

Micro Focus

11:45 12 Apr 2019

Micro Focus has completed its recovery, says Barclays as it downgrades software giant

Barclays has been impressed by Micro Focus PLC's (LON:MCRO) bounce back since its profit warning this time last year, but warned investors that the stock is now fairly valued.

Last March, the software group shocked the market when it parted ways with chief executive Chris Hsu after slashing its revenue guidance.

Shares plunged on the news and fell below 1,000p. But they have since recovered and are now trading at similar levels to before the profit warning.

READ: Micro Focus shares crash as it cuts revenue guidance, CEO resigns "Ultimately, trading never deteriorated to the extent feared," said Barclays in a note to clients.

"Micro Focus has made very significant progress since the warning and the business has stabilised. We are encouraged by the progress and anticipate ongoing positive momentum in earnings.

"However, while the stock still looks cheap on headline P/E, it has, in our view, reached fair value on an enterprise basis."

The analysts concluded: "Despite increasing our price target to 2,000p due to the rerating of the market, we cannot find sufficient upside to maintain an 'overweight' rating. We therefore downgrade to 'equal weight'."

Micro Focus shares were down 0.3% to 1,939p in late-morning trading on Friday.

Price: 1978.52729p

Market Cap: £67.78M

1 Year Share Price Graph



Share Information

Code: MCRO

Listing: LSE

52 week
High 2,084.00p
Low 1,131.50p

Sector: Software & Computer 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.

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