hours incurred as a portion of total estimated hours. As a practical expedient, when we invoice a customer at an amount that corresponds directly with the value to the customer of our performance to date, we recognize revenue at that amount.

Customer support revenue

Customer support revenue is associated with perpetual, term license and on-premise subscription arrangements. As customer support is not critical to the customer's ability to derive benefit from its right to use our software, customer support is considered as a distinct performance obligation when sold together in a bundled arrangement along with the software.

Customer support consists primarily of technical support and the provision of unspecified updates and upgrades on a when-and-if-available basis. Customer support for perpetual licenses is renewable, generally on an annual basis, at the option of the customer. Customer support for term and subscription licenses is renewable concurrently with such licenses for the same duration of time. Payments for customer support are generally made at the inception of the contract term or in installments over the term of the maintenance period. Our customer support team is ready to provide these maintenance services, as needed, to the customer during the contract term. As the elements of customer support are delivered concurrently and have the same pattern of transfer, customer support is accounted for as a single performance obligation. The customer benefits evenly throughout the contract period from the guarantee that the customer support resources and personnel will be available to them, and that any unspecified upgrades or unspecified future products developed by us will be made available. Revenue for customer support is recognized ratably over the contract period based on the start and end dates of the maintenance term, in line with how we believe services are provided.

Professional service and other revenue

Our professional services, when offered along with software licenses, consists primarily of technical services and training services. Technical services may include installation, customization, implementation or consulting services. Training services may include access to online modules or delivering a training package customized to the customer's needs. At the customer's discretion, we may offer one, all, or a mix of these services. Payment for professional services is generally a fixed fee or is a fee based on time and materials.

Professional services can be arranged in the same contract as the software license or in a separate contract.

As our professional services do not significantly change the functionality of the license and our customers can benefit from our professional services on their own or together with other readily available resources, we consider

professional services as distinct within the context of the contract.
Professional service revenue is recognized over time so long as: (i) the customer simultaneously receives and consumes the benefits as we perform them, (ii) our performance creates or enhances an asset the customer controls as we perform, and (iii) our performance does not create an asset with alternative use and we have enforceable right to payment.
If all of the above criteria are met, we use an input-based measure of progress for recognizing professional service revenue. For example we may consider total labor hours incurred compared to total expected labor hours. As a practical

expedient, when we invoice a customer at an amount that corresponds directly with the value to the customer of our performance to date, we will recognize revenue at that amount.

Material rights

To the extent that we grant our customer an option to acquire additional products or services in one of our arrangements, we will account for the option as a distinct performance obligation in the contract only if the option provides a material right to the customer that the customer would not receive without entering into the contract. For example if we give the customer an option to acquire additional goods or services in the future at a price that is significantly lower than the current price, this would be a material right as it allows the customer to, in effect, pay in advance for the option to purchase future products or services. If a material right exists in one of our contracts then revenue allocated to the option is deferred and we would recognize revenue only when those future products or services are transferred or when the option expires.

Based on history, our contracts do not typically contain material rights and when they do, the material right is not significant to our consolidated financial statements.

Arrangements with multiple performance obligations

Our contracts generally contain more than one of the products and services listed above. Determining whether goods and services are considered distinct performance obligations that should be accounted for separately or as a single performance obligation may require significant judgment, specifically when assessing whether both of the following two criteria are met:

- the customer can benefit from the product or service either on its own or together with other resources that are readily available to the customer; and
- our promise to transfer the product or service to the customer is separately identifiable from other promises in the contract.

If these criteria are not met, we determine an appropriate measure of progress based on the nature of our overall promise for the single performance obligation.

If these criteria are met, each product or service is separately accounted for as a distinct performance obligation and the total transaction price is allocated to each performance obligation on a relative standalone selling price (SSP) basis.

Standalone selling price

The SSP reflects the price we would charge for a specific product or service if it was sold separately in similar circumstances and to similar customers. In most cases we are able to establish the SSP based on observable data. We typically establish a narrow SSP range for our products and services and assess this range on a periodic basis or when material changes in facts and circumstances warrant a review.

If the SSP is not directly observable, then we estimate the amount using either the expected cost plus a margin or residual approach. Estimating SSP is a formal process whereby management considers multiple factors including, but not limited to, geographic or regional specific factors, competitive positioning, internal costs, profit objectives, and pricing practices.

Transaction Price Allocation

In bundled arrangements, where we have more than one distinct performance obligation, we must allocate the transaction price to each performance obligation based on its relative SSP. However, in certain bundled arrangements, the SSP may not always be directly observable. For instance, in bundled arrangements with license and customer support, we allocate the transaction price between the license and customer support performance obligations using the residual approach because we have determined that the SSP for certain goods and services in these arrangements are highly variable. We use the residual approach only for our license arrangements. When the SSP is observable but contractual pricing does not fall within our established SSP range, then an adjustment is required and we will allocate the transaction price between license and customer support at a constant ratio reflecting the mid-point of the established SSP range.

When two or more contracts are entered into at or near the same time with the same customer, we evaluate the facts and circumstances associated with the negotiation of those contracts. Where the contracts are negotiated as a package, we will account for them as a single arrangement and allocate the consideration for the combined contracts among the performance obligations accordingly.

Sales to resellers

We execute certain sales contracts through resellers, distributors and channel partners (collectively referred to as resellers). For these type of agreements, we assess whether we are considered the principal or the agent in the arrangement. We consider factors such as, but not limited to, whether or not the reseller has the ability to set the price for which they sell our software products to end users and whether or not resellers distribution rights are limited such that any potential sales are subject to OpenText's review and approval before delivery of the software product can be made. If we determine that we are the principal in the arrangement, then revenue is recognized based on the transaction price for the sale of the software product to the end user at the gross amount. If that is not known, then the net amount received from the reseller is the transaction price. If we determine that we are the agent in the agreement, then revenue is recognized based on the transaction price for the sale of the software product to the reseller, less any applicable commissions paid or discounts or rebates, if offered. Costs or commissions paid to the reseller would be recognized as a reduction of revenue unless we received a distinct good or service in return. Similarly, any discounts or rebates offered by the reseller would be recognized as a reduction of revenue.

Typically, we conclude that we are the principal in our reseller agreements, as we have control over the service and products prior to being transferred to the end customer.

We also assess the creditworthiness of each reseller and if they are newly formed, undercapitalized or in financial difficulty, we defer any revenues expected to emanate from such reseller and recognize revenue only when cash is received, and all other revenue recognition criteria under Topic 606 are met.

Rights of return and other incentives

We do not generally offer rights of return or any other incentives such as concessions, product rotation, or price protection and, therefore, do not provide for or make estimates of rights of return and similar incentives. In some contracts, however, discounts may be offered to the customer for future software purchases and other additional products or services. Such arrangements grant the customer an option to acquire additional goods or services in the future at a discount and therefore are evaluated under guidance related to "material rights" as discussed above.

Other policies

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 60 days of the invoice. In certain arrangements, we will receive payment from a customer either before or after the performance obligation to which the invoice relates has been satisfied. As a practical expedient, we do not account for significant financing components if the period between when we transfer the promised good or service to the customer and when the customer pays for the product or service will be one year or less. On that basis, our contracts for license and maintenance typically do not contain a significant financing component. Our managed services contracts may not include an upfront charge for outsourced professional services performed as part of an implementation and are recovered through an ongoing fee. Therefore, these contracts may be expected to have a financing component associated with revenue being recognized in advance of billings.

We may modify contracts to offer customers additional products or services. The additional products and services will be considered distinct from those products or services transferred to the customer before the modification and will be accounted for as a separate contract. We evaluate whether the price for the additional products and services reflects the SSP adjusted as appropriate for facts and circumstances applicable to that contract. In determining whether an adjustment is appropriate, we evaluate whether the incremental consideration is consistent with the prices previously paid by the customer or similar customers.

Performance Obligations

A summary of our typical performance obligations and when the obligations are satisfied are as follows:

Performance Obligation	**When Performance Obligation is Typically Satisfied**
License revenue:	
Software licenses (Perpetual,Term, Subscription)	When software activation keys have been made available for download (point in time)
Cloud services and subscriptions revenue:	
Outsourced Professional Services	As the services are provided (over time)
Managed Services / Ongoing Hosting	Over the contract term, beginning on the date that service is made available (i.e. "Go live") to the customer (over time)
Customer support revenue:	
When and if available updates and upgrades and technical support	Ratable over the course of the service term (over time)
Professional service and other revenue:	
Professional services	As the services are provided (over time)

Disaggregation of Revenue

The following table disaggregates our revenue by significant geographic area, based on the location of our end customer, and by type of performance obligation and timing of revenue recognition for the periods indicated:

	Three Months Ended September 30, 2018
Total Revenues by Geography:	
Americas [(1)]	$389,340
EMEA [(2)]	214,475
Asia Pacific [(3)]	63,342
Total Revenues	$667,157
Total Revenues by Type of Performance Obligation:	
Recurring revenue	
Cloud services and subscriptions revenue	$208,083
Customer support revenue	311,551
Total recurring revenues	$519,634
License revenue (perpetual, term and subscriptions)	76,887
Professional service and other revenue	70,636
Total revenues	$667,157
Total Revenues by Timing of Revenue Recognition	
Point in time	76,887
Over time (including professional service and other revenue)	590,270
Total revenues	$667,157

(1) Americas consists of countries in North, Central and South America.

(2) EMEA primarily consists of countries in Europe, the Middle East and Africa.

(3) Asia Pacific primarily consists of the countries Japan, Australia, China, Korea, Philippines, Singapore and New Zealand.

Contract Balances

A contract asset will be recorded if we have recognized revenue but do not have an unconditional right to the related consideration from the customer. This will be the case if implementation services offered in a cloud arrangement for example, are identified as a separate performance obligation and are provided to a customer prior to us being able to bill the customer. In addition, a contract asset may arise in relation to subscription licenses if the license revenue that is recognized upfront exceeds the amount that we are able to invoice the customer at that time. When we perform services, such as during the design and build phase of a service contract, the right to consideration is typically subject to milestone completion or customer acceptance and the unbilled accounts receivable are classified as a contract asset. Contract assets are reclassified to accounts receivable when the rights become unconditional.

The balance for our contract assets and contract liabilities (i.e. deferred revenues) for the periods indicated below were as follows:

	As of September 30, 2018	As of July 1, 2018
Short-term contract assets	$8,767	$5,474
Long-term contract assets	$12,041	$12,382
Short-term deferred revenue	$582,139	$618,197
Long-term deferred revenue	$43,585	$64,743

The difference in the opening and closing balances of our contract assets and deferred revenues primarily results from the timing difference between our performance and the customer’s payments. We fulfill our obligations under a contract with a customer by transferring products and services in exchange for consideration from the customer. During the three months ended September 30, 2018, we reclassified $2.4 million of contract assets to receivables as a result of the right to the transaction consideration becoming unconditional. We had no asset impairment loss related to contract assets for the three months ended September 30, 2018.

We recognize deferred revenue when we have received consideration or an amount of consideration is due from the customer for future obligations to transfer products or services. Our deferred revenues primarily relate to customer support agreements which have been paid for by customers prior to the performance of those services. The amount of revenue that was recognized during the three months ended September 30, 2018 that was included in the deferred revenue balances at July 1, 2018 was approximately $270 million.

Incremental Costs of Obtaining a Contract with a Customer

Incremental costs of obtaining a contract include only those costs that we incur to obtain a contract that we would not have incurred if the contract had not been obtained, such as sales commissions. We have determined that certain of our commission programs meet the requirements to be capitalized. Some commission programs are not subject to capitalization as the commission expense is paid and recognized as the related revenue is recognized. In assessing costs to obtain a contract, we apply a practical expedient that allows us to assess our incremental costs on a portfolio of contracts with similar characteristics instead of assessing the incremental costs on each individual contract. We do not expect the financial statement effects of applying this practical expedient to the portfolio of contracts to be materially different than if we were to apply the new standard to each individual contract.

We pay commissions on the sale of new customer contracts as well as for renewals of existing contracts to the extent the renewals generate incremental revenue. Commissions paid on renewal contracts are limited to the incremental new revenue and therefore these payments are not commensurate with the commission paid on the original sale. We allocate commission costs to the performance obligations in an arrangement consistent with the allocation of the transaction price. Commissions allocated to the license performance obligation are expensed at the time the license revenue is recognized. Commissions allocated to professional service performance obligations are expensed as incurred, as these contracts are generally for one year or less and we apply a practical expedient to expense costs as incurred if the amortization period would have been one year or less. Commission allocated to maintenance, managed services, on-going hosting arrangements or other recurring services, are capitalized and amortized consistent with the pattern of transfer to the customer of the services over the period expected to benefit from the commission payment. As commissions paid on renewals are not commensurate with the original sale, the period of benefit considers anticipated renewals. The benefit period is estimated to be approximately six years which is based on our customer contracts and the estimated life of our technology.

Expenses for incremental costs associated with obtaining a contract are recorded within sales and marketing expense in the Condensed Consolidated Statements of Income.

Our short term capitalized costs to obtain a contract are included in "Prepaid expenses and other assets", while our long-term capitalized costs to obtain a contract are included in "Other assets" on our Condensed Consolidated Balance Sheets.

The following table summarizes the changes since July 1, 2018:

Capitalized costs to obtain a contract as of July 1, 2018	$35,151
New capitalized costs incurred	3,179
Amortization of capitalized costs	(2,271)
Capitalized costs to obtain a contract as of September 30, 2018	$36,059

During the three months ended September 30, 2018, there was no impairment loss in relation to costs capitalized.

Transaction Price Allocated to the Remaining Performance Obligations
As of September 30, 2018, approximately $926 million of revenue is expected to be recognized from remaining performance obligations. We expect to recognize approximately 40% over the next 12 months and the remaining balance thereafter. We apply the practical expedient and do not disclose performance obligations that have original expected durations of one year or less.
Impact on financial statements
The following tables summarize the impacts of adopting Topic 606 on our condensed consolidated balance sheets, statements of income and cash flows, all as compared to proforma balances illustrating if ASC Topic 605 "Revenue Recognition" (Topic 605) had still been in effect. Financial statement line items that were not impacted by the adoption of Topic 606 have been excluded from the tables below.

Condensed Consolidated Balance Sheet

	As of September 30, 2018		
	As reported under Topic 606	**Adjustments**	**Proforma as if Topic 605 was in effect**
ASSETS			
Contract assets	$8,767	$(8,767)	$—
Prepaid expenses and other current assets	80,624	6,481	87,105
Total current assets	1,325,106	(2,286)	1,322,820
Long-term contract assets	12,041	(12,041)	—
Deferred tax assets	1,106,377	8,004	1,114,381
Other assets	116,536	(179)	116,357
Total assets	$7,619,048	$(6,502)	$7,612,546
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	$252,079	$(2)	$252,077
Deferred revenues	582,139	11,011	593,150
Total current liabilities	875,273	11,009	886,282
Long-term liabilities:			
Deferred revenues	43,585	20,000	63,585
Deferred tax liabilities	74,328	(3,934)	70,394
Total long-term liabilities	3,016,745	16,066	3,032,811
Shareholders' equity:			
Accumulated other comprehensive income	32,256	462	32,718
Retained earnings	1,993,099	(34,039)	1,959,060
Total OpenText shareholders' equity	3,725,907	(33,577)	3,692,330
Non-controlling interests	1,123	—	1,123
Total shareholders' equity	3,727,030	(33,577)	3,693,453
Total liabilities and shareholders' equity	$7,619,048	$(6,502)	$7,612,546

Condensed Consolidated Statements of Income

	Three Months Ended September 30, 2018		
	As reported under Topic 606	Adjustments	Proforma as if Topic 605 was in effect
Revenues:			
License	$76,887	$(2,601)	$74,286
Cloud services and subscriptions	208,083	(535)	207,548
Customer support	311,551	(583)	310,968
Professional service and other	70,636	(54)	70,582
Total revenues	667,157	(3,773)	663,384
Cost of revenues:			
Cloud services and subscriptions	87,703	467	88,170
Total cost of revenues	226,313	467	226,780
Gross profit	440,844	(4,240)	436,604
Operating expenses:			
Sales and marketing	120,182	1,107	121,289
Total operating expenses	341,617	1,107	342,724
Income from operations	99,227	(5,347)	93,880
Interest and other related expense, net	(34,531)	(159)	(34,690)
Income before income taxes	66,218	(5,506)	60,712
Provision for (recovery of) income taxes	29,850	(1,253)	28,597
Net income for the period	$36,368	$(4,253)	$32,115

Condensed Consolidated Statement of Cash Flows

	Three Months Ended September 30, 2018		
	As reported under Topic 606	Adjustments	Proforma as if Topic 605 was in effect
Cash flows from operating activities:			
Net income for the period	$36,368	$(4,253)	$32,115
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred taxes	7,769	(1,293)	6,476
Changes in operating assets and liabilities:			
Accounts receivable	73,875	(2,281)	71,594
Contract assets	(5,346)	5,346	—
Prepaid expenses and other current assets	9,732	1,213	10,945
Income taxes and deferred charges and credits	12,561	36	12,597
Accounts payable and accrued liabilities	(40,001)	75	(39,926)
Deferred revenue	(57,403)	703	(56,700)
Other assets	2,444	454	2,898
Net cash provided by operating activities	$171,401	$—	$171,401

NOTE 4—ALLOWANCE FOR DOUBTFUL ACCOUNTS

Balance as of June 30, 2018	$9,741
Bad debt expense	2,999
Write-off /adjustments	230
Balance as of September 30, 2018	$12,970

Included in accounts receivable are unbilled receivables in the amount of $56.1 million as of September 30, 2018 (June 30, 2018—$55.5 million).

NOTE 5—PROPERTY AND EQUIPMENT

	As of September 30, 2018		
	Cost	Accumulated Depreciation	Net
Furniture and fixtures	$36,481	$(22,085)	$14,396
Office equipment	1,809	(722)	1,087
Computer hardware	207,047	(142,033)	65,014
Computer software	98,492	(63,220)	35,272
Capitalized software development costs	84,402	(45,074)	39,328
Leasehold improvements	109,145	(54,385)	54,760
Land and buildings	47,797	(11,154)	36,643
Total	$585,173	$(338,673)	$246,500

	As of June 30, 2018		
	Cost	Accumulated Depreciation	Net
Furniture and fixtures	$34,647	$(21,488)	$13,159
Office equipment	1,467	(687)	780
Computer hardware			