

Micro Focus International plc

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Micro Focus jumps on share buyback extension as it moves on from disruptive HPE integration

Micro Focus International PLC (LON:MCRO) shares jumped in early deals Thursday after it extended its share buyback programme by US\$110m while also seeking to move on from its disruptive integration of Hewlett Packard Enterprise's (HPE) software business in its full-year results.

The FTSE 100 software group said the extension of the buyback would take the total to US\$510m and would begin at 2.30pm on 14 February and end no later than 28 March.

READ: Micro Focus raises revenue guidance for year just ended

In the separate announcement of its results, chief executive Stephen Murdoch said the last year had been "a complex and difficult one" as the company had worked through the integration of the HPE business, but now believed that "the most disruptive issues experienced since completion are now behind us".

"Back on track" after HPE headache

Micro Focus acquired HPE's software assets two years ago in a US\$8.8bn deal that quadrupled its size, however, the integration proved more difficult than expected and the firm issued a revenue warning in March, sending its shares plunging over 50% while its incumbent CEO stepped down.

READ: Micro Focus shares crash as it cuts revenue guidance, CEO resigns

"We are encouraged by progress over recent months and believe we are getting back on track" Murdoch said, adding that for the coming year the company was forecasting a 4% to 6% revenue decline for its product portfolio year-on-year, lower than the 7.1% decline in 2018, with performance in the first quarter in line with this guidance.

Over the 12 months ended 31 October 2018, Micro Focus said revenues had fallen 5.3% to around US\$4bn in constant currency, with adjusted EBITDA rising 9.2% to US\$1.5bn.

Pre-tax losses for the period were at US\$78.5m, swinging from a US\$157.8m profit in the 2017 fiscal year.

Russ Mould, investment director at AJ Bell, said that Thursday's results showed some signs that the company could "regain its credibility with investors" in regard to its cash flow, debt and revenue.

"Micro Focus had a well-earned reputation as a stock market cash machine in the first part of this decade. It returned some 600p per share in ordinary and special dividends between 2011 and 2017, prior to the HPE deal", Mould added.

"After a very damaging profit warning and a change of chief executive, the company is at last showing signs of putting the whole sorry episode behind it."

Shares were up 11.3% at 1,688.5p.

Price: 241.1

Market Cap: £7.96 m

1 Year Share Price Graph



October 2019 March 2020 September 2020

Share Information

Code: MCRO

Listing: LSE

52 week High Low
1200.05 235

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.

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--Adds analyst comment and updates share price--

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