



# Proposed Merger of Micro Focus International plc with Hewlett Packard Enterprise's ("HPE") Software Business Segment and Proposed Commercial Partnership with HPE

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7 September 2016




# Agenda

- Transaction Summary
- HPE Software Overview & Combination Rationale
- Financial Impact
- Implementation
- Expected Transaction Timetable & Conclusions



# Transaction summary

# Announcement 'At A Glance' – Key Points

Industry Logic	Aggregate Consideration	Combination	Shareholder Impact
<p><b>Micro Focus + HPE Software</b></p> <p>Merger of Micro Focus International plc with HPE's Software Business Segment</p>	<p>→   <b>~\$8.8<sup>1</sup></b>   ←</p> <p><b>billion</b></p> <p>Aggregate Transaction Value</p>	<p><b>~\$4.5<sup>5</sup></b></p> <p><b>billion</b></p> <p>Combined Revenue</p>	<p><b>~\$400m RoV</b></p> <p>\$1.68 per ordinary share<sup>8</sup> to existing Micro Focus shareholders prior to Completion</p>
<p></p> <p>Creates one of the <b>world's largest pure-play infrastructure software companies</b></p>	<p><b>\$738m<sup>2</sup></b></p> <p>Acquired EBITDA</p>	<p><b>~\$1.35<sup>5</sup></b></p> <p><b>billion</b></p> <p>Combined Underlying Adjusted EBITDA<sup>6</sup> ("UAEBITDA")</p>	<p><b>Ownership</b></p> <p><b>Micro Focus 49.9% vs HPE shareholders 50.1%</b></p> <p>Post Completion ownership based on fully diluted share capital<sup>8</sup> of the pro forma entity</p>
<p><b>SUSE &amp; HPE</b></p> <p>Micro Focus and HPE have separately entered into a commercial partnership naming SUSE as HPE's preferred Linux partner</p>	<p><b>11.4x<sup>3</sup></b></p> <p>Acquired EBITDA Multiple</p> <p>HPE Software EV/Sales<sup>4</sup> : 2.64x TAG EV/Sales<sup>4</sup> : 2.46x</p>	<p><b>Micro Focus HPE Software</b></p> <p><b>46% vs 21%</b></p> <p>12 months to 30 April 2016 EBITDA margin comparison<sup>7</sup></p> <p>Significant scope for operational efficiency gains</p>	<p><b>Expected Completion Q3 CY2017</b></p> <p>Subject to satisfying closing conditions</p>

<sup>1</sup> Based upon the closing share price of Micro Focus as at 6 September 2016; Consideration comprises \$6.3bn in Micro Focus equity to HPE shareholders and \$2.5bn cash payment to HPE; <sup>2</sup> Acquired EBITDA is UAEBITDA adjusted for overhead costs of c.\$80m that will not transfer to Micro Focus as part of this transaction; <sup>3</sup> Multiple calculated based on effective Enterprise Value of \$8.8bn less \$400m assumed Return of Value to Micro Focus shareholders divided by Acquired LTM Q2 2016 Underlying Adjusted EBITDA of \$738m; <sup>4</sup> Sales multiples represent implied transaction value at announcement divided by announced Sales metrics; HPE Software Q2 2016 LTM Sales of \$3,172m; Attachmate Group respective transaction value and Revenue FYE March 2014 of \$2,350m and \$957m; <sup>5</sup> Combined revenues and UAEBITDA based on the twelve months to 30 April 2016, adjusted for the acquisition of Serena; <sup>6</sup> Underlying Adjusted EBITDA removes the impact of net capitalisation/amortisation of development costs and foreign currency gains and losses from Adjusted EBITDA; Combined Underlying Adjusted EBITDA assumes Micro Focus UAEBITDA of \$613m and HPE Software Acquired EBITDA of \$738m; <sup>7</sup> Micro Focus margin ex-SUSE and Serena; unadjusted for overhead costs of c.\$80m that will not transfer to Micro Focus as part of this transaction; <sup>8</sup> Based on fully diluted shares outstanding as at 6 September 2016, calculated using the Treasury Share Method

# Transaction Overview

## Proposed Transaction

- Merger of the software business segment of Hewlett Packard Enterprise (“HPE Software”) with Micro Focus International plc (“Micro Focus”), classified as a Reverse Takeover by the UKLA and structured as a Reverse Morris Trust transaction
- Aggregate acquisition consideration of \$8.8bn, representing an effective multiple of 11.4x<sup>1</sup> Acquired EBITDA<sup>2</sup> over 12 months to 30 April 2016
- Consideration to HPE shareholders comprises the issuance of Micro Focus shares (the “Consideration Shares”) representing 50.1% of the fully diluted issued share capital<sup>3</sup> of the combined group (the “Enlarged Group”) on Completion of the Merger (“Completion”) and a pre-Completion cash payment of \$2.5bn to HPE
- Micro Focus shareholders will own 49.9% of the fully diluted share capital of the Enlarged Group following Completion of the Transaction, with HPE shareholders owning the remaining 50.1%
- Proposed Return of Value (“RoV”) to existing Micro Focus shareholders prior to Completion of \$400m or \$1.68 per ordinary share based on fully diluted shares<sup>3</sup>

## What Is Being Acquired?

- HPE Software revenues<sup>4</sup> for the twelve months ended 30 April 2016 of \$3.2bn (LTM Q2 2016 y-o-y growth rate adjusted for divestitures, MOBU and currency of 1.5%) and Acquired EBITDA<sup>2</sup> was \$738m
- Acquisition of HPE Software brings infrastructure software products comprised of five solution sets: IT operations management; Application delivery management; Enterprise security products; Information management & governance; and Big data analytics

## Why Is This Being Contemplated?

- Transaction consistent with Micro Focus’ strategy of acquiring & efficiently managing sticky mature infrastructure assets
- Transaction significantly increases Micro Focus’ scale in a number of business segments
- Significant potential for operational efficiency gains through the application of Micro Focus’ disciplined operating model. HPE Software delivered Underlying Adjusted EBITDA margin of 21%<sup>5</sup> in the twelve months to 30 April 2016. Micro Focus believes it will be possible to improve the margin delivered by HPE Software’s mature software assets (approximately 80% of revenue) to Micro Focus’ level by the end of the third full financial year following Completion<sup>6</sup>
- HPE and Micro Focus have separately announced their intent to enter into a commercial partnership naming SUSE as HPE’s preferred Linux partner as well as to explore additional collaboration leveraging SUSE’s OpenStack expertise for joint innovation around HPE’s Helion Openstack and Stackato Platform as a Service solutions. SUSE and HPE are working together to define the specifics of the commercial partnership

Note: HPE Software financials prepared under US GAAP, Micro Focus financials prepared under IFRS; <sup>1</sup> Multiple calculated based on effective Enterprise Value of \$8.8bn less \$400m assumed Return of Value to Micro Focus shareholders divided by HPE Software’s Acquired LTM Q2 2016 EBITDA of \$738m; <sup>2</sup> HPE Software’s Acquired EBITDA is UAEBITDA adjusted for overhead costs of c.\$80m that will not transfer to Micro Focus as part of this transaction for the twelve months to 30 April 2016; <sup>3</sup> Fully diluted basis calculated using the Treasury Share Method; <sup>4</sup> HPE Software historical financials have been adjusted for a number of divestments at various points during the last two fiscal years and the transfer of the Marketing Optimisation Business Unit (“MOBU”) in the fourth quarter of FYE 2015; <sup>5</sup> UAEBITDA margin unadjusted for overhead costs of c.\$80m that will not transfer to Micro Focus as part of this transaction; <sup>6</sup> This is not a profit forecast, and should not be interpreted to mean that the earnings per share of the Enlarged Group following Completion will necessarily be above or below the historical published earnings per share of Micro Focus

# Transaction Overview (cont'd)

## Financial Impact

- Deal financed by the issue of Consideration Shares to HPE shareholders at Completion, with a market value of \$6.3bn<sup>1</sup> and a pre-Completion cash payment to HPE of \$2.5bn
- Micro Focus has entered into commitments for a total of US\$5.5 billion of debt financing related to the Transaction with J.P. Morgan including a revolving credit facility of US\$500 million. These commitments underpin the cash payment to HPE, the RoV to Micro Focus shareholders and backstop the existing Micro Focus debt
- Enlarged Group expected to have a pro-forma Net Debt to Facility EBITDA multiple of approximately 3.3x at close (post the RoV), which is expected to reduce to 2.5x within two years following Completion
- The deal is expected to enhance earnings per share in the first full financial year following the close of the transaction<sup>2</sup> and enhance total shareholder returns consistent with Micro Focus' stated objectives

## Completion Conditions & Timing

- Completion is subject (amongst other things) to Micro Focus shareholder approval, regulatory clearances, SEC filings in order to create American Depository Shares for the Consideration Shares and receipt of certain tax opinions
- An expected timetable is set out on page 21 of this document. Completion is expected in Q3 CY2017

Note: HPE Software financials prepared under US GAAP, Micro Focus financials prepared under IFRS

<sup>1</sup> Based on Micro Focus share price and the fully diluted share count under the Treasury Share Method

<sup>2</sup> This is not a profit forecast, and should not be interpreted to mean that the earnings per share of the Enlarged Group following Completion will necessarily be above or below the historical published earnings per share of Micro Focus

# Micro Focus Strategy: Unchanged, Still Working

Reiterated in July preliminary results for the twelve months ended 30 April 2016

## Industry Logic

**Micro Focus helps bridge the old and the new by enabling you to:**

- Exploit advances in technology such as virtualisation, cloud and mobile without the cost and risk of starting again with the application suite
- Protect prior investments in your data and business logic whilst unlocking new opportunities & use cases
- Optimize where you build, test and deploy business applications
- Execute with a balance of speed, flexibility and risk, that is right for your business

## Operational Approach

**Our execution needs to ensure we:**

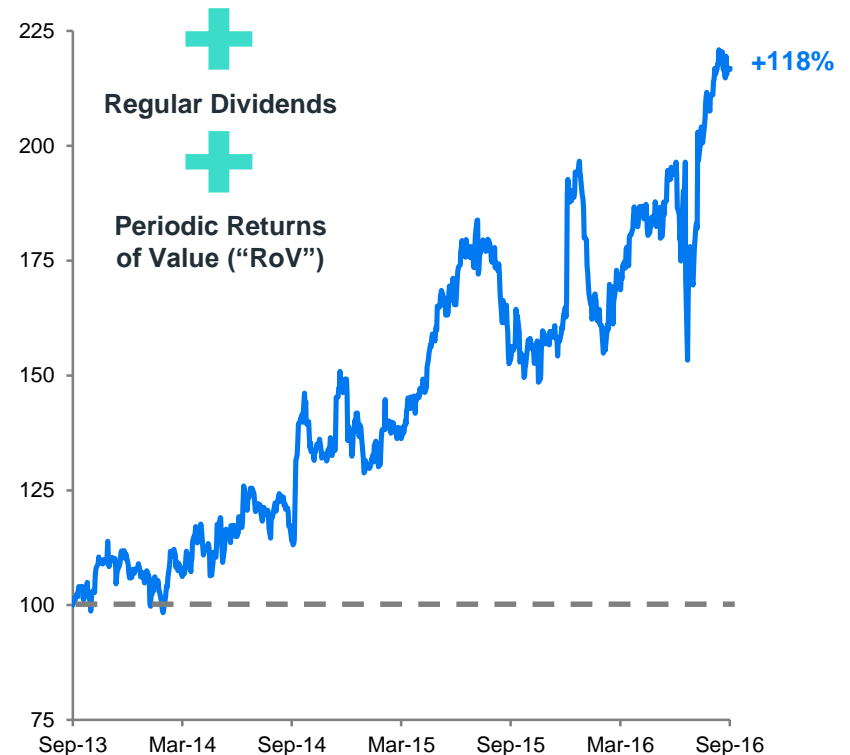
- Identify opportunities to exploit new models and market niches
- Focus on “sticky” products which are embedded within customers’ systems and processes
- Develop product capabilities & services that encourage and promote use of current product over the decision to move
- Acquire assets that add capabilities that incentivize customers to remain with their current products, or add further similar types of product and customer sets

## Operational Outputs

- EBITDA and FCF growth
- Total shareholder return
- Stable platform delivering sustainable results

## Shareholder Returns

Three year share price progression (\$, rebased to 100)



HPE Software acquisition consistent with stated strategy



# HPE Software Overview & Combination Rationale



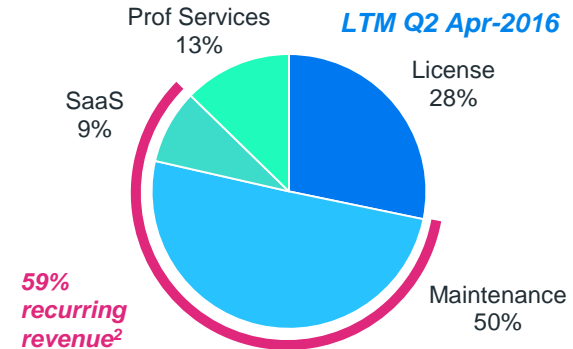
# HPE Software – Business Overview

## Business Overview

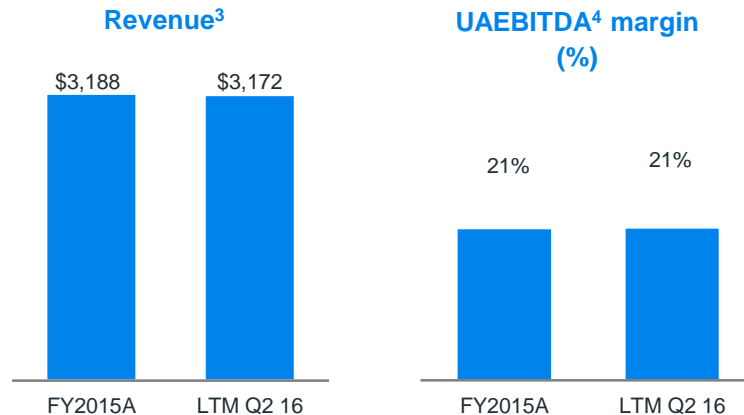
- Hewlett Packard Enterprise’s Software Business Segment
- Global footprint spanning the Americas, Asia Pacific & Japan and Europe, Middle East & Africa (“EMEA”) regions
- **Product and service offerings**
  - Provides enterprise software solutions for IT operations management, Applications delivery management, Enterprise security products, Information management & governance and Big data analytics
- **Products offered via:**
  - Term and perpetual licenses (followed by maintenance payments)
  - SaaS model
  - Professional services
- **Scale and profitability**
  - Engaging with c. 5,000 partners and over 50,000 customers across the world
  - The company currently works with 94 of the Fortune 100 companies
  - LTM Q2 16 Revenue \$3,172m, Acquired EBITDA<sup>1</sup> \$738m

## Financial Overview

### Revenue by type (% , FYE October)



### Revenue and EBITDA (\$m, FYE October)



Source: HPE Carve-out financials





<sup>1</sup> Acquired EBITDA is UAEBITDA adjusted for overhead costs of c.\$80m that will not transfer to Micro Focus as part of this transaction for the twelve months to 30 April 2016

<sup>2</sup> Recurring HPE revenue comprises both subscriptions and maintenance

<sup>3</sup> HPE Software historical financials have been adjusted for a number of divestments at various points during the last two fiscal years and the transfer of the Marketing Optimisation Business Unit (“MOBU”) in the fourth quarter of FYE 2015

<sup>4</sup> Underlying Adjusted EBITDA removes the impact of net capitalisation/amortisation of development costs and foreign currency gains and losses from Adjusted EBITDA

# HPE Software – Product Portfolio

HPE Software Product Portfolio					
	IT operations management	Application delivery management (ADM)	Enterprise security products (ESP)	Information management & governance (IM&G)	Big data analytics
<b>Description</b>	<ul style="list-style-type: none"> <li>Facilitating management, automation and optimisation of data centers and cloud infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Quality and lifecycle tools for traditional and DevOps application development models</li> </ul>	<ul style="list-style-type: none"> <li>Enabling enterprises to protect interactions among users, apps and data across locations and devices</li> <li>Key offerings include threat identification, digital asset protection, data security and application hardening</li> </ul>	<ul style="list-style-type: none"> <li>Helping customers manage, govern, store and secure their information</li> <li>Solutions: data protection, archiving &amp; e-Discovery, and content management</li> </ul>	<ul style="list-style-type: none"> <li>Providing platforms that help customers harness their data and identify new opportunities</li> <li>Platforms: next-generation enterprise search and data analytics (IDOL) and columnar database (Vertica)</li> </ul>
<b>Select Product portfolio</b>	<p><b>Service Anywhere</b></p> <p><b>Cloud Orchestration</b></p> <p><b>Data Center Automation</b></p>	<p><b>ALM</b></p> <p><b>AppPulse</b></p>	<p></p> <p></p> <p>ATALLA Security</p> <p></p>	<p><b>Digital Safe</b></p> <p><b>Data Protector</b></p>	<p><b>IDOL</b></p> <p></p> <p><b>HPE Haven OnDemand</b></p>

# Commercial Partnership Between HPE and Micro Focus

## What Is Being Announced?

- Micro Focus and HPE announced their intent to enter into a commercial partnership naming SUSE as HPE's preferred Linux partner as well as exploring additional collaboration leveraging SUSE's OpenStack expertise for joint innovation around HPE's Helion Openstack and Stackato Platform as a Service solutions
- SUSE and HPE are working together to define the specifics of the commercial partnership

## Why Is It Good For SUSE?

- The commercial partnership with HPE is another example of SUSE's strategy to partner openly and broadly to provide increased choice in the marketplace for enterprise software-defined infrastructure solutions and follows SUSE's recent announcement with Mirantis
- SUSE plans to explore new ways of expanding that commercial partnership into areas such as cloud computing, software-defined networking and applications where open source technology is driving next-generation innovations that matter to our mutual customers

## Timetable

- Heads of terms signed 7 September 2016
- SUSE and HPE are working together to define the specifics of the agreement by the end of the fourth quarter of CY2016
- Diligence and work on a definitive agreement to commence immediately

# Merger Rationale

## Deal Consistent with Strategy

- Strategy to buy companies or assets that fit Micro Focus' business profile:
  - › Infrastructure software; and
  - › “Sticky” assets
- Intention (as in previous transactions) is to apply Micro Focus' “best in class” operating methodologies
- Micro Focus continues to target total shareholder returns of 15% to 20% per annum and believe that this combination has the potential to deliver enhanced returns consistent with this stated objective
- Positions SUSE as the OPEN Open Source Company

## Extension Opportunity

- Rare opportunity to significantly increase Micro Focus' scale and breadth through combination with a business operating in adjacent and complementary product areas
- Breadth in segments such as ITOM and SIEM<sup>1</sup>, where the combination creates Top 5<sup>2</sup> market positions
- Scale position in Test where Micro Focus have little presence , and which complements the solid brand in ADM

## Significant Efficiency Opportunities Available

- Significant potential for operational efficiency gains through the application of Micro Focus' disciplined operating model. Following the acquisition of Attachmate Group in FY14 (margins of 32.7%)<sup>3</sup>, Micro Focus has grown its margin base to 46% in FY16A (on an ex-SUSE basis, 43 % including SUSE)
- Micro Focus believes it will be possible to improve the margin delivered by HPE Software's mature software assets (approximately 80% of HPE Software revenue) to Micro Focus' level by the end of the third full financial year following Completion<sup>4</sup>
- Address areas of revenue decline, accelerate revenue growth where achievable, while enhancing operating margins

Source: Annual report, company filings;

Note: HPE Software financials prepared under US GAAP, Micro Focus financials prepared under IFRS; <sup>1</sup> SIEM means Security Information & Event Management; <sup>2</sup> Gartner Group 1Q16; <sup>3</sup> Attachmate company Prospectus filing; <sup>4</sup> This is not a profit forecast, and should not be interpreted to mean that the earnings per share of the Enlarged Group following Completion will necessarily be above or below the historical published earnings per share of Micro Focus



# Financial Impact

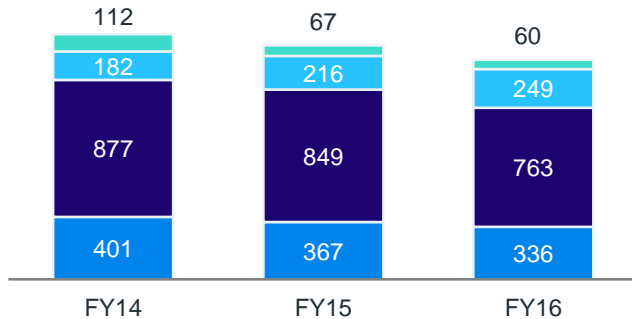
# Revenues: Micro Focus (IFRS) and HPE Software (US GAAP)

## Micro Focus Pro Forma Revenue (FYE April, IFRS)

Revenue (\$m)

- License
- Maintenance
- Subscriptions
- Consulting

\$1,572      \$1,500      \$1,408



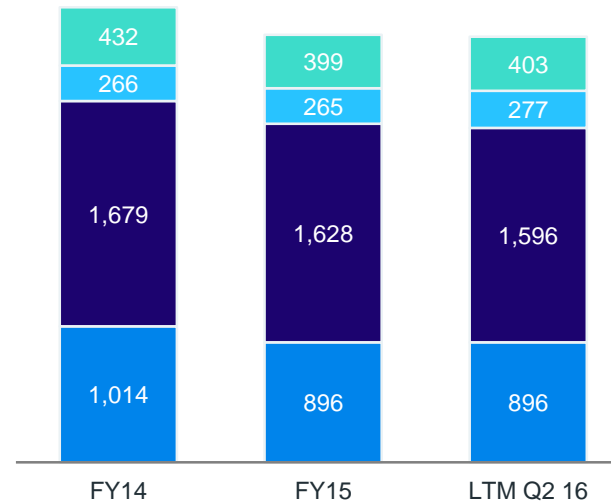
- Note: Actual currency, Pro Forma<sup>1</sup>
- Accounting Standard: IFRS
- FYE 30-April

## HPE Software Pro Forma Revenue (FYE October, US GAAP)

Revenue (\$m)

- License
- Maintenance
- SaaS
- Professional Services

\$3,391      \$3,188      \$3,172



- Note: Actual Currency, Pro Forma (i.e. adjusted for a number of divestments at various points during the last two fiscal years and the transfer of the Marketing Optimisation Business Unit ("MOBU") in the fourth quarter of FYE 2015)
- Accounting Standard: US GAAP
- FYE 31-October

- This represents the Micro Focus IFRS revenues added to the HPE Software revenues adjusted for divestitures and MOBU for the twelve months to 30 April 2016
- IFRS treatment of the US GAAP financial statements are likely to produce a difference from this calculation

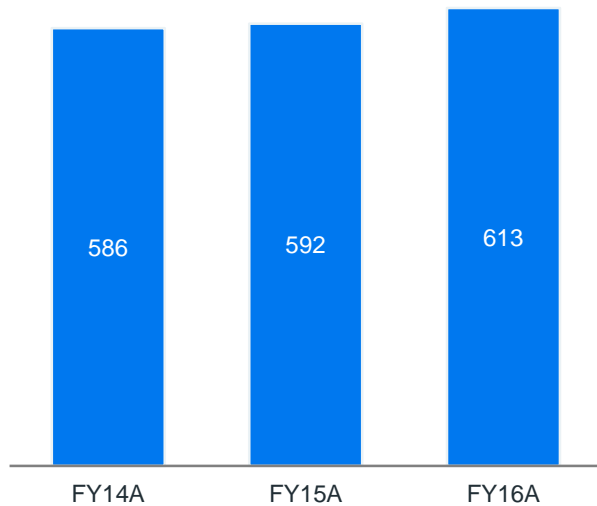
**~\$4.5bn**  
Combined Revenue

<sup>1</sup> Pro Forma for acquisitions of the Attachmate Group and Serena acquisition

# EBITDA: Micro Focus (IFRS) and HPE Software (US GAAP)

Micro Focus Pro Forma UAEBITDA  
(FYE 30 April, IFRS)

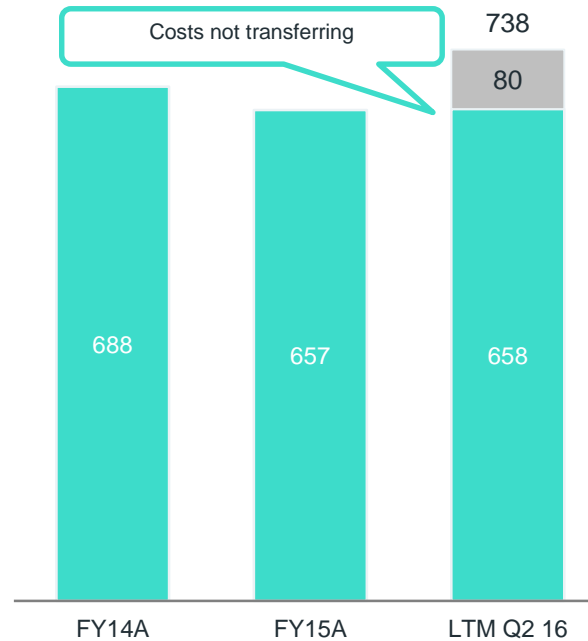
Underlying Adj. EBITDA (\$m)



- Note: Actual Currency, Pro Forma<sup>2</sup>
- Accounting Standard: IFRS
- FYE 30-April

HPE Software Pro Forma UAEBITDA<sup>1</sup>  
(FYE 31 October, US GAAP)

EBITDA (\$m)



- Note: Actual Currency, Pro Forma (i.e. adjusted for a number of divestments at various points during the last two fiscal years and the transfer of the Marketing Optimisation Business Unit ("MOBU") in the fourth quarter of FYE 2015)
- Accounting Standard: US GAAP
- FYE 31-October

- This represents the Micro Focus IFRS EBITDA added to the US GAAP EBITDA for the twelve months to April 30th 2016
- The IFRS treatment of the US GAAP financial statements are likely to produce a difference from this calculation

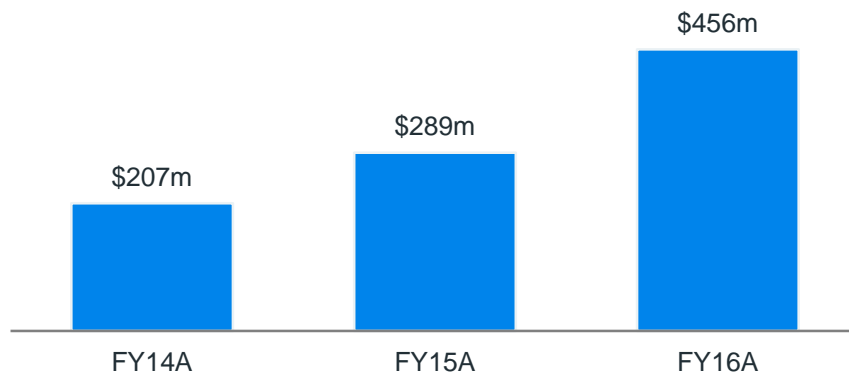
= **~\$1.35bn**  
Combined EBITDA

<sup>1</sup> Included in the LTM Q2 2016 HPE Software illustrative constant perimeter EBITDA is approximately US\$80m in overhead costs that will not transfer as part of the sale transaction  
<sup>2</sup> Pro Forma for acquisitions of the Attachmate Group and Serena acquisition

# Strong Cash Flow Profile

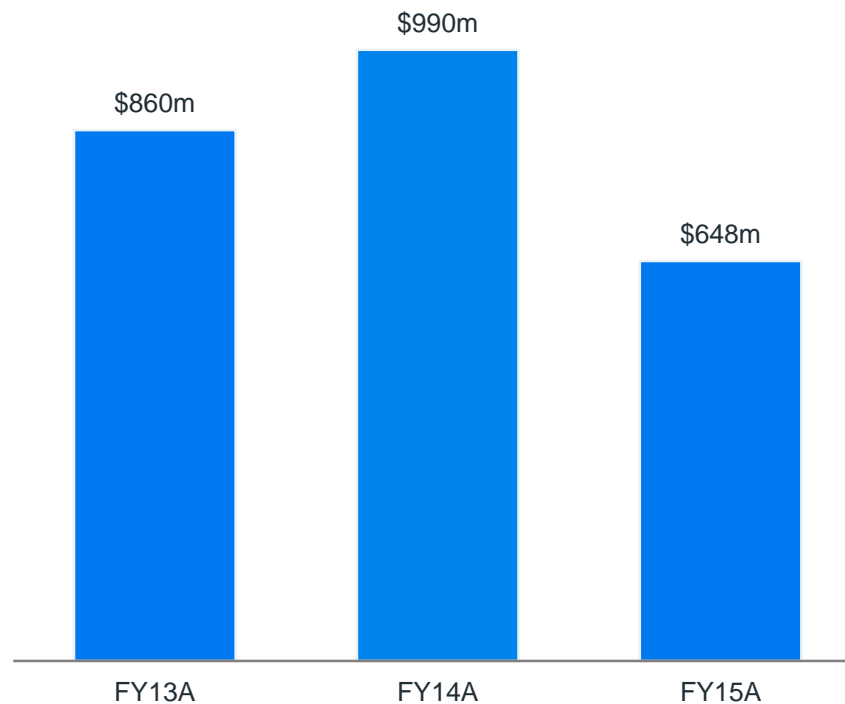
## Micro Focus Cash Flow From Operations<sup>1</sup> (FYE 30 April)

### Cash from Operations



## HPE Software Cash Flow From Operations<sup>1</sup> (FYE 31 October)

### Cash from Operations



### Complementary and strong operational cash flow profiles

Note: Cash flow information for HPE Software on an as-reported basis. Hence cash flows include contributions – both negative and positive – from disposals. To this regard, the year-on-year changes do not reflect changes in performance of ongoing operations

<sup>1</sup> HPE Software accounts are prepared under US GAAP and Micro Focus' under IFRS





# Implementation

# Board & Management Team

The management team has a long track record of driving shareholder returns





## Micro Focus Management Team

Name	Role	Experience
 <b>Kevin Loosemore</b>	Executive Chairman (11 years)	<ul style="list-style-type: none"> <li>Appointed non-executive Chairman of the Company in 2005</li> <li>Executive Chairman in April 2011</li> <li>Previously non-executive Chairman of Morse plc</li> <li>Previously, Kevin has acted as Chief Operating Officer of Cable &amp; Wireless plc, President of Motorola EMEA. Prior to this he was Chief Executive of IBM UK Limited</li> </ul>
 <b>Mike Phillips</b>	CFO (6 years)	<ul style="list-style-type: none"> <li>Joined Micro Focus in September 2010</li> <li>Chief Executive Officer at Morse plc, following his initial role as Group Finance Director</li> <li>Left Morse plc in July 2010 following the turnaround and successful corporate sale to 2e2 in June 2010</li> </ul>
 <b>Stephen Murdoch</b>	CEO, Micro Focus division (4 years)	<ul style="list-style-type: none"> <li>Has held senior executive positions in general management, sales, and strategy with IBM and Dell</li> <li>Most recently, he was the General Manager of EMEA for Dell's Public Sector and Large Commercial Enterprise business unit</li> </ul>
 <b>Nils Brauckmann</b>	CEO, SUSE (5 years)	<ul style="list-style-type: none"> <li>Previously served in cross-functional and international management positions at WRQ (acquired by TAG in 2004), Novell and Siemens Nixdorf, where he started his technology career</li> </ul>

## Board Composition

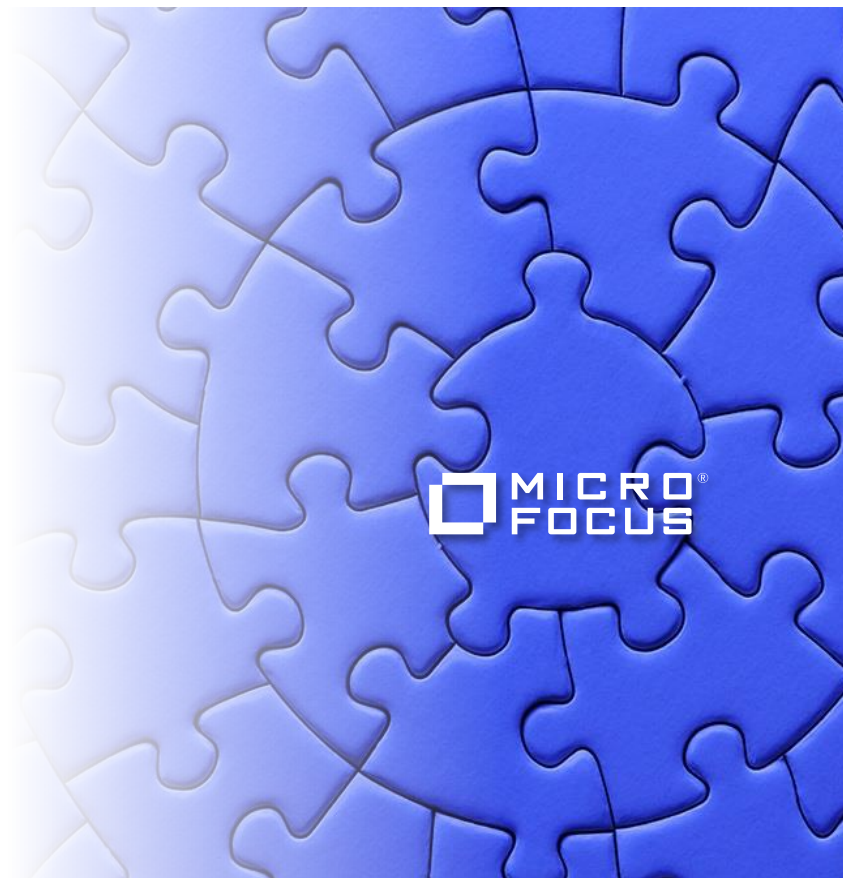
- On Completion, Kevin Loosemore and Mike Phillips will continue as Executive Chairman and CFO respectively
- HPE will nominate one executive director to the Micro Focus Board
- Other Executive Directors may be appointed from Micro Focus and/or HPE Software
- The nomination committee of Micro Focus will appoint sufficient independent non executive directors to achieve a majority. Half of the independent non executive directors will be designated by HPE

## HPE Software Management Team

Name	Role	Prior experience
 <b>Chris Hsu</b>	Executive VP, General Manager, HPE Software & Chief Operating Officer, HPE (joined in 2014)	<ul style="list-style-type: none"> <li>Chris joined HP in 2014 as Senior Vice President of Organisational Performance to drive operational performance initiatives across the company. He also led the separation of HP into two companies – Hewlett Packard Enterprise and HP Inc</li> <li>Previously, Chris was a Managing Director at the private equity firm Kohlberg Kravis Roberts (KKR) and a leader in the KKR Capstone operating group. In this role, he drove operational performance in KKR's portfolio companies, supported operational diligence during the deal process and provided overall leadership to the KKR Capstone team</li> </ul>
 <b>Remi Thomas</b>	VP and CFO, HPE Software (1 year)	<ul style="list-style-type: none"> <li>Formerly Head of M&amp;A and Corporate Development for Alcatel-Lucent, which he joined in 2008</li> <li>Began his career as an Equity Analyst for Credit Lyonnais and Cheuvreux</li> </ul>
 <b>Alan Fudge</b>	SVP, WW Sales and Field Operations, HPE Software (2 Years)	<ul style="list-style-type: none"> <li>Previously Alan worked at Dell where he was a Vice President of Worldwide Sales for their software division</li> <li>Prior to that Alan held a number of senior roles at Quest Software, GuardianEdge where he was President and CEO, VMware and IBM</li> </ul>
 <b>Jerome Labat</b>	VP & CTO, HPE Software (3 Years)	<ul style="list-style-type: none"> <li>Jerome is the current CTO of HPE Software and has been in his role for approximately three years</li> <li>Prior to this Jerome was VP of HPE's Cloud Automation business from 2011 through to the end of 2013</li> <li>Jerome also has experience working at Intuit, where he was a VP</li> </ul>

# Micro Focus Approach To Acquisition Integration

- HPE and Micro Focus have agreed that, as soon as practicable, they will together form a separation committee to monitor and oversee the separation of HPE Software in accordance with the Transaction documents
- Micro Focus has integrated many business over the last five years and takes a structured approach to post acquisition integration, which includes:
  - Minimise day 1 changes – we will ensure changes are well planned – key integration planning over the first 90 days post Completion<sup>1</sup>
  - Multiple work streams to plan and then manage changes, and deliver to integration objectives:
    - Identify, leverage and embed best practice
    - Decide where teams fit, and the shape of the organisation
    - Identify and validate synergy opportunities
    - Decide system changes and timelines
    - Implement system and process cutovers
    - Transition people related changes, including benefits
    - Identify, leverage and embed best practice
  - Minimise Go To Market disruption



<sup>1</sup> Accelerate if pre-close integration planning possible, once regulatory approvals have been given



# Transaction Timetable & Conclusions

# Expected Timetable

## Key dates

- Announcement of the Merger: 7<sup>th</sup> September 2016
- Publication of the Micro Focus shareholder circular : H1 CY2017
- Micro Focus shareholder meeting to approve the Merger: H1 CY2017
- Publication of the Enlarged Group prospectus: Q3 CY2017
- Completion of the Merger: Q3 CY2017

# Conclusions

## Consistent With Strategy

- Aggregate consideration of \$8.8bn, resulting in an effective multiple of 11.4x the Acquired EBITDA<sup>1</sup> in the twelve months to 30 April 2016
- Transaction is consistent with Micro Focus strategy of acquiring and efficiently managing sticky mature infrastructure products. This strategy was reiterated in July 2016 at the preliminary results
- This strategy has consistently delivered at or above the Micro Focus' Board's 15-20% total shareholder returns goals by a combination of share price appreciation and capital returns
- The Micro Focus Board expects this combination has the potential to deliver enhanced shareholder returns consistent with these objectives

## Rare Opportunity To Scale & Leverage Scale Economics

- Proposed acquisition offers an opportunity to achieve a significant increase in Micro Focus' scale and in consequence enhances its offerings in existing business areas and adds new ones
- HPE Software revenues<sup>2</sup> for the twelve months to 30 April 2016 were \$3,172m and Acquired EBITDA<sup>1</sup> of \$738m
- Micro Focus' Board believes that there is considerable scope for operational efficiencies and thus potential for increasing the Enlarged Group's profitability<sup>3</sup>
- Micro Focus believes it will be possible to improve the margin delivered by HPE Software's mature software assets (approximately 80% of revenue) to Micro Focus' level by the end of the third full financial year following Completion<sup>3</sup>

<sup>1</sup> Acquired EBITDA is UAEBITDA adjusted for overhead costs of c.\$80m that will not transfer to Micro Focus as part of this transaction for the twelve months to 30 April 2016; Underlying Adjusted EBITDA removes the impact of net capitalisation/amortisation of development costs and foreign currency gains and losses from Adjusted EBITDA

<sup>2</sup> HPE Software historical financials have been adjusted for a number of divestments at various points during the last two fiscal years and the transfer of MOBU in the fourth quarter of FY 2015

<sup>3</sup> This is not a profit forecast, and should not be interpreted to mean that the earnings per share of the Enlarged Group following Completion will necessarily be above or below the historical published earnings per share of Micro Focus

# Conclusions (cont'd)

## Financing & Impact

- The Transaction is being financed by equity issued to HPE shareholders representing 50.1% of Micro Focus fully diluted share capital<sup>1</sup> at Completion, together with underwritten debt facilities
- Gross Debt of \$5.5 billion has been underwritten by J.P. Morgan to fund the transaction, including a revolving credit facility of \$500 million
- The Enlarged Group is expected to have a pro-forma Net Debt to Facility EBITDA multiple of approximately 3.3x at close (post the RoV), which is expected to reduce to 2.5x within two years following Completion
- The deal is expected to be accretive to adjusted earnings per share in the first full year following the Completion of the Transaction<sup>2</sup>

## Closing Conditions & Timetable

- Completion is subject (amongst other things) to Micro Focus shareholder approval, regulatory and Competition Authority clearances, SEC filings in order to create American Depository Shares for the Consideration Shares and receipt of certain tax opinions
- Completion is expected to occur in Q3 CY2017

<sup>1</sup> Fully diluted basis calculated using the Treasury Share Method

<sup>2</sup> This is not a profit forecast, and should not be interpreted to mean that the earnings per share of the Enlarged Group following Completion will necessarily be above or below the historical published earnings per share of Micro Focus



# Appendix: Financial Information



# Selected Financial Information on HPE Software

	For the fiscal years ended 31 October		
	LTM Q2 2016	2015	2014
	US\$m	US\$m	US\$m
<b>Net Revenues as reported under SEC US GAAP Carveout rules</b>			
HPE Software Segment	<b>\$3,412</b>	<b>\$3,622</b>	<b>\$3,933</b>
Less:			
MOBU Transfer	(56)	(163)	(232)
Disposals in the period <sup>1</sup>	(184)	(271)	(310)
<b>HPE Software revenue adjusted for divestitures and MOBU</b>	<b>\$3,172</b>	<b>\$3,188</b>	<b>\$3,391</b>
<b>Revenue growth rate adjusted for divestitures, MOBU and currency</b>	<b>1.5%</b>	<b>(1.9)%</b>	<b>N/A</b>
<b>Earnings before taxes as reported in SEC US GAAP Carveout rules</b>	<b>344</b>	<b>319</b>	<b>413</b>
Add back interest	–	–	–
Add back depreciation and amortisation of capitalised software	81	104	111
Add back amortisation of intangibles	186	224	248
<b>HPE Software EBITDA</b>	<b>611</b>	<b>647</b>	<b>772</b>
Add back separation costs	89	91	–
Add back restructuring charges	74	35	48
Add back stock based compensation	61	59	60
Add back acquisition related charges	2	5	10
<b>HPE Software Underlying Adjusted EBITDA<sup>2</sup></b>	<b>837</b>	<b>837</b>	<b>890</b>
Less:			
MOBU Transfer	(13)	(33)	(48)
Disposals in the period*	(166)	(147)	(154)
<b>HPE Software underlying adjusted EBITDA further adjusted for divestitures and MOBU<sup>3</sup></b>	<b>\$658</b>	<b>\$657</b>	<b>\$688</b>

Note: LTM Q2 2016 refers to the trailing twelve months for the period 1 May 2015 through 30 April 2016

<sup>1</sup> Disposals of Tipping Point, iManage, Live Vault, HPPA Teleform. Amounts shown for these divestitures are management's best estimate of the amount of revenue and EBITDA generated by these divested businesses during the periods presented, adjusted for management's estimate of overhead and other costs that did not exit HPE Software on divestment of these businesses

<sup>2</sup> Micro Focus reports a metric referred to as "Facility EBITDA," which is defined earlier in this document. HPE Software's underlying adjusted EBITDA and Facility EBITDA as calculated result in the same figure

<sup>3</sup> Included in the LTM Q2 2016 HPE Software illustrative EBITDA is approximately US\$80m in overhead costs that will not transfer as part of the transaction



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