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EDITED TRANSCRIPT

OTC.TO - Q2 2017 Open Text Corp Earnings Call

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OVERVIEW:

Co. reported 2Q17 total revenues of $543m and net income of $45m or $0.18 per diluted share on post share split basis.

CORPORATE PARTICIPANTS

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PRESENTATION

Operator

Welcome to the OpenText Corporation second-quarter 2017 conference call.

(Operator Instructions)

The conference is being recorded.

(Operator Instructions)

I would like to turn the conference over to Greg Secord, Vice President Investor Relations. Please go ahead.

Greg Secord - *OpenText Corporation - VP of IR*

Thank you, operator. And good afternoon everybody.

On the call today is OpenText's Chief Executive Officer and Chief Technology Officer Mark J Barrenechea; our Chief Financial Officer John Doolittle; and our President, Steve Murphy.

We will read prepared remarks followed by question-and-answer session. The call will last approximately 60 minutes, with a replay available shortly thereafter.

I'd like to take a moment and direct investors to the front page of the Investor Relations section of our website, where we've posted PowerPoints that will be referred to during this call. And now, I'll proceed with the reading of our safe harbor statement.

Please note that during the course of this conference call we may make statements relating to the future performance of OpenText, that contain forward-looking information. While these forward-looking statements represent our current judgment, actual results could differ materially from the conclusion, forecast, or projection in the forward-looking statements made today. Certain material factors and assumptions were applied in drawing any such conclusion, while making a forecast in a projection, as reflected in the forward-looking information.

Additional information about the material factors that could cause actual results to differ materially from a conclusion forecast or projection in the forward-looking information, and the material factors or assumptions that were applied in drawing the conclusion, while making a forecast or projection as reflected in the forward-looking information, as well as risk factors that may project future performance results of OpenText, are contained in OpenText form 10-K and 10-Q as well in the press release that was distributed earlier this afternoon, each of which may be found on our website.

We undertake no obligation to update these forward-looking statements unless required to do so by law. In addition, our conference call may include discussions of certain non-GAAP financial measures. Reconciliation of any non-GAAP financial measures, to their most directly comparable GAAP measures, may be found within our public filings and other materials which are available on our website.

And with that, I'll hand the call over to John Doolittle.

John Doolittle - *OpenText Corporation - CFO*

Okay. Thank you, Greg. Welcome to the call, everyone.

Before we get started, I want to remind everyone that on December 21, 2016, we announced that our Board of Directors approved the 2-for-1 share split of our outstanding common shares. As a result of the 2-for-1 share split, all of our current and historical periods per share data, number of common shares outstanding, and share-based compensation awards are presented on a post share-split diluted basis.

Also during the quarter, and as part of our ECD business acquisition financing plan, we issued 19.8 million common shares in December through a public offering of our shares for net proceeds of approximately $585 million. This negatively impacted GAAP and adjusted EPS by $0.01.

Now let's go through the numbers. My references will all be in millions of US dollars, and compared to the same period of the prior fiscal year, unless I indicate otherwise.

Total revenue for the quarter was $543 million, up 17%, both from last year and on a constant currency basis. Revenue was negatively impacted by $4 million due to acquisition accounting rules, and by $3 million due to foreign-exchange. Year-to-date total revenue was $1.034 billion, up 15% from last year, and up 16% on a constant currency basis.

Recurring revenue was $445 million, up 16% from last year, and up 17% on a constant currency basis. Year-to-date recurring revenue was $876 million, up 14% from last year and up 15% on a constant currency basis.

License revenue for the quarter was $98 million up, 19% from last year, and up 20% on a constant currency basis. Year-to-date license revenue $158 million, up 19% from last year, and up 20% on a constant currency basis.

Cloud services and subscriptions revenue for the quarter was $175 million, up 17% from last year, and up 18% in constant currency. New MCV bookings this quarter were down slightly, $54 million compared to $57 million the same period of last year. And year-to-date cloud services and subscription revenue was $345 million, up 16% from last year, and up 17% on a constant currency basis.

Customer support revenue for quarter was $220 million, up 19% from last year and up 20% in constant currency. Year-to-date customer support revenue was $430 million, up 16% from last year, and up 17% on a constant currency basis. Professional services and other was $50 million, flat compared to last year, and up 1% in constant currency. And year-to-date professional services and other was $101 million, up 1% from last year and up 3% on a constant currency basis.

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Impact of foreign exchange negatively impacted revenue by $3 million in the quarter, but had no impact on adjusted EPS. Year-to-date, foreign exchange negatively impacted revenue by $8 million, and negatively impacted adjusted EPS by $0.01. The negative impact of $8 million by revenue is cloud, $2 million; customer support, $4 million; professional services, $1 million; and license, $1 million.

Gross margins -- all gross margins are in line with our FY2017 target model. For the quarter they were as follows; license, 98%, stable year-over-year; cloud 58%, compared to 60% last year; customer support, 88%, stable year over year; professional services, 20%, compared to 24% last year, but up 19% in Q1.

Adjusted operating income was $185 million this quarter, up 7%. And foreign-exchange did not have a material impact on adjusted operating income this quarter. Year-to-date adjusted operating income was $336 million up 5%.

Adjusted net income increased by 9% to $133 million this quarter, and year-to-date adjusted net income was up $239 million, up 6%. Interest expense was $28 million in the quarter, and $55 million year-to-date, which is in line with our estimated run rate of approximately $28 million per quarter, as previously provided. With additional $250 million of senior notes issued this quarter, which I'll go into more detail later, we expect the future run rate for interest expense to be approximately $32 million per quarter.

Adjusted earnings per share for the quarter was $54 million, compared to $50 million for the same last year, up 8%. No impact from foreign-exchange. As mentioned earlier, the issuance of common shares from our public equity offering in December had a negative impact of approximately $0.01 per share.

Adjusted earnings per share year-to-date $0.97 on a post-share-split diluted basis, compared to $0.92 for the same period last year, up 5% and 7% on a constant currency basis at $98 million. GAAP net income for the quarter was $45 million, $0.18 per share, on a post-split-diluted basis, down compared to $88 million or $0.36 per share on a diluted basis.

The impact was mainly due to an increase in tax expense of approximately $27 million. And as a reminder, in July 2016, we implemented our IP reorganization to consolidate ownership, management, and development over intellectual property in Canada. Associated with this, we are recognizing a significant portion of our global income in Canada for tax purposes which gives rise to a non-cash deferred tax expense, resulting from the use of the tax assets at the Canadian statutory rate.

This is the primary reason for higher tax expense this quarter. Our adjusted tax rate remains 15%.

GAAP net income year-to-date $958 million, or $3.89 per share, compared to $129 million or $0.53 prior year. We recorded, as I mentioned, a significant tax benefit last quarter of $876 million, tied to the IP reorganization.

Talk about the ECD acquisition. The ECD acquisition was purchased by OpenText Canada, and now resides as part of our Canadian-based IP portfolio. In the quarter, there were approximately 247.5 million shares outstanding on a weighted average basis, and year-to-date there were approximately 246.1 million shares outstanding on a weighted average basis.

Operating cash flow for the quarter was $107 million, down 14%, primarily due to an increase in taxes paid of $14 million relating to a one-time gain arising from our recent IP reorganization, and increased interest payments of $17 million associated with the senior notes that we issued in May. Offsetting these items, very solid cash collections in the quarter, and a reduction in DSO, despite the acquisitions.

The balance sheet deferred revenues were $412 million, compared to $411 million at June 2016. In terms of a tax update, there is nothing new to report on our ongoing discussions with the IRS. We will continue to keep you updated on any new material developments.

Our adjusted tax rate for the quarter was 15% and it is expected to be the same for the remainder of this fiscal year. We see no impact on the rate as a result of ECD.

Accounts receivable was $316 million at December 2016, compared to $286 million at June. Days sales outstanding were 52, compared to 53 at June, and 54 of Q2 last year.

And I'll highlight an example of the progress that we've made here. I mentioned Recommind, the DSOs, on our last call, and we've reduced Recommind's DSO by 20 days since the acquisition.

Also, yesterday, our Board of Directors declared a cash dividend of $0.115 cents per share for shareholders of record on March 3, payable on March 23, 2017.

On December 20, we issued an additional $250 million principal amount of our notes -- senior notes at the premium price of 102.75%. The additional notes have identical terms of their previous issued senior notes, 2026. The outstanding aggregate principal amount of those notes, after taking into consideration this add-on, is now $850 million.

So, let me turn now to the ECD acquisition, and I'll make some comments on the accounting, financing, restructuring, revenues, and, lastly, our combined operating model. In terms of accounting, the results of ECD will be consolidated in our financial results beginning January 23, so keep in mind that for Q3, we will not record revenues for the period from January 1 to January 22.

Financing liquidity. We were delighted with the results of our financing package. As noted earlier, we raised close to $600 million in equity, zero discount to the price of announcement. In addition, our high-yield notes were issued at a premium, and our ratings were confirmed or improved.

Our liquidity position today remains very solid with approximately $400 million of cash, solid operating cash flow, and we are announcing today that we have increased our bank revolver from $300 million to $450 million, as a recognition of the growth of the company. To partially finance the acquisition and for general corporate purposes, we drew $225 million from our revolver in January. We expect this to be repaid with excess cash over the next few quarters, as this is temporary.

Restructuring. In accordance with our business model and goals, we're announcing today a restructuring plan to streamline our operations following the ECD acquisition. We expect a substantial portion of the approximately $50 million charge, will be incurred during the remainder of FY2017. These costs primarily relate to workforce and facility consolidations.

While we anticipate annualized savings of approximately $60 million to be achieved from our restructuring efforts, the savings achieved during the remainder of FY2017 are expected to be largely offset by one-time ECD integration costs.

Revenues of ECD. So just do the level set, this is a business with historical revenues of approximately $580 million annually. Now let me provide everyone with a starting point for the next few quarters. ECD's revenue for the quarter ended March 31, 2016, was approximately $134 million. And for the quarter ended June 30, 2016, was approximately $148 million.

For OpenText's upcoming Q3 quarter ended March 31, 2017, we will have two months of ECD revenue versus three. For the next four quarters, the accounting rules dictate a deferred revenue haircut, that will result in a reduction in revenues, which we anticipate will be approximately $50 million. We estimate approximately half of this will impact revenues in Q3 and Q4 of this fiscal.

And lastly, we expect revenues to be down by 5% to 10% from historical levels for the next few quarters before they normalize, and Mark will elaborate on the reasons for this.

Turning now to our external model for FY2017, the former ECD business operated in the mid 20%s, on an apples to apples basis. You can appreciate the impact that revenue adjustments will have on the operating margin in the near-term. In spite of this, we expect ECD to be on our target model within the next 12 months, and we reaffirm our target model for the year of between 30% and 34%.

As I noted on a previous call, we expected to start at the lower end and build to the high end. We got to the high-end a little sooner. With the addition of ECD, I expect the next couple of quarters to be at the lower end with an average for the full fiscal year in the middle of the range.

We're also affirming our FY2020 aspirations of non-GAAP operating margin of 34% to 38%, 90% of recurring revenue. Details on these and other metrics mentioned today are contained in the investor presentation posted on our website.

And now I'll turn the call over to Steve Murphy

Steve Murphy - *Open Text Corporation - President*

Hey, thanks John. Let me talk a bit about Q2.

So, our second quarter was exceptionally strong. With standout license revenue growth, and equally commendable performance of our customer support and cloud businesses. Our sales organization is scaling well. And our focus on the fundamentals of account planning, quota attainment, and pipeline management is paying off.

We managed sales growth with an equal focus on the bottom line, obtaining our margin targets across the board. Our business model is scaling, and I'm pleased with our progress. Let me share some quick relevant statistics. We had more than 17 -- we had 17 on-premise license deals greater than $1 million. That's a record for us, and the average license deal size was up 16% of $391,000, compared to $338,000 same quarter last year.

Geographic split of revenue was Americas 58%; EMEA 33%; Asia-Pacific/ Japan 9%. On-premise customer successes in the quarter include Phillips, US Defense Logistics Agency, Bruce Power, and CenturyLink, just to name a few and I will give more details on those later. In terms of industry breakdown, 21% financial, 16% services, 14% public sector, 13% technology saw the most license demand.

Here's some quick cloud stats. Cloud revenue was up 17% year over year. We had eight new MCV deals greater than $1 million. Cloud customer successes in the quarter include Siemens, Trimfoot, and Premier Medical Group. We added 43 new managed-services customers in Q2, which brings our total managed-services customers to 1,176.

MCV did reduce slightly from $57 million to $54 million compared to the same quarter last year. This does tend to ebb-and-flow quarter to quarter. Average MCV deal size increased to $400,000 compared to $381,000 year over year, and in this case, 23% financials, 20% services, 18% consumer goods, and 17% technologies have the most demand for cloud.

Let me give a little specific on some key customer wins. We do value our customer-centric culture and it drives our success. So, CenturyLink: global communications, hosting, cloud, IT services company purchased Qfiniti Observe to record calls for compliance management and allow users to selectively capture calls for quality assurance.

Next, Siemens. Siemens is one of the world's largest producers of energy-efficient resource-saving technologies, signed a five-year managed services agreement with us, OpenText, to run their web-based P2P communication platform for 80,000 suppliers across three different regions.

Next, the Defense Logistics Agency, within the Department of Defense, expanded its investment in the OpenText enterprise Information Management Solution to further advance the agency support for its customers.

Phillips, with 70,000 employees is consolidating their IT landscape into an integrated cloud environment. Phillips has chosen to work with OpenText to establish their document and records management standards.

Children's footwear maker, Trimfoot, was looking to move to the cloud after retiring their legacy EDI platform. Trimfoot selected OpenText B2B managed services, for their expertise and overall industry knowledge it can delivery.

A long-standing OpenText customer, Bruce Power, extended its investment in OpenText Enterprise Information Management Solutions, by selecting Content Suite 16, and Engineering Document Management as the platform for the enterprise.

And then last, a really big win for us. Our OpenText analytics unit gained the world's largest car manufacturer as a new customer. OpenText Analytics Information Hub serves as an integrated retailer reporting tool for the German market, with over 1,200 dealerships and 12,000 users.

Let's talk a bit about customer support. We continue to see strong performance from our CS business under the leadership of James McGourlay. Our gross margins for customer support are 88%, while our customer retention rates are best in class at 90.5%. I expect that our CS business will only improve with scale.

On the professional services front, we've got a stronger more efficient professional services business. Our margins were 20%, while our overall bookings grew 17% year over year. It's a great proof point that our performance improvement in PS is not a one-off, and again, I expect that this business will continue to improve with scale.

A few comments on the ECD acquisition. I'd like to extend a warm welcome to all our new customers, partners, and colleagues from ECD. The combination of the OpenText and ECD talent and products represent a massive opportunity, as together, we become the market leader in ECM.

This acquisition expands the OpenText EIM offering with industry packaged solutions, along with domain expertise and deep customer relationships across the globe. The expanded channel presence and deeper participation in select geographies, will make OpenText the EIM vendor of choice for organizations across the global markets.

Customers and partners can rest assured that we will continue to protect their investments, and we will deliver additional value by leveraging the strength of our joint EIM offerings. Speaking of customers, I'm very pleased that we see very little customer overlap in the field. This has made account planning, and quotas, and in general, field coordination much easier.

With one combined field organization, we will be able to cover 1,000 new accounts. The future opportunity lies in cross-selling. In this case, training and account planning have already begun, with the goal of every account executive will be able to sell every product.

I see three main areas where the acquisition drives growth initiatives, and let me outline those for you. Vertical expertise within the document of sales group is best in class. It's outstanding. Their proven approach to industry-based account development will build the foundation of our solution selling capability.

Geographical coverage has improved in key areas. Whether in Asia-Pacific or the Eastern Block, we now critical mass in regions where we previously had little or no account coverage.

Partner network. The partner network will enrich and expand. As we inherit new partnerships we also bring a network of system integrators and bars to support this regional presence. A broader product portfolio puts us in a better position with the most desirable SIs and resellers and gives us even greater diversification within our partner programs.

And finally, our managed service offering brings strategic value. And this goes in both directions. The hybrid model is both competitive advantage and a cross-sale opportunity within the new ECD customer base. To put it simply, customers could accurately weigh the costs and benefits of either model, and then work with us to do what's best for them.

So in summary, I'd like to leave you a few key points of business model scaling. We delivered strong quarterly revenue performance, showing double-digit growth in license, cloud, and customer support. We're winning and we're growing organically.

I continue to focus on driving sustainable organic growth initiatives, while driving efficient operations and cost discipline to improve margin and cash flow. We have the experience and infrastructure to scale, and continue to lead this market.

With the ECG acquisition complete, we are positioned in the right market, at the right time, with the best product suite in EIM. And with that, I will hand it over to our CEO, Mark Barrenechea.

Mark Barrenechea - *Open Text Corporation - CEO and CTO*

Thank you, Steve. And, thank you, John, for your remarks.

We're executing to plan. Our strategy and business model's creating value. Future results were solid, and I'm excited about our overall progress.

For the first half of FY2017 we delivered to our internal plan and we are on track for the same in the second half of the year. The quarter was about execution. Our hybrid strategy of cloud and license, customer support, and recurring revenue performance, new acquisition contributions from ANX, HP CEM, HP CCM, and Recommind, closing the Enterprise Content Division, ECD, acquisition from Dell EMC, and Release 16 EP1 is now GA.

Further, OpenText talent base and product and services portfolio has grown substantially over the last year, and this puts us in a stronger competitive position, which is a driver for our long-term success of the company. OpenText is now approximately 12,000 EIM professionals strong, with a culture centered on customer success, great people, innovation, and superior performance.

With our recent acquisitions and organic activities, OpenText has a new scale, a new awareness with customers, a stronger competitive position. In Enterprise software, scale matters, and has advantages such as opening up new and expanded discussions with customers, to work with them on long-term and comprehensive information strategies --in short, we will be invited to compete in more opportunities.

OpenText is unique and strongly differentiated in the enterprise information management market. The OpenText platform is the basis, not only in which a company's information is stored and protected, it is also the platform which powers commercial exchange, customer experience, business processes, governance in security, analytics, machine intelligence, discoveries capabilities, and risk management.

In this age of automation and digitalization we're the only vendor capable of offering this breadth of integrated information management to our customers from engagement to insight. Let me reinforce our business system -- the OpenText Business System, which is designed to create value through profitable growth by leveraging both acquisitions in organic activities within our market thesis of enterprise information management.

We unlock the value of acquired assets to our operational excellence, and our approach to integrative operations, integrated go-to-market, and integrated innovation. We create sustained value through new innovation by expanding distribution and continually adding value to our installed base of customers.

Our recurring revenue base is the wheelhouse of the company. Businesses in all industries are transforming into software and analytic companies. Automation, digital experience, and machine intelligence are at the center of this disruption. To compete, you have to digitize.

Enterprise information management is the core platform in enabling that transformation. The very nature of computing work has changed, and customers are seeking new platforms for content services, customer experiences, and business networks, all of which require integrated discovery in analytics, five of OpenText's core capabilities.

Enterprise content management, as a market, has been reinvented in the last year and has emerged with a new name called Content Services. OpenText is in a strong competitive position with Content Suite, Documentum, Core, LEAP, Process Suite, and our capture solutions to capitalize on this change in the market demand and expectation.

We see opportunity in the migrating IBM FileNet customers to OpenText. Customer experience is a key in the digital age.

Customer intimacy, and a transition to customer led approaches, are front and center for our customers. When technology gets between you and a customer, it is imperative you have a customer-led approach. With our HP CEM and CCM acquisitions now integrated into Core OpenText, it is becoming a two-horse market between OpenText and Adobe.

OpenText is positioned as a leader in Gartner's Magic Quadrant for customer communications management. This is a strategic market for OpenText.

Let me talk about the OpenText business network for a moment, which is all about creating and enabling digital supply chains for our customers, to scale with demand and global requirement, such as the recent win that Steve mentioned, at Siemens. From what we can see, we are outpacing IBM Sterling Commerce in innovations and new customers. Our growing focus on verticals and applications is a key strategy for the business network.

In Discovery, in analytics, we're taking a different path. We see these markets as tightly coupled and integrative into EIM. Content Suite and Documentum customers need Discovery's capabilities. EIM customers are looking for analytics against large unstructured data sets.

We recently combined these two organizations to drive faster innovation at greater scale, and to focus on OpenText's areas of differentiation and unstructured data analytics, such as text mining and semantic analysis in machine intelligence, such as our auto classification technologies. Our discovery and analytics business will approach $200 million per year soon. Magellan is on the horizon, and we ultimately see as our competitors, companies such as Palantir, as well as IBM Watson.

The answer to this competition is development of more applications. Such as applications that follow the customer, applications that follow the employee, and applications that manage and mitigate risk, all based on an EIM repository.

Let me spend a moment on a few key priorities for the second half of FY17. First, and said simply, connecting more customers. OpenText has a new portfolio product to introduce into our installed base. One of our greatest opportunities is connecting prospects and customers to our new capabilities.

We just completed our Innovation tour in Asia and Japan, where we showcased our products and services to over 2000 customers and partners. We'll soon bring Innovation Tour to our European customers, next month, in six countries and connecting with over 5,000 customers and partners.

Second priority, growing our second sales force, our partner network. With our acquisitions and organic activity over the last year, we have on-boarded 600 new partners. We see continued long-term opportunity with the large global systems implementers such as Accenture, or Deloitte, AXOS, TCS, and a new partner from Documentum, Turner.

Our OpenText partnership remains strong, and we see potential with our new solutions, including extended ECM for a new partner, Salesforce. These are important investment areas for the Company to deliver long term value.

Third priority is product. We expect to bring Release 16 EP2, enhancement pack 2, to the market next quarter, and Magellan the quarter after that, while we'll complete our first EIM integrations into Documentum. We'll showcase all of this at Enterprise World, here in Toronto, in July.

And the top focus in our priority, is the integration of ECD. Let me start with the ECD financial plan, and a little bit of an overview. This was an asset deal. So there are some unique one-time events coming out of the gate, like purchase-price accounting.

As John highlighted, in the first 12 months, the accounting will write down revenue by $50 million. This has nothing to do with the nature or the quality of the business, it's accounting. As a note, we actually prefer asset deals, because you gain a healthy balance sheet, and in general, you get to select what elements you are purchasing, and in the long-term, asset deals tend to create greater value.

After the purchase-price accounting, we expect the business to be down the typical 5% to 10% in the first few quarters, due to normal integration activity. We're transitioning systems, transitioning people, contracts, et cetera: all normal activities in the early days.

Also, we're engaging customers with a larger portfolio. So, in the first few customers they have more to evaluate. These are all normal-course activities, and we have seen this pattern as a seasoned acquirer, including the recent asset purchases from HP.

Once these integration activities are complete, we expect the business to return to its historical levels and then grow from there. We're also confident that the ECD business will be on the OpenText operating model within 12 months.

Beyond the numbers, and on to the longer term, we look to enhance the business through a variety of growth plates, as Steve mentioned. Capturing new share in key verticals, cross-selling solutions, migrating work loads to the OpenText cloud, geographic expansion opportunity, in a new market opportunity for the entire OpenText install base, which is information lifecycle management.

In a phrase, we're in full execution mode. This is a market, business model, install base, partner channel, and product line that is right in our power alley. We have never been better prepared to receive a business and begin executing, and in the four months of pre-integration planning the time was very well utilized.

Our approach to performance is deep day-one integration, and we achieved that. We integrated our accounts and sales force, with near zero overlaps. We integrated our renewal processes, practices, and teams. We integrated engineering, professional services, technical support, and all of our operational teams.

We removed layers of management where necessary, and picked the best talents in their respective areas. This resulted in the restructuring plan that John highlighted which we'll complete in the coming months. In the first two weeks, after the acquisition, the reaction from employees, customers, partners is overwhelmingly positive. And we know what we need to do.

In summary, we had a strong first six months to FY17, and a solid end to the calendar year, with record revenues of $543 million. Our competitive position has never been stronger, and we have clear priorities to winning the second half of FY17.

We're tracking the best talent in the EIM market, and with ECD now part of OpenText, we are in full execution mode. The first few quarters will be about integration, and then growth, and then margin optimization.

And, on a final note let me add, I've just completed my fifth year at OpenText, and it still feels like day one. There is no boundary to our opportunity. Enterprise software is re-creating itself as the very nature of computing has changed, and OpenText is well positioned to play a leading role in this industry transformation. And I am so proud of the leadership and the Company. They are focused on the right things to create sustainable and long-term value for our customers and shareholders.

Operator, with that, I'd like to open the call to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Richard Tse, National Bank Financial.

Richard Tse - *National Bank Financial - Analyst*

Thank you. Mark, you're getting pretty close to your $3 billion of capital deployment target on acquisitions. Would you be in a position anytime soon to sort of increase that target?

Mark Barrenechea - *Open Text Corporation - CEO and CTO*

Hey Richard. Thanks for the question. We clearly have to update that $3 billion number. But, the model, -- so I'd like to kind of remove that $3 billion target, if you will. That's sort of an old number, and sort of an old-style metric for us.

Our model rejuvenates itself if you will. We'll bring an asset on board. We'll get it integrated. We'll get it onto our operating model. It will generate cash flows, and then that capital becomes available to redeploy.

We clearly have work to do to integrate ECD, which we're in full execution mode on. But, it's also an active market. So we're continuing to evaluate acquisition candidates. So we haven't hit a pause or stop button in corporate development, but we're very mindful of the work that we need to do in the next quarter or two to integrate ECD.

So, I'd like to kind of hit a reset button on that $3 billion. Our model rejuvenates itself, if you will. And we're continuing to evaluate our acquisition candidates.

Richard Tse - *National Bank Financial - Analyst*

Okay. Thanks. So, you guys have done a time of acquisitions, and some meaningfully large ones here. When you say integrated, should we assume that those products are kind of running off a single platform, and that there sort of inter-operable with each other?

And I asked that question, because when you look at your innovation chart in your deck, and you're sort of moving the project bands, and then you eventually... Is there an opportunity to actually scale your margins when they do become fully integrated?

Mark Barrenechea - *Open Text Corporation - CEO and CTO*

Well, I would -- as a rule, what we are trying to do, is in the next big release cycle, be able to bring the products on to an OpenText standard platform. So, every time we get to a major release is when the -- when we acquire a technology platform, the next major release we look to have it integrated onto our platform.

I think probably the bigger opportunity on more technology integration, is the ease to sell the next module, if you will, versus maybe margin performance, is being able to be inside a customer and turn on modules 2, 3, and 4, because of the common technology, if you will. So, I look at more towards efficiency of sale, versus a margin expansion as the big opportunity there.

Richard Tse - *National Bank Financial - Analyst*

Okay. And just a last one for Steve, if I might. You know, Steve, clearly a much bigger company with a lot more products. When you look at the sales force, I know you touched on it, but when are you going to give us a bit more color in terms of how that sales force is going to be structured?

Are they all going to sell all the products? And give us a sense of how you sort of divide the markets in terms of size, et cetera. Just wanted to (technical difficulty) with understanding of that. Thanks.

Steve Murphy - *Open Text Corporation - President*

Yes, the first rule is geographic coverage. Just making sure we have strong leadership accountability and coverage, by every major region. Within those regions, within our matrix, we do have specialization, but there is cross-sell. So for instance, within Enterprise content sales, that person could also be selling Discovery and Analytics, and vice versa.

So we think that this is a great fit along everyone of those criteria, as far as kinds of things we sell, the customers we talk to, the purchase process we are working in. But again, it's geography first. It's either industry specialization or product specialization, next. And then on top of that we layer our cross-sell where it makes sense.

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Richard Tse - *National Bank Financial - Analyst*

Okay. That's great. Thanks, guys.

Mark Barrenechea - *Open Text Corporation - CEO and CTO*

Sure. Thanks, Richard.

Stephanie Price - *CIBC World Markets - Analyst*

Stephanie Price, CIBC. Hi.

Mark Barrenechea - *Open Text Corporation - CEO and CTO*

Hi Stephanie.

Stephanie Price - *CIBC World Markets - Analyst*

Hey. Could you talk a bit more about cross-selling products into your customer base? And how should we think about the potential with ECD and the progress you've made, especially in the couple of acquisitions that you've done recently.

Mark Barrenechea - *Open Text Corporation - CEO and CTO*

Yes. You bet. A couple of things about cross-selling, that I look at would be when we take on an acquisition like this, and we look at account planning and quota at the rep level, you basically venn diagram where do we have people that are selling the same thing, to the same person. And the good news, here is almost nowhere.

ECD had focused really, really high at the top of the pyramid, the Global 100, so, kind of more across the first half of the Global 10,000. And, there is a lot of room for those people that are selling ECD to a specific customer to keep doing that, and sell OpenText, our product, or sell Analytics, sell Discovery, sell the economy products as far as CEM, and customer management products.

I think that from a size of the sale, the price point it sells at, the signature authority, and the type of product, there's just a fantastic fit. It's a home run as far as cross-selling. As far as the compensation goes, we won't stack compensation, but what I'll typically do is, I'll do a split ahead of time. It's well understood, so there's some teaming, and we'll do a 60/40, or something like that just to make sure that all parties cooperate, communicate. But I won't stack compensation because that wouldn't fit the model, and I don't think anyone else that's making good margins here does that.

Stephanie Price - *CIBC World Markets - Analyst*

Okay. Thanks.

Mark Barrenechea - *Open Text Corporation - CEO and CTO*

Sure.

Stephanie Price - *CIBC World Markets - Analyst*

And then, in terms of competitive positioning in the core ECM market, can you talk a bit about your positioning now that you've acquired ECD?

John Doolittle - *OpenText Corporation - CFO*

Yes. Sure thing. Thanks, Stephanie. You know we continue to be primarily focused, as Steve intimated, on the Gobal 10,000. And, the majority of those workloads are on-premise with some of the workloads in the cloud, and thus our hybrid model. And we now see our primary competitor as FileNet.

And we're going to continue to differentiate -- and we're going to differentiate against FileNet now, with being able to have our CEM capabilities, and our Discovery capabilities, and fill out Enterprise information management. Just like in the days of ERP, when customers wanted, sort of integrated financials, and supply chain, and HR, and then move to e-business suites.

So we're very focused on FileNet, the features and capabilities, and being able to offer more of a suite approach, and a hybrid approach, against FileNet. So, for us, it's all eyeballs on FileNet.

Stephanie Price - *CIBC World Markets - Analyst*

Great. Thank you.

Operator

Paul Treiber, RBC Capital Markets.

Paul Treiber - *RBC Capital Markets - Analyst*

Thanks, very much. I just wanted to hone in a little bit more in your comment about the revenue normalizing back to historical levels. Considering that when we look at the public filings from EMC, that Documentum revenues have been declining for a couple of years. Do expect that revenue to stabilize -- or is that going to naturally stabilize? Or do you expect some potential revenue synergies through cross-selling to help you get back up to those historical levels?

Mark Barrenechea - *Open Text Corporation - CEO and CTO*

Paul, Mark here. Thanks for the question.

We fundamentally believe we can grow Documentum. As I said from, sort of day one, of the announcement through today, step one, here, is as John highlighted, we have purchase-price accounting to work through. And then, next just sort of a normal integration activities, where we expect to see the business, in addition to that PPA, down 5% to 10%, for the integration activities we go through, sort of those typical sort of activities. We expect that for a few quarters, right?

And a few is 3+ some. And you'll have to apply some judgment there. And of course, depends on execution as well. From there we believe we can grow the business. Through cross-selling opportunity, you know, to migrate and sell additional cloud services, being able to sell additional EIM capabilities such as EIM and Discovery.

But we fundamentally believe we can grow the business over time from their historical levels.

Paul Treiber - *RBC Capital Markets - Analyst*

Okay. Good to understand. Shifting to R&D and spending, it's up significantly in this quarter. I assume a lot of that's from acquisitions, but can you speak to perhaps the organic growth, per se in R&D spend? And what are the key priorities for R&D spending from here?

Mark Barrenechea - *Open Text Corporation - CEO and CTO*

On the R&D side, I don't have the exact ratio in front of me, John. But it falls, the increase is most likely due to the two HP acquisitions and the Recommind acquisition that we did. They're operating on different ratios than us, so that's probably what accounts for the increase in the spend.

In terms of priority, obviously we're on-boarding Documentum in verticals that this point. CEM is a strategic market for us, and we are leading in CCM and competing very nicely in CEM as a big priority.

And we'll talk more and more about Magellan, as we get closer to Enterprise World. So this combination of Discovery and Analytics, going against a richer and more integrated EIM platform. So content services, CEM, and I'd say Analytics and Discovery are the things that certainly dominating my time internally, right now.

Steve Murphy - *Open Text Corporation - President*

Yes.

Paul Treiber - *RBC Capital Markets - Analyst*

One last one for John, Just in regards to the acquisition being structured as an asset purchase. In terms of working capital buildup, how much do you anticipate? And then over what time period would you expect that?

John Doolittle - *OpenText Corporation - CFO*

Yes, I don't know the number Paul, but it is fair to say, and we saw this with the HP acquisition, we're not getting receivables, so the receivables will build as the revenues come in. And it will take a couple of quarters I think to normalize itself.

And so that would be my expectation. I expect good working capital performance from the underlying business this quarter given our revenues.

Paul Treiber - *RBC Capital Markets - Analyst*

Okay thanks. I'll pass the line.

Mark Barrenechea - *Open Text Corporation - CEO and CTO*

Yes. Thanks Paul.

Operator

Philip Huang, Barclays.

Philip Huang - *Barclays Capital - Analyst*

Hi, thanks. Good afternoon. Just a couple of clarification questions on the integration process side. Just for modeling purposes. So, in terms for the initial decline due to -- revenue decline due to sort of the normal integration process, do you expect it to be more front-end loaded with bigger declines at the beginning? Or pretty evenly spread out over the next several quarters?

Mark Barrenechea - *Open Text Corporation - CEO and CTO*

I'd probably say our experience sort of suggests evenly decline. Sort of evenly spread if you will.

John Doolittle - *OpenText Corporation - CFO*

I gave you Phil, I gave you the historical numbers so you can get some sense of the seasonality that was in the underlying business.

Philip Huang - *Barclays Capital - Analyst*

Right. Got it. Okay that's helpful. And secondly --

Mark Barrenechea - *Open Text Corporation - CEO and CTO*

Philip, I don't mean to interrupt but just take it as an opportunity if you will. These are normal activities, right? We have AEs working on contact innovations. And customers learning more about the joint portfolio that we have to offer. So, there's just you know this activity that goes on as you integrate a business where -- I don't know if this is our 57th or 58th acquisition, so we tend to model down that first year of revenue, for these sort of normal activities.

Philip Huang - *Barclays Capital - Analyst*

Great. Got it. And just so that I've got it clear in my head. So, ECD was sort of declining, basically, around mid-teens range over the, I guess more recent history. And then on top of that there's going to be sort of 5% to 10%, so basically for the next several quarters --

Mark Barrenechea - *Open Text Corporation - CEO and CTO*

They've been declining by 2% to 3%, per year.

John Doolittle - *OpenText Corporation - CFO*

Yes. Low-single digits.

Philip Huang - *Barclays Capital - Analyst*

2% to 3% per year?

John Doolittle - *OpenText Corporation - CFO*

Yes.

Philip Huang - *Barclays Capital - Analyst*

Got it. And so then we just add it to the 5% to 10% over the next several quarters, and then basically moderates from there before it returns to growth.

John Doolittle - *OpenText Corporation - CFO*

That's a reasonable way to think about it. Yes.

Philip Huang - *Barclays Capital - Analyst*

Maybe, I was wondering, just further on March, on March regarding the process of integration. Would you be able to elaborate a little bit about the types of revenues or contracts that you are thinking of that will kind of go down in the near term? Is that mainly lower-margin relationships? Or is there anything you can kind of help us sort of better understand that process?

Steve Murphy - *Open Text Corporation - President*

Hey. Murphy here. What I do think it is, what we will say here is, we will scrutinize everything as far as business by business, deal by deal, margin by margin.

What we're going to get is a business that was operating in the 20%s, we want to get it on the OpenText model within 12 months, which I think we will. And part of that's going to be better quality as far as the sales cycle, and expectations around margin. But, I do expect that, to answer your question, there will be license deals for us that may take a little longer, because we're going to expect more as far as the quality of the contract, for instance, or the SLAs.

With professional services, I'll look very carefully at all business that's out there, and I'll expect the debt business migrates towards our 20% or better per cent. I think that -- I don't have anything other than a weighted average when I take a look at the current source of revenue and so I'm probably going to equally apply it. Maybe a little more to the professional services.

Philip Huang - *Barclays Capital - Analyst*

Great. That's super helpful.

And then a final one from me, even though ECD is the biggest deal in your company's history, and just given how well you know the business, is it fair to assume that you expect a relatively straightforward integration process. It sounds like you guys haven't really hit the pause button in terms of looking at future M&A opportunities. But I was wondering if you could maybe comment a bit on that.

Mark Barrenechea - *Open Text Corporation - CEO and CTO*

Yes let me -- thanks Philip. Though ECD is larger, on a purchase price, we actually on-boarded more employees with GXS, when we did the GXS acquisition. And, ECD is slightly larger revenues, if you will.

So, the two are kind of comparable in scale even though ECD the purchase price is a little larger than GXS. We integrated day one, the people. So, that's done.

So the sales force, we went down -- Murph and team went down multiple layers and picked the best management teams, and plugged them into the geos and regions. We integrated, literally day one, the renewals team, engineering is plugged in, legal, HR, IT. So the people side is plugged into the organization coming out of the gate.

And, we had four months roughly, of pre-integration planning. And were able to use that time really well to study and understand the teams, and thus being able to, two weeks later, as John highlighted, announce our restructuring plan, which is a thoughtful plan of now understanding the mutual teams and where there is overlap and efficiency to gain.

Philip Huang - *Barclays Capital - Analyst*

That was very helpful. Thanks very much.

Operator

The next question is from Steven Li, Raymond James.

Steven Li - *Raymond James - Analyst*

Thank you, just a quick one for me. John, the $60 million of cost savings, do you get it back in year one, or is it more back-end loaded and therefore in year two?

John Doolittle - *OpenText Corporation - CFO*

Yes, Steven. So, we will try and take, as I mentioned, the substantially all of the people actions this fiscal year. But we do have some one-time integration costs for ECD. So I'm not expecting to see net savings in the next couple of quarters.

We'll realize the -- substantially all of the savings in FY18. And there is a facilities component, as well. It is a much smaller savings relative to the people, but it will take longer to implement. So that's the way it will roll out.

Steven Li - *Raymond James - Analyst*

So the way I should think about it is -- your comment is, ECD is on board, on the operating model within 12 month, and then there's going to be a little bit more from the restructuring after that.

John Doolittle - *OpenText Corporation - CFO*

Yes.

Steven Li - *Raymond James - Analyst*

In terms of cost savings.

John Doolittle - *OpenText Corporation - CFO*

Well the cost savings -- it's a combination. We're going to on-board ECD, we're going to get it to our operating model, and the restructuring is part of that.

Steven Li - *Raymond James - Analyst*

Yes. Okay. Sounds good. Thank you.

Mark Barrenechea - *Open Text Corporation - CEO and CTO*

Thank you.

Daniel Chan - *TD Securities - Analyst*

Daniel Chan, TD Securities. Hi, guys. Just on the $60 million. Is that the final number that you expect from this integration? Or do you think it can go higher from here?

John Doolittle - *OpenText Corporation - CFO*

That's our best estimate at the moment.

Daniel Chan - *TD Securities - Analyst*

Is there opportunity for it to go higher in 2018 though?

John Doolittle - *OpenText Corporation - CFO*

We'll have to wait and see. We'll come back to everybody. You know we're in early days, here. It's the best estimate we have, and we'll re-up on 2018 before we start the fiscal. So that's our number.

Daniel Chan - *TD Securities - Analyst*

All right. Got it. And then, just switching gears. On the license deal. The deal size increased significantly this quarter. So can talk about the drivers behind that and whether you should believe this is sustainable?

Steve Murphy - *Open Text Corporation - President*

Yes. A couple of things. I've been here about a year, and I think one of the first things we focused on was, the selling higher and getting access to the Executive Suite, and holding the line on pricing, and taking a look at, as far as internal controls, discounts. How do we make sure that deal-by-deal we get as much as we possibly can? And as far as account reviews, really, just the really basic mundane things around account planning and close plans.

And I think that, while I don't see this going up exponentially, I think that it will continue to improve and I think that we will see more and more of a sales force that has the confidence to close seven-figure deals, and word-of-mouth gets out. People see the commissions made on these, and they are excited to do it, and it's a role model.

So I think it's here to stay, and I think we'll do more and more of these. But it's something that builds over time, based on really, those fundamental building blocks, which is where I'm focusing.

Daniel Chan - *TD Securities - Analyst*

Can you give us any update on Release 16? How is that doing, and was that a contributor to any of the license deal sizes?

Steve Murphy - *Open Text Corporation - President*

It definitely contributing, and I think one of the cases that I gave -- I don't think it was Siemens -- who was it? We had a big Release 16 with Bruce Power, and I think that, yes, it is contributing.

Daniel Chan - *TD Securities - Analyst*

Great. Thank you.

Mark Barrenechea - *Open Text Corporation - CEO and CTO*

Thanks Daniel.

Operator

Paul Steep, Scotia Capital.

Paul Steep - *Scotia Capital - Analyst*

Great. Hey Mark, could you talk a little bit about, what the biggest key product opportunity you see out there, for ECD being, in terms of what you think you can leverage in the base? Not only within the technology side, but maybe Steve can comment a little bit on where he sees the largest lift as well. Thanks.

Mark Barrenechea - *Open Text Corporation - CEO and CTO*

Paul thanks. It's like having three beautiful daughters, and I have to pick one, if you only give me one. So, you know I would -- look, I think there are a handful of opportunities that seem equally attractive right now. Being able to bring CEM to the Documentum. You know Documentum -- you wind clock back five years, in a lot of ways OpenText and Documentum were very focused on ECM.

We placed a big bet on big data sources like ERP, and email, and then grew into the EIM approach and vision. Documentum sort of doubled-down on core ECM -- content management. And they were two different strategies and we ended up in two different places. They went a little deeper into verticals and we went wider in breadth of capability.

So, when we look into that 5,000 customers today, they are very deep and rich experts in content management and vertical expertise. But they don't have the customer experience management capabilities, they don't have the deep ERP capabilities, like SAP. And they don't have the analytic capabilities. So I'd kind of ranked CEM, ERP, SAP and analytics, at sort of top of the chart to go into the install base and cross-selling.

Steve Murphy - *Open Text Corporation - President*

Yes, and the only thing I would add is that within Pharma and life sciences, they have an outstanding solution. It demos great. All the content -- they have industry vertical expertise with their solution consultants. And they beat just about everybody there. We do, now, right? So, I think that goes both ways. We've got a lot life science, Pharma coverage that they never had.

So, as far as the cross-sell, so that's a slam dunk. We will work that -- without revealing too much information, we are working that immediately. That's a huge source of upside.

Mark Barrenechea - *Open Text Corporation - CEO and CTO*

And Paul, I'll take the opportunity as well, to go the other way. Which is, I think there is a gem in the Documentum portfolio, which is InfoArchive.

As these data sources get a bigger and age, they get larger and the age more, information life cycle management becomes more and more important. Being able to archive, or to have real-time access over four, five, six years, to have automated policies do demote and age infrastructure into deeper archiving.

So we hope to bring InfoArchive to the entire OpenText install base over time. So, that would be a gem from ECD that we hope to bring to the broader OpenText portfolio.

Paul Steep - *Scotia Capital - Analyst*

leave it there, but I got to ask on that. So on InfoArchive, Mark, I think they bought it about a year ago. It was relatively small, maybe $60 million in net revenue was what we calculated out.

Where did it sort of track out at the end of the time it was independent? Because that was a fast-growing piece of Documentum?

Mark Barrenechea - *Open Text Corporation - CEO and CTO*

Paul, I won't bring up the revenue per se, but it is a -- they've done a fantastic job on the technology, understanding how to scale it. It is being used at some of the world's largest financial services organizations. And we see it -- we're quite excited to introduce it to OpenText customers.

Paul Steep - *Scotia Capital - Analyst*

Great. Thank you.

Mark Barrenechea - *Open Text Corporation - CEO and CTO*

Thank you.

Operator

Eyal Ofir, Dundee Capital Markets.

Eyal Ofir - *Dundee Capital Markets - Analyst*

Thanks. Thanks for taking my question. I'll start off just with, John. Can you just clarify one thing for me? I think you pointed that you're going to hit the mid-point of your operating margin targets for the fiscal year, but I think that included the one-time integration costs. Is that correct?

John Doolittle - *OpenText Corporation - CFO*

Correct.

Eyal Ofir - *Dundee Capital Markets - Analyst*

Okay. So, if we back those out you should actually be higher than the mid-point?

John Doolittle - *OpenText Corporation - CFO*

Well, they're going to be in there when we report. So, that's why we left them in, right?

Eyal Ofir - *Dundee Capital Markets - Analyst*

Okay but you'll be able to identify how much they are though?

John Doolittle - *OpenText Corporation - CFO*

Certainly we can yes.

Eyal Ofir - *Dundee Capital Markets - Analyst*

Okay. Perfect. That's fine. And then, just for Mark and Steve, in terms of the ECD acquisition how much of the revenue was actually given by the partner network? And what do you think -- how do you guys go about managing that channel, I guess, without overwhelming them with the new cross-sell opportunity here?

Steve Murphy - *Open Text Corporation - President*

What I am willing to say at the level detail is, if you do a pie chart of what they sell direct, versus channel, versus OEM, very similar to our traditional business. What was the second part of your question?

Eyal Ofir - *Dundee Capital Markets - Analyst*

In terms of managing the channel. So, I imagine over time you're going to try to get the channel to also cross-sell the OpenText offerings. So how are you guys going to manage that? How long will that take to bring channel on board as well?

Steve Murphy - *Open Text Corporation - President*

Yes. With a few exceptions, most of their channels does already do business, but there are a few big players in the SI and bar space, that are new. So that will take time and won't happen overnight.

But will take -- that's not going to happen overnight. They will take a little time. It doesn't hurt, though, that maybe three out of four of the bigger partners already know us pretty well, OpenText. Mark?

Mark Barrenechea - *Open Text Corporation - CEO and CTO*

No, I think that's right on. I mean we've shared some larger global suspenders, like Accenture and Deloitte, and I think we've probably added a few of strength like ATCOs and Cerner. But, overall it's sort of the same play-book, right, for the GSI's.

Steve Murphy - *Open Text Corporation - President*

The ECM offerings -- the content server, as far as the concept, is similar enough that I don't think they'll be massively training about what it is that we've acquired, if they already understand our content server. It's just, the collateral varies by vertical, and they've got some -- for instance, in Pharma they have some collateral that's just dynamite, and yes, that will take some training.

Eyal Ofir - *Dundee Capital Markets - Analyst*

Okay. Great. And then Mark, for you, from just on the M&A side of the equation, though. Obviously you've done a significant amount over the last 12 months. How should we think about what your thoughts would be for the next ones? I'm assuming it would be in a different category within the EIM pie, because you probably want to see this the Documentum and the ECM portion of OpenText integrate, and get that going. So, I imagine there's other verticals you are looking at. What gets you excited, I guess, in the M&A pipeline?

Mark Barrenechea - *Open Text Corporation - CEO and CTO*

Yes, fair enough, Eyal. I wouldn't want to put another swimmer in the same swim lane as ECD right now, if you will. You know, but if we look across the other sort of technology groups, yes, I think they're all sort of open and fair game to consider.

So, it's still sort of a rich pipeline market. I don't want to get into any particular swim lane or vertical if you will. But yes, the ECM and information management group, they have a lot to do here in the coming months. I wouldn't want to get them distracted. But the rest of the company, certainly, we're still open for business in corporate development.

Eyal Ofir - *Dundee Capital Markets - Analyst*

Okay. And you guys are pretty comfortable now, following the HP acquisitions? And you're all integrated in those transactions and (Inaudible)

Mark Barrenechea - *Open Text Corporation - CEO and CTO*

Yes. For sure. And usually, one of the indicators are when the dialogue changes. Right? When the dialogue changes --

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Steve Murphy - *Open Text Corporation - President*

Honeymoon's over.

Mark Barrenechea - *Open Text Corporation - CEO and CTO*

Yes. And we're talking about growth plans and growth initiatives versus data integration. So, I can usually just tell from the narrative in the emails when the integration is done because the narrative changes.

Eyal Ofir - *Dundee Capital Markets - Analyst*

Okay. That's great. Just before I pass the line, just one more question. You guys hit it out of the park on the license side this quarter. Should we assume more seasonality into the next quarter? And then also from a macro standpoint, what are your thoughts? And I'll pass the line. Thanks.

Mark Barrenechea - *Open Text Corporation - CEO and CTO*

Thanks for the question. I don't think we want to get into seasonality at all. I mean -- as part of my opening remarks we sort of executed to our internal plan in the first half of the year, and we feel we're on our plan for the second half of the year.

But I prefer not to get into any seasonality comments.

Eyal Ofir - *Dundee Capital Markets - Analyst*

Okay.

Mark Barrenechea - *Open Text Corporation - CEO and CTO*

All right. Very good.

I'd like to thank everyone for joining us today. I will end where I started on our remarks, where I want to thank John and Steve for their commentary. We're executing to plan. We had a solid Q2 and we delivered to our internal plan for the first half of the year. And we're on our internal plan for the second half, and very excited about the opportunities with ECD. So thank you for joining today, and we'll speak with everyone soon.

Operator

This concludes today's conference call. You may disconnect your lines. Thank you for participating, and have a pleasant day.
