

Micro Focus International plc

12:50 11 Jul 2018

Micro Focus shares drop as says running about "one year behind" its original plan since HPE Software acquisition

Micro Focus International PLC (LON:MCRO) saw its shares slump on Wednesday after the blue-chip software firm's boss revealed it is running about "one year behind" plan and reiterated that current year revenues will be substantially lower than anticipated at the time of its transformational takeover of HPE Software.

The comment came as the FTSE 100-listed firm posted results for the six months to the end of April, in which it said that on a constant currency basis, revenue dropped by 8.0% year-on-year, which was a little better than the guidance for a fall of 9%-12% which the company issued before it announced a licensing deal in May.

READ: Micro Focus to sell SUSE business to private equity firm EQTVIII for US\$2.5bn

The group, which issued a profit warning back in March, reiterated guidance for a year-on-year decline in revenue of 6%-9% for the 12 months ended 31 October 2018 on a pro-forma basis.

Micro Focus said its half-year adjusted underlying earnings (EBITDA) rose by 6.4% to US\$710.5m, up from US\$667.8m a year earlier, while the adjusted EBITDA margin improved to 36.0% from 31.8% the year before.

The group's net debt had ballooned to US\$4.34bn as at the end of April, up from US\$1.41bn the before, but earlier this month, Micro Focus agreed to sell its Linux business, SUSE, for US\$2.54bn in cash which will be used to cut borrowings. The firm held its interim dividend at 58.33 US cents.

HPE software acquisition set the group back

Kevin Loosemore, Micro Focus's executive chairman said: "I am pleased to report that since March there has been an improved momentum in the HPE Software integration process and a slowdown in the rate of revenue decline. This has led to revenues for the period being at the better end of management guidance."

But, he added: "Due to initial challenges in the integration of the HPE Software assets, we believe that we are running approximately one year behind our original plan and as communicated in March, we expect that on exiting the current financial year revenues will be substantially lower than anticipated at the time of the transaction.

"By the year ending 31 October 2020, we expect the business (excluding SUSE) to have stabilised revenue declines and be delivering adjusted EBITDA margins in the mid-40's%."

In early afternoon trading, Micro Focus shares were down 12.7% at 1,238p.

Price: 437.6

Market Cap: £1.46 billion

1 Year Share Price Graph



Share Information

Code: MCRO

Listing: LSE

52 week	High	Low
	2174.5	291

Sector: Software & services

Website: www.microfocus.com

Company Synopsis:

Micro Focus provides innovative software that allows companies to dramatically improve the business value of their enterprise applications. Micro Focus Enterprise Application Modernization and Management software enables customers' business applications to respond rapidly to market changes and embrace modern architectures with reduced cost and risk.

action@proactiveinvestors.com

-- Releads, updates share price --

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts, journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

No investment advice

The Company is a publisher. You understand and agree that no content published on the Site constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You understand that the Content on the Site is provided for information purposes only, and none of the information contained on the Site constitutes an offer, solicitation or recommendation to buy or sell a security. You understand that the Company receives either monetary or securities compensation for our services. We stand to benefit from any volume which any Content on the Site may generate.

You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value, suitability or profitability of any particular security, portfolio of securities, transaction, investment, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including Company-related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

The Site does not, and is not intended to, provide investment, tax, accounting, legal or insurance advice, and is not and should not be construed as providing any of the foregoing. You should consult an attorney or other relevant professional regarding your specific legal, tax, investment or other needs as tailored to your specific situation.