OPEN TEXT CORP
Form 10-Q
November 03, 2016
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, 2016.
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, 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 October 31, 2016, there were 121,542,227 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)

	September 30, 2016 (unaudited)	June 30, 2016
ASSETS		
Cash and cash equivalents	$ 834,944	$ 1,283,757
Short-term investments	2,726	11,839
Accounts receivable trade, net of allowance for doubtful accounts of $7,270 as of September 30, 2016 and $6,740 as of June 30, 2016 (note 3)	297,537	285,904
Income taxes recoverable (note 14)	19,954	31,752
Prepaid expenses and other current assets	70,643	59,021
Total current assets	1,225,804	1,672,273
Property and equipment (note 4)	181,728	183,660
Goodwill (note 5)	2,595,614	2,325,586
Acquired intangible assets (note 6)	831,197	646,240
Deferred tax assets (note 14)	1,100,897	241,161
Other assets (note 7)	65,533	53,697
Deferred charges (note 8)	62,512	22,776
Long-term income taxes recoverable (note 14)	9,025	8,751
Total assets	$ 6,072,310	$ 5,154,144
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (note 9)	$ 233,536	$ 257,450
Current portion of long-term debt (note 10)	8,000	8,000
Deferred revenues	389,890	373,549
Income taxes payable (note 14)	39,203	32,030
Total current liabilities	670,629	671,029
Long-term liabilities:		
Accrued liabilities (note 9)	31,481	29,848
Deferred credits (note 8)	7,589	8,357
Pension liability (note 11)	63,691	61,993
Long-term debt (note 10)	2,137,276	2,137,987
Deferred revenues	46,247	37,461
Long-term income taxes payable (note 14)	145,787	149,041
Deferred tax liabilities (note 14)	90,381	79,231
Total long-term liabilities	2,522,452	2,503,918
Shareholders' equity:		
Share capital (note 12)		
121,492,067 and 121,404,677 Common Shares issued and outstanding at September 30, 2016 and June 30, 2016, respectively; Authorized Common Shares: unlimited	822,135	817,788
Additional paid-in capital	155,323	147,280
Accumulated other comprehensive income	48,730	46,310
Retained earnings	1,877,639	992,546
Treasury stock, at cost (629,480 shares at September 30, 2016 and 633,647 at June 30, 2016, respectively)	(25,166)	(25,268)
Total OpenText shareholders' equity	2,878,661	1,978,656
Non-controlling interests	568	541
Total shareholders' equity	2,879,229	1,979,197

Total liabilities and shareholders’ equity	$ 6,072,310	$ 5,154,144
Guarantees and contingencies (note 13)		
Related party transactions (note 21)		
Subsequent events (note 22)		

See accompanying Notes to Condensed Consolidated Financial Statements

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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,	
	2016	2015
Revenues:		
License	$60,656	$51,331
Cloud services and subscriptions	169,687	147,790
Customer support	210,206	185,667
Professional service and other	51,115	49,747
Total revenues	491,664	434,535
Cost of revenues:		
License	3,845	2,681
Cloud services and subscriptions	70,292	58,916
Customer support	25,738	20,508
Professional service and other	41,343	38,064
Amortization of acquired technology-based intangible assets (note 6)	23,135	19,883
Total cost of revenues	164,353	140,052
Gross profit	327,311	294,483
Operating expenses:		
Research and development	58,572	46,440
Sales and marketing	95,148	77,945
General and administrative	38,197	35,569
Depreciation	15,270	12,914
Amortization of acquired customer-based intangible assets (note 6)	33,608	27,805
Special charges (note 17)	12,454	17,337
Total operating expenses	253,249	218,010
Income from operations	74,062	76,473
Other income (expense), net	6,699	(4,913)
Interest and other related expense, net	(27,275)	(19,046)
Income before income taxes	53,486	52,514
Provision for (recovery of) income taxes (note 14)	(859,425)	11,202
Net income for the period	$912,911	$41,312
Net (income) attributable to non-controlling interests	(27)	(26)
Net income attributable to OpenText	$912,884	$41,286
Earnings per share—basic attributable to OpenText (note 20)	$7.52	$0.34
Earnings per share—diluted attributable to OpenText (note 20)	$7.46	$0.34
Weighted average number of Common Shares outstanding—basic	121,455	122,160
Weighted average number of Common Shares outstanding—diluted	122,371	122,640
Dividends declared per Common Share	$0.2300	$0.2000

See accompanying Notes to Condensed Consolidated Financial Statements

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

	Three Months Ended September 30,	
	2016	2015
Net income for the period	$912,911	$41,312
Other comprehensive income—net of tax:		
Net foreign currency translation adjustments	1,219	1,723
Unrealized gain (loss) on cash flow hedges:		
Unrealized (loss) - net of tax expense (recovery) effect of ($128) and ($1,222), respectively	(355)	(3,390)
(Gain) loss reclassified into net income - net of tax (expense) recovery effect of ($5) and $184, respectively	(17)	512
Actuarial gain (loss) relating to defined benefit pension plans:		
Actuarial gain - net of tax expense (recovery) effect of ($593) and $302, respectively	1,538	1,113
Amortization of actuarial loss into net income - net of tax (expense) recovery effect of $62 and $32, respectively	147	83
Unrealized net gain (loss) on short-term investments - net of tax effect of nil, respectively	(112)	15
Total other comprehensive income, net, for the period	2,420	56
Total comprehensive income	915,331	41,368
Comprehensive (income) attributable to non-controlling interests	(27)	(26)
Total comprehensive income attributable to OpenText	$915,304	$41,342

See accompanying Notes to Condensed Consolidated Financial Statements

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

	Three Months Ended September 30, 2016			2015		
Cash flows from operating activities:						
Net income for the period	$	912,911		$	41,312	
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization of intangible assets	72,013			60,602		
Share-based compensation expense	8,140			6,533		
Excess tax (benefits) expense on share-based compensation expense	(5		)	216		
Pension expense	1,190			1,167		
Amortization of debt issuance costs	1,323			1,156		
Amortization of deferred charges and credits	2,146			2,617		
Deferred taxes	(875,824		)	(4,184		)
Share in net (income) loss of equity investees	(5,529		)	—		
Other non-cash charges	1,033			—		
Changes in operating assets and liabilities:						
Accounts receivable	16,169			52,106		
Prepaid expenses and other current assets	(1,189		)	5,834		
Income taxes and deferred charges and credits	3,221			3,797		
Accounts payable and accrued liabilities	(30,599		)	(48,322		)
Deferred revenue	(26,109		)	(32,393		)
Other assets	(5,440		)	2,281		
Net cash provided by operating activities	73,451			92,722		
Cash flows from investing activities:						

Additions of property and equipment	(20,665	)	(17,197	)
Proceeds from maturity of short-term investments	9,212		2,255	
Purchase of HP Inc. CCM Business	(312,198	)	—	
Purchase of Recommind, Inc.	(170,107	)	—	
Purchase of HP Inc. CEM Business	(7,289	)	—	
Purchase of Actuate Corporation, net of cash acquired	—		(7,701	)
Purchase of Informative Graphics Corporation, net of cash acquired	—		(88	)
Purchase of ICCM Professional Services Limited, net of cash acquired	—		(2,027	)
Other investing activities	(123	)	(926	)
Net cash used in investing activities	(501,170	)	(25,684	)
Cash flows from financing activities:				
Excess tax benefits (expense) on share-based compensation expense	5		(216	)
Proceeds from issuance of Common Shares	5,310		5,252	
Repayment of long-term debt and revolver	(2,000	)	(2,000	)
Debt issuance costs	(1,330	)	—	
Common Shares repurchased	—		(50,026	)
Payments of dividends to shareholders	(27,791	)	(23,312	)
Net cash used in financing activities	(25,806	)	(70,302	)
Foreign exchange gain (loss) on cash held in foreign currencies	4,712		(5,950	)
Decrease in cash and cash equivalents during the period	(448,813	)	(9,214	)

Cash and cash equivalents at beginning of the period	1,283,757	699,999
Cash and cash equivalents at end of the period	$ 834,944	$ 690,785

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, 2016
(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 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), GXS, Inc. (GXS Korea) and EC1 Pte. Ltd. (GXS Singapore), which as of September 30, 2016, were 90%, 85% and 81% owned, respectively, by OpenText. All inter-company balances and transactions have been eliminated.

Throughout this Quarterly Report on Form 10-Q: (i) the term “Fiscal 2017” means our fiscal year beginning on July 1, 2016 and ending June 30, 2017; (ii) the term “Fiscal 2016” means our fiscal year beginning on July 1, 2015 and ended June 30, 2016; (iii) the term “Fiscal 2015” means our fiscal year beginning on July 1, 2014 and ended June 30, 2015; and (iv) the term "Fiscal 2014" means our fiscal year beginning on July 1, 2013 and ended June 30, 2014.

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 Recommind, Inc. (Recommind), with effect from July 20, 2016, and certain customer communication management software and services assets and liabilities acquired from HP Inc. (CCM Business), with effect from July 31, 2016 (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) the realization of investment tax credits, (x) the valuation of stock options granted and obligations related to share-based payments, including the valuation of our long-term incentive plan, (xi) the valuation of pension assets and obligations, and (xii) accounting for income taxes.

NOTE 2—RECENT ACCOUNTING PRONOUNCEMENTS

Statement of Cash Flows

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments" (ASU 2016-15). ASU 2016-15 clarifies how companies should present and classify certain cash receipts and cash payments in the statement of cash flows. This standard is effective for us during the first quarter of our fiscal year ending June 30, 2019, with early adoption permitted. We are currently evaluating the impact of the pending adoption of ASU 2016-15 on our Condensed Consolidated Financial Statements.

Financial Instruments

In June 2016, the FASB issued ASU No. 2016-13 “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (ASU 2016-13), which requires measurement and recognition of expected credit losses for financial assets held. ASU 2016-13 is effective for us in our first quarter for our fiscal year ending June 30, 2021, with earlier adoption permitted beginning in the first quarter of our fiscal year ending June 30, 2020. We are currently evaluating the impact of our pending adoption of ASU 2016-13 on our Condensed Consolidated Financial Statements.

In January 2016, the FASB issued ASU 2016-01 “Financial Instruments - Overall (Topic 825): Recognition and Measurement of Financial Assets and Financial Liabilities” (ASU 2016-01). This update requires that all equity investments be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under the equity method of accounting or those that result in consolidation of the investee). This update also requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. Additionally, this update eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities and eliminates the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet for public entities. ASU 2016-01 is effective for our fiscal year ending June 30, 2019. We are currently evaluating the impact of the pending adoption of ASU 2016-01 on our Condensed Consolidated Financial Statements.

Share-based Compensation

In March 2016, the FASB issued ASU No. 2016-09, "Compensation-Stock Compensation (Topic 718)." This standard makes several modifications to Topic 718 related to the accounting for forfeitures, employer tax withholding on share-based compensation and the financial statement presentation of excess tax benefits or deficiencies. ASU 2016-09 also clarifies the statement of cash flows presentation for certain components of share-based awards. The standard is effective for us during the first quarter of our fiscal year ending June 30, 2018, with early adoption permitted. We are currently assessing how the adoption of this standard will impact our Condensed Consolidated Financial Statements.

Investments-Equity Method and Joint Ventures

In March 2016, the FASB issued ASU No. 2016-07, "Investments - Equity Method and Join Ventures (Topic 323): Simplifying the Transition to Equity Method of Accounting" (ASU 2016-07). The amendments in this update require that the equity method investor add the cost of acquiring any additional interest in an investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Upon qualifying for equity method accounting, no retroactive adjustment of the investment is required. We adopted ASU 2016-07 in the first quarter of our Fiscal 2017. The adoption did not have a material impact on our reported financial position or results of operations and cash flows.

Leases

In February 2016, the FASB issued ASU 2016-02 “Leases (Topic 842)” (ASU 2016-02), which supersedes the guidance in former ASC Topic 840 “Leases”. 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. This standard is effective for us for our fiscal year ending June 30, 2020, with early adoption permitted. Upon adoption of ASU 2016-02, entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. We are currently evaluating the effect that the pending adoption of ASU 2016-02 will have on our Condensed Consolidated Balance Sheets. Although we have not completed our assessment, we do not expect the adoption to change the recognition, measurement or presentation of lease expenses within the Condensed Consolidated Statements of Operations and Cash Flows.

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” (ASU 2014-09) and issued subsequent amendments to the initial guidance in August 2015, March 2016, April 2016 and May 2016 within ASU 2015-04, ASU 2016-08, ASU 2016-10 and ASU 2016-12, respectively. These updates supersede 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 include (i) identifying contract(s) with customers, (ii) identifying performance obligations in the contract(s), (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. In August 2015, the FASB voted to defer the effective date of ASU 2014-09 for one year. The new guidance will now be effective for us in the first quarter of our fiscal year ending June 30, 2019. Early adoption, prior to the original effective date, 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 effect that the pending adoption of the above mentioned ASUs will have on our Condensed Consolidated Financial Statements and related disclosures.

Although it is expected to have a significant impact on our revenue recognition policies and disclosures, we have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting. There have been no other significant changes in our reported financial position or results of operations and cash flows as a result of our adoption of new accounting pronouncements or changes to our significant accounting policies that were disclosed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2016.

NOTE 3—ALLOWANCE FOR DOUBTFUL ACCOUNTS

Balance as of June 30, 2016	$6,740
Bad debt expense	1,639
Write-off /adjustments	(1,109)
Balance as of September 30, 2016	$7,270

Included in accounts receivable are unbilled receivables in the amount of $36.9 million as of September 30, 2016 (June 30, 2016—$35.6 million).

NOTE 4—PROPERTY AND EQUIPMENT

	As of September 30, 2016		
	Cost	Accumulated Depreciation	Net
Furniture and fixtures	$20,820	$(13,181)	$7,639
Office equipment	1,094	(532)	562
Computer hardware	136,713	(90,850)	45,863
Computer software	53,571	(27,407)	26,164
Capitalized software development costs	56,403	(19,590)	36,813
Leasehold improvements	58,107	(32,968)	25,139
Land and buildings	48,545	(8,997)	39,548
Total	$375,253	$(193,525)	$181,728

	As of June 30, 2016		
	Cost	Accumulated Depreciation	Net
Furniture and fixtures	$20,462	$(12,505)	$7,957
Office equipment	823	(226)	597
Computer hardware	134,688	(89,351)	45,337
Computer software	51,991	(25,134)	26,857
Capitalized software development costs	53,540	(16,830)	36,710
Leasehold improvements	57,061	(30,743)	26,318
Land and buildings	48,529	(8,645)	39,884
Total	$367,094	$(183,434)	$183,660

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, 2016:

Balance as of June 30, 2016	$2,325,586
Acquisition of Recommind, Inc. (note 18)	93,424
Acquisition of CCM Business (note 18)	176,877
Adjustment relating to acquisition of CEM Business (note 18)	(273)
Balance as of September 30, 2016	$2,595,614

NOTE 6—ACQUIRED INTANGIBLE ASSETS

	As of September 30, 2016		
	Cost	Accumulated Amortization	Net
Technology Assets	$485,373	$ (178,983)	$306,390
Customer Assets	906,406	(381,599)	524,807
Total	$1,391,779	$ (560,582)	$831,197

	As of June 30, 2016		
	Cost	Accumulated Amortization	Net
Technology Assets	$359,573	$ (155,848)	$203,725
Customer Assets	790,506	(347,991)	442,515
Total	$1,150,079	$ (503,839)	$646,240

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

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

	Fiscal years ending June 30,
2017 (nine months ended June 30)	$ 172,041
2018	218,992
2019	191,593
2020	120,079
2021	45,872
2022 and beyond	82,620
Total	$ 831,197

NOTE 7—OTHER ASSETS

	As of September 30, 2016	As of June 30, 2016
Deposits and restricted cash	$ 13,075	$10,715
Deferred implementation costs	21,130	18,116
Investments	23,504	18,062
Long-term prepaid expenses and other long-term assets	7,824	6,804
Total	$ 65,533	$53,697

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

Investments relate to certain non-marketable equity securities in which we are a limited partner. Our interest, individually, in each of these investees range from 4% to below 20%. These investments are accounted for using the equity method. Our share of net income or losses based on our interest in these investments are recorded as a component of other income (expense), net in our Condensed Consolidated Statements of Income. During the three months ended September 30, 2016, our share of income from these investments was $5.5 million (three months ended September 30, 2015—nil).

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 September 30, 2016	As of June 30, 2016
Accounts payable—trade	$ 35,020	$35,804
Accrued salaries and commissions	60,528	77,813
Accrued liabilities	110,792	113,272
Accrued interest on Senior Notes	21,125	23,562
Amounts payable in respect of restructuring and other Special charges	5,293	5,109
Asset retirement obligations	778	1,890
Total	$ 233,536	$257,450

Long-term accrued liabilities

	As of September 30, 2016	As of June 30, 2016
Amounts payable in respect of restructuring and other Special charges	$ 3,752	$3,986
Other accrued liabilities*	19,338	19,138
Asset retirement obligations	8,391	6,724
Total	$ 31,481	$29,848

* 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. As of September 30, 2016, the present value of this obligation was $9.2 million (June 30, 2016—$8.6 million), with an undiscounted value of $9.9 million (June 30, 2016—$9.2 million).

NOTE 10—LONG-TERM DEBT

Long-term debt

Long-term debt is comprised of the following:

	As of September 30, 2016	As of June 30, 2016
Total debt		
Senior Notes 2026	$600,000	$600,000
Senior Notes 2023	800,000	800,000
Term Loan B	778,000	780,000
Total principal payments due	2,178,000	2,180,000
Less:		
Debt issuance costs	(32,724)	(34,013)
Total amount outstanding	2,145,276	2,145,987
Less:		
Current portion of long-term debt		
Term Loan B	8,000	8,000
Non-current portion of long-term debt	$2,137,276	$2,137,987

Senior Unsecured Fixed Rate Notes

Senior Notes 2026

On May 31, 2016, we issued $600 million in aggregate principal amount of 5.875% Senior Notes due 2026 (Senior Notes 2026) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (Securities Act), and to certain persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2026 bear interest at a rate of 5.875% per annum, payable semi-annually in arrears on June 1 and December 1, commencing on December 1, 2016. Senior Notes 2026 will mature on June 1, 2026, unless earlier redeemed, in accordance with their terms, or repurchased.

For the three months ended September 30, 2016, we recorded interest expense of $8.8 million, relating to Senior Notes 2026.

Senior Notes 2023

On January 15, 2015, we issued $800 million in aggregate principal amount of 5.625% Senior Notes due 2023 (Senior Notes 2023) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act, and to certain persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2023 bear interest at a rate of 5.625% per annum, payable semi-annually in arrears on January 15 and July 15, commencing on July 15, 2015. Senior Notes 2023 will mature on January 15, 2023, unless earlier redeemed, in accordance with their terms, or repurchased.

For the three months ended September 30, 2016, we recorded interest expense of $11.3 million, relating to Senior Notes 2023 (three months ended September 30, 2015—$11.3 million).

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 (defined below). 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 months ended September 30, 2016, we recorded interest expense of $6.5 million, relating to Term Loan B (three months ended September 30, 2015—$6.5 million).

Revolver

We currently have a $300 million committed revolving credit facility (the Revolver). Borrowings under the Revolver are secured by a first charge over substantially all of our assets, and on a pari passu basis with Term Loan B. The Revolver will mature on December 22, 2019 with no fixed repayment date prior to the end of the term. As of September 30, 2016, we have not drawn any amounts on the Revolver.

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 September 30, 2016 and June 30, 2016:

	As of September 30, 2016		
	Total benefit obligation	Current portion of benefit obligation*	Non-current portion of benefit obligation
CDT defined benefit plan	$31,336	$ 610	$ 30,726
GXS Germany defined benefit plan	26,453	811	25,642
GXS Philippines defined benefit plan	4,169	72	4,097
Other plans	3,387	161	3,226
Total	$65,345	$ 1,654	$ 63,691

	As of June 30, 2016		
	Total benefit obligation	Current portion of benefit obligation*	Non-current portion of benefit obligation
CDT defined benefit plan	$29,450	$ 589	$ 28,861
GXS Germany defined benefit plan	24,729	772	23,957
GXS Philippines defined benefit plan	7,341	30	7,311
Other plans	3,330	1,466	1,864
Total	$64,850	$ 2,857	$ 61,993

*The current portion of the benefit obligation has been included within "Accrued salaries and commissions", all within "Accounts payable and accrued liabilities" in the Condensed Consolidated Balance Sheets (see Note 9).

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 September 30, 2016, there is approximately $0.5 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 remainder of Fiscal 2017.

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. 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 September 30, 2016, there is approximately $129.2 thousand in

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accumulated other comprehensive income related to the GXS GER plan that is expected to be recognized as a component of net periodic benefit costs over the remainder of Fiscal 2017.

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 has a fair value of approximately $34.5 thousand as of September 30, 2016, no additional 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 September 30, 2016, there is approximately $36.4 thousand in accumulated other comprehensive income related to the GXS PHP plan that is expected to be recognized as a component of net periodic benefit costs over the remainder of Fiscal 2017.

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 September 30, 2016				As of June 30, 2016			
	CDT	GXS GER	GXS PHP	Total	CDT	GXS GER	GXS PHP	Total
Benefit obligation—beginning of period	$29,450	$24,729	$7,341	$61,520	$26,091	$22,420	$7,025	$55,536
Service cost	120	101	439	660	422	359	1,628	2,409
Interest cost	117	96	76	289	610	543	314	1,467
Benefits paid	(118)	(205)	(10)	(333)	(534)	(770)	(190)	(1,494)
Actuarial (gain) loss	1,266	1,294	(3,505)	(945)	3,299	2,564	(1,145)	4,718
Foreign exchange (gain) loss	501	438	(172)	767	(438)	(387)	(291)	(1,116)
Benefit obligation—end of period	31,336	26,453	4,169	61,958	29,450	24,729	7,341	61,520
Less: Current portion	(610)	(811)	(72)	(1,493)	(589)	(772)	(30)	(1,391)
Non-current portion of benefit obligation	$30,726	$25,642	$4,097	$60,465	$28,861	$23,957	$7,311	$60,129

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

	Three Months Ended September 30,							
	2016				2015			
Pension expense:	CDT	GXS GER	GXS PHP	Total	CDT	GXS GER	GXS PHP	Total
Service cost	$120	$101	$439	$660	$107	$103	$427	$637
Interest cost	117	96	76	289	154	128	81	363
Amortization of actuarial (gains) and losses	160	43						