

CONTACT:  
William N. Stirlen  
Chief Financial Officer  
(519) 888-7111

FOR IMMEDIATE RELEASE

## **Open Text Corporation Reports Second-Quarter 1997 Results**

*Total Revenue and Gross Profit Growth Exceed 100 Percent,  
As Company Deepens Penetration of Intranet Software Market*

WATERLOO, Ontario, Canada -- January 28, 1997 -- Open Text Corporation (NASDAQ: OTEXF), a leading provider of intranet application software, tools and services, today announced its financial results for the second quarter of fiscal 1997.<sup>1</sup>

For the quarter ended December 31, 1996, Open Text reported the highest quarterly total revenues and gross profit in the company's history. Total revenues were US\$5.2 million, a 128.8-percent increase from the \$2.3 million reported for the year-earlier quarter, and a 29.0-percent increase from the \$4.0 million reported for the quarter ended September 30, 1996. Gross profit for the quarter was \$3.5 million, up 104.5 percent from the \$1.7 million reported a year ago, and up 44.6 percent from the \$2.4 million reported for the first quarter.

The net loss for the second quarter was \$3.8 million, or \$0.23 per share, compared with a net loss of \$23.3 million, or \$2.30 per share, for the prior-year period, and a net loss of \$3.6 million, or \$0.22 per share, for the first quarter of fiscal 1997. The net loss for the second quarter of fiscal 1996 included a one-time charge of \$21.2 million for the write-off of purchased research and development related to certain acquisitions, including that of Odesta Corporation, the original developer of Livelink product technology, in October 1995.

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<sup>1</sup> Reported under U.S. Generally Accepted Accounting Principles (GAAP).

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At December 31, 1996, Open Text's cash, cash equivalents and short-term investments totaled \$34.8 million.

"We continue to meet specific goals that we had identified six months ago as key milestones to success in the emerging intranet software market," said Tom Jenkins, Open Text's president and chief executive officer. "In addition to expanding revenue and gross profit, we have scored several major new customer wins, as well as follow-on wins from existing customers, in targeted vertical markets. Of particular note, we signed an agreement with Bell Sygma for a 13,000-seat deployment of Livelink Intranet for Bell Canada. This is one of the largest applications of its kind in Internet/intranet history. Of the approximately 70 Livelink Intranet installations completed to date, five accounts have scaled up to software valued at \$350,000 to \$800,000 per account.

"The initial momentum of our first major accounts -- combined with the recent deployment of Livelink Intranet Suite 7, the most powerful and comprehensive release yet -- clearly demonstrates our potential for market leadership and continued growth," Jenkins added. "As *Interactive Week* stated in its December 16, 1996 issue, 'While almost every software company is trying to carve out an intranet niche, Open Text Corporation is well ahead and lengthening its lead with a new release of its Livelink suite.'"

### **Expanding Intranet Business**

For the second consecutive quarter since the company executed a major restructuring of operations to focus on its core intranet business, revenue growth was driven by increasing intranet software sales. Total intranet software revenue for the second quarter of 1997 was \$4.7 million, a 27.0-percent increase from the \$3.7 million reported for the first quarter of fiscal 1997.

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In addition to Bell Sygma, major accounts during the second quarter included BellSouth Corporation, Chiron Corporation, Conoco, Derwent Information, Medical Economics Company, Microsoft Corporation, Schien Pharmaceutical and the U.S. Government Printing Office. The company also formed a strategic alliance with Siemens-Nixdorf, in which this largest European information technology company agreed to bundle Livelink Intranet with its intranet-server platform, providing Open Text with potential access to Siemens-Nixdorf's 1,400 sales people worldwide and installed base of 130,000 UNIX servers. Recently, Open Text also formed strategic relationships with iSTAR internet inc., the largest Internet service provider in Canada, and Netsys Technology Group, the systems integration subsidiary of the largest Internet service provider and second largest telecommunications provider in Scandinavia, Netcom Systems.

During the second quarter, Open Text hired two industry veterans to strengthen its intranet software sales management, adding Stephen Klann as vice president of U.S. Sales and Robert Logan as vice president of Canadian Sales.

### **Business Mix**

For the second quarter of fiscal 1997, license revenue was \$3.1 million, up 97.8 percent from \$1.6 million for the same period last year, and up 42.6 percent from the \$2.6 million reported for the quarter ended September 30, 1996. Service revenue during the quarter increased to \$2.2 million, a 194.4-percent increase from \$700,000 for the prior-year period, and a 13.6-percent increase from the \$1.9 million reported for the first quarter. The year-over-year and sequential increases for both license and service revenue reflected the initial market penetration of the Livelink Intranet suite of products, as well as the addition of approximately 70 new accounts deploying these products.

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Gross margin for the second quarter was 66.4 percent of total revenues, compared with 74.3 percent for the prior-year period, and with 59.3 percent for the first quarter of fiscal 1997. The year-over-year gross margin trend reflected increased staffing costs associated with the company's growing service business, based on a fundamental change from Internet search engine products to intranet application software products and the corresponding increase in pre- and post-sale consulting requirements.

### **Half-Year Results**

For the six months ended December 31, 1996, total revenues were \$9.3 million, an increase of 218.8 percent from the \$2.9 million reported for the prior-year period. Gross profit for the first half of fiscal 1997 was \$5.9 million, up 171.7 percent from the \$2.2 million reported for the same period in 1996. For the first six months of 1997, the net loss was \$7.4 million, or \$0.44 per share, compared with the \$26.0 million, or \$3.09 per share, reported for the period ended December 31, 1995. The net loss for the first half of fiscal 1996 included a one-time charge of \$22.5 million for the write-off of purchased research and development related to certain acquisitions.

### **The Company**

Open Text Corporation is a leading provider of intranet application software, tools and services that enable organizations to leverage the global reach and openness of Internet technologies within a powerful, collaborative environment for communicating, managing and working together. Specifically, Open Text's solutions are used by Global 2000 companies to find and manage information and documents, empower teams and drive critical business processes. Open Text: "We put the Web to work."

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-Financials Attached-

## Open Text Corporation

### Consolidated Statement of Operations

(Unaudited)

(in thousands of United States dollars)

	Three months ended		Six months ended	
	December 31, 1996	December 31, 1995	December 31, 1996	December 31, 1995
Revenues				
License	\$3,064	\$1,548	\$5,212	\$1,780
Service	2,152	731	4,046	1,124
Total revenues	5,216	2,279	9,258	2,904
Cost of revenues				
License	145	164	347	175
Service	1,605	421	3,048	571
Total cost of revenues	1,750	585	3,395	746
Gross profit	3,466	1,694	5,863	2,158
Operating expenses:				
Research and development	1,566	401	3,050	778
Sales and marketing	4,212	1,852	6,933	2,913
General and administrative	1,468	1,074	2,716	1,476
Depreciation and amortization, including acquired research and development costs	435	21,746	841	23,077
Restructuring reserve	-	-	650	-
Total operating expenses	7,681	25,073	14,190	28,244
Loss from operations	(4,215)	(23,379)	(8,327)	(26,086)
Other income	406	73	964	133
<b>Loss for the period</b>	<b>(\$3,809)</b>	<b>(\$23,306)</b>	<b>(\$7,363)</b>	<b>(\$25,953)</b>
<b>Loss per share</b>	<b>(\$0.23)</b>	<b>(\$2.30)</b>	<b>(\$0.44)</b>	<b>(\$3.09)</b>
<b>Weighted average number of Common Shares outstanding</b>	<b>16,769</b>	<b>10,148</b>	<b>16,560</b>	<b>8,397</b>

# Open Text Corporation

## Consolidated Balance Sheet

(Unaudited)

(in thousands of United States dollars)

	December 31, 1996	June 30, 1996
<b>Assets</b>		
Current assets:		
Cash	\$4,729	\$2,813
Short term investments	30,022	48,326
Accounts receivable - trade	6,985	5,416
Other current assets	1,784	2,203
Total current assets	<u>43,520</u>	<u>58,758</u>
Furniture and equipment	4,375	3,536
Other investments	3,408	2,227
Other assets	<u>5,685</u>	<u>1,637</u>
	<u>\$56,988</u>	<u>\$66,158</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable - trade and other liabilities	\$7,211	\$6,900
Provision for restructuring	883	2,339
Current portion of obligations under capital lease	425	627
Total current liabilities	<u>8,519</u>	<u>9,866</u>
Obligations under capital leases	540	742
Shareholders' equity:		
Share capital	93,578	93,563
Other shareholders' equity	<u>(45,649)</u>	<u>(38,013)</u>
Total shareholders' equity	<u>47,929</u>	<u>55,550</u>
	<u>\$56,988</u>	<u>\$66,158</u>