

Micro Focus International plc

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Micro Focus's penny-watching protects margins

Micro Focus International plc (LON:MCRO), the legacy software behemoth, saw its shares surge on Tuesday morning after a reassuring trading update.

The group said its adjusted underlying earnings (EBITDA) margin in the six months to the end of April was around 38% and towards the upper end of expectations.

Micro Focus expects to report revenue of around US\$1.45bn for the six months to the end of April, which would represent a decline of around 11% from a year earlier on a constant currency basis.

The good news is that this performance is consistent with guidance issued back in February when it announced its full-year results, so things have not got appreciably worse.

As indicated in mid-March, the group saw a slowdown in order intake as the coronavirus pandemic began to take hold; the "identifiable impact" of this slowdown in April on revenues has been estimated to be at least 2% during the period.

Micro Focus said the impact of this revenue reduction on adjusted EBITDA has been largely mitigated by the management of variable and discretionary costs plus a reduction in certain direct costs as a result of the coronavirus pandemic.

The FTSE 250 company has withdrawn full-year revenue guidance, given the current uncertainty caused by the disruption to economic activity caused by the coronavirus pandemic but revealed it is currently evaluating the potential impact on the carrying value of the group's intangible assets and goodwill.

Shares in Micro Focus were up 7.1% at 451.8p.

Price: 355.4

Market Cap: £1.2 billion

1 Year Share Price Graph



Share Information

Code: MCRO

Listing: LSE

52 week High Low
1148 205.8

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

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

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