Open Text Corporation (OTEX)

Updated February 12th, 2026 by Kay Ng

Key Metrics

Current Price:	$24	**5 Year Annual Expected Total Return:**	16.0%	**Market Cap:**	$6B
Fair Value Price:	$34	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	03/06/26
% Fair Value:	70%	**5 Year Valuation Multiple Estimate:**	7.5%	**Dividend Payment Date:**	03/20/26
Dividend Yield:	4.6%	**5 Year Price Target**	$44	**Years Of Dividend Growth:**	12
Dividend Risk Score:	C	**Sector:**	Information Technology	**Rating:**	Hold

Overview & Current Events

Open Text (OTEX) was founded in 1991 and trades under the same ticker symbol on the NASDAQ and TSX. It's a tech company that provides information management solutions, including cloud solutions. It operates in 180 countries and reports in USD, which is also the currency we'll use in this report unless otherwise noted. Its annual recurring revenue ("ARR") represents ~80% of total revenue. Its ARR includes cloud services, subscriptions, and customer support.

Open Text reported its fiscal Q2 2026 results on 02/05/2026. For the quarter, revenue declined 0.6% year over year ("YOY") to $1.3 billion, with a drop in customer support revenues leading to the overall decline. However, cloud revenues rose 3.4% YOY to $478 million, while enterprise cloud bookings rose 18% YOY to $295 million. Operating cash flow was $319 million (down 8.4% YOY), while free cash flow was $279 million (down 8.9% YOY). Adjusted EBITDA, a cash flow proxy, down 2.1% YOY to $491 million with a margin of 37.0% (versus 37.5% a year ago). Adjusted earnings per share ("EPS") jumped 1.8% to $1.13. This quarter, Open Text repurchased $50 million of its common stock.

Open Text closed the divestiture of eDOCS for $163 million and announced the divestiture of Vertica, which is a part of its non-core Analytics portfolio, for US$150 million, as it continues to sell non-core assets. The two transactions together reduce its annual revenue by ~$95 million.

John Hastings and Margaret Stuart were appointed to the Board of Directors in December 2025, totaling four new board members appointed in 2025. Ayman Antoun is appointed as OpenText's CEO effective April 20. The press release states, "[Antoun] brings deep enterprise technology and software expertise with decades of experience leading large scale global transformations. Ayman's leadership will help OpenText expand our market share as the world's leader in secure, trusted data amid accelerating demand for cloud modernization and enterprise AI."

OTEX continues to forecast fiscal 2026 cloud revenue growth of 3-4% and revenue growth of 1-2%. We maintain our fiscal 2026 EPS estimate at $4.01.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$1.77	$2.02	$2.56	$2.76	$2.89	$3.39	$3.22	$3.29	$4.17	$3.82	***$4.01***	***$5.12***
DPS	$0.42	$0.48	$0.55	$0.63	$0.70	$0.78	$0.88	$0.97	$1.00	$1.05	***$1.10***	***$1.40***
Shares[1]	242	263	267	269	271	270	270	271	272	258	***252***	***247***

Open Text is a low capex business – averaging capex of ~13% of operating cash flow from fiscal 2021-25. It was ~17% in fiscal 2026. It had a track record of successful M&A and a focus on cash flow (including free cash flow ("FCF")) generation, allowing it to increase its dividend every year since initiating it in 2013. From 2016-2025, Open Text grew its EPS by 10.7% per year. It started paying a quarterly dividend in the middle of fiscal 2013. The key growth driver of Open Text is M&A activity, which could lead to lumpy growth. Since inception OTEX has made 69 acquisitions, including Micro Focus. In fiscal 2026, the company expects to return to organic growth for its revenue and aims to continue raising its dividend and buying back shares. There could be some shake-up in terms of non-core asset sales in relation to the

[1] Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

leadership change. There are lots of moving parts, including AI disruption and whether OTEX is able to take market share for AI. For now, we maintain conservative estimates of EPS of 5% and DPS of 5% per year through fiscal 2031.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	14.9	16.1	14.7	14.5	14.8	14.0	13.8	10.7	10.0	7.3	***5.9***	***8.5***
Avg. Yld.	1.7%	1.5%	1.6%	1.7%	1.7%	1.7%	1.9%	2.8%	2.8%	3.5%	***4.6%***	***3.2%***

From FY'16-25, Open Text averaged a P/E of 13.1 and a yield of 2.1%. And from FY'21-25, the average P/E and dividend yield were 11.2 and 2.5%. We think a target P/E of 8.5 is more conservative given the risk in an M&A growth path (that can include acquisitions as well as divestitures, introducing more volatility to its revenues, earnings, and cash flow), the uncertainty from the leadership change, and AI disruption. The stock appears to trade at a discount.

Safety, Quality, Competitive Advantage, & Recession Resiliency

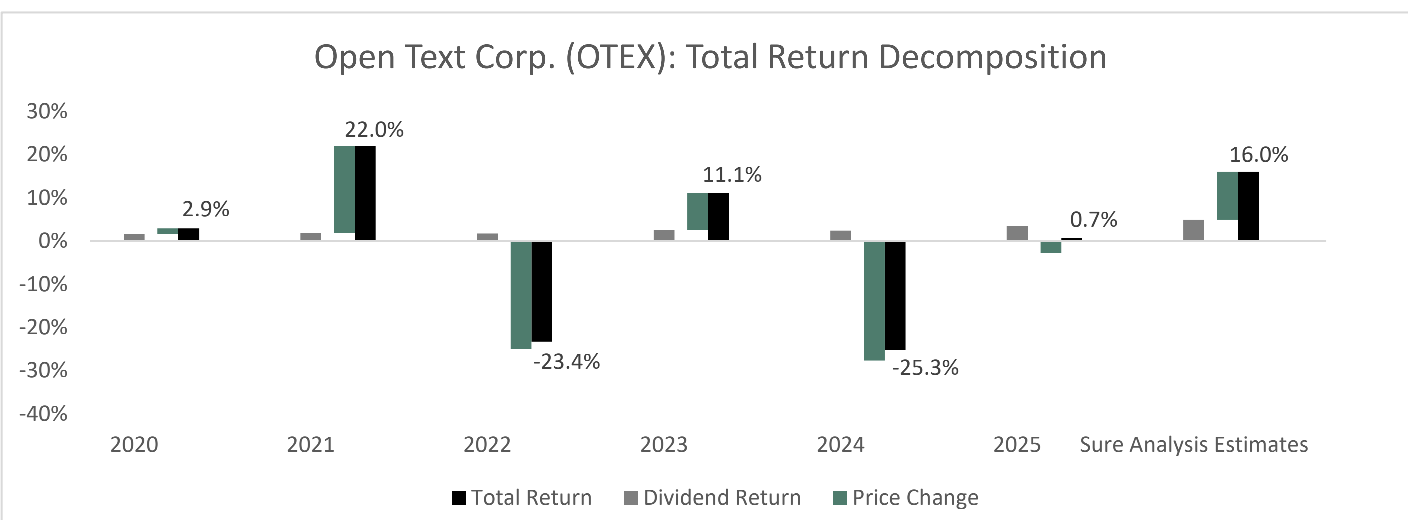
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	24%	24%	21%	23%	24%	23%	27%	29%	24%	27%	***27%***	***27%***

Near-term headwinds the heightened uncertainty about the company outlook from the leadership change and upcoming new CEO, including the potential sale of non-core assets. OTEX's net leverage ratio was 3.35x at the end of fiscal Q2 2026. It has ~$6.5 billion debt outstanding with a weighted average interest rate of 5.0%. Since 66% of its debt is fixed-rate, it is somewhat exposed to variable interest rates. That said, it has no debt maturities until 2027 when it has $1 billion of senior secured notes maturing. Open Text's "report card" is not bad. In the global financial crisis around 2008/09, OTEX increased its adjusted EPS at double-digit rates. In the 2020 pandemic fiscal year, it rose adjusted EPS by 5%. Its payout ratio is low and normally generates substantial cash flow. So, its dividend is covered. If Open Text is able to spur higher growth over the next few years, it will be able to trade at higher levels.

Final Thoughts & Recommendation

OTEX could deliver total annual returns of about 16.0% annually in the coming years. These returns should accrue from a yield of 4.6%, valuation expansion of 7.5%, and 5% earnings-per-share growth. Notably, it is a riskier name as its growth is more or less dependent on its M&A success and AI endeavors. It will also be interest-rate sensitive as it has sizeable debt on its balance sheet. We rate OTEX as a "Hold".

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	1824	2291	2815	2869	3110	3386	3494	4485	5770	5168
Gross Profit	1250	1530	1864	1938	2106	2352	2432	3168	4191	3734
Gross Margin	68.5%	66.8%	66.2%	67.6%	67.7%	69.4%	69.6%	70.6%	72.6%	72.3%
SG&A Exp.	485	615	734	726	823	886	994	1368	1711	1502
D&A Exp.	242	346	457	471	515	521	504	657	808	641
Operating Profit	403	418	536	603	604	743	692	685	1022	1039
Operating Margin	22.1%	18.3%	19.0%	21.0%	19.4%	21.9%	19.8%	15.3%	17.7%	20.1%
Net Profit	284	1026	242	286	234	311	397	150	465	436
Net Margin	15.6%	44.8%	8.6%	10.0%	7.5%	9.2%	11.4%	3.3%	8.1%	8.4%
Free Cash Flow	456	361	603	812	882	812	889	655	808	687
Income Tax	6	(776)	144	155	111	340	119	71	264	46

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	5154	7481	7765	7934	10235	9609	10179	17090	14210	13774
Cash & Equivalents	1284	443	683	941	1693	1607	1694	1232	1281	1156
Accounts Receivable	286	446	488	464	466	439	427	683	626	846
Inventories										
Goodwill & Int.	2972	4889	4877	4916	6285	5879	6320	12740	9975	9494
Total Liabilities	3175	3947	4048	4049	6228	5510	6147	13070	10010	9843
Accounts Payable	36	44	42	46	41	58	114	163	151	136
Long-Term Debt	2146	2570	2621	2615	4194	3589	4220	8883	6393	6342
Shareholder's Equity	1979	3532	3716	3883	4005	4098	4031	4021	4198	3931
LTD/E Ratio	1.08	0.73	0.71	0.67	1.05	0.88	1.05	2.21	1.52	1.61

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	6.0%	16.2%	3.2%	3.6%	2.6%	3.1%	4.0%	1.1%	3.0%	3.1%
Return on Equity	14.9%	37.2%	6.7%	7.5%	5.9%	7.7%	9.8%	3.7%	11.3%	10.7%
ROIC	7.6%	20.1%	3.9%	4.4%	3.2%	3.9%	5.0%	1.4%	4.0%	4.1%
Shares Out.	242	263	267	269	271	270	270	270	273	263
Revenue/Share	7.47	8.96	10.52	10.63	11.44	12.38	12.85	16.58	21.17	19.65
FCF/Share	1.87	1.41	2.25	3.01	3.24	2.97	3.27	2.42	2.97	2.61

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.