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## **Micro Focus International plc to acquire the Application Testing / Automated Software Quality business of Compuware Corporation**

### **Highlights**

- Micro Focus International plc ("**Micro Focus**", "the Group" or "the Company", LSE: MCRO.L), the Enterprise Application Management and Modernization software company, announces that it has reached agreement to acquire the suite of Application Testing / Automated Software Quality (ASQ) solutions and all related sales, support and development infrastructure (together being the "Compuware Testing and ASQ Business"), from Compuware Corporation ("Compuware") for a total gross cash consideration of US\$80 million.
- Compuware's Testing and ASQ Business automates quality processes within the software development function to control, measure and manage the delivery of results and to ensure process consistency and continuous improvement through sophisticated workflow capabilities. These products are highly complementary to Micro Focus' core solutions as they address a logically adjacent portion of the software development and deployment value chain.

### **Background to and reasons for the Acquisition**

- Micro Focus has demonstrated solid growth in the last three years with a successful track record of acquiring and integrating businesses that supplement the Company's strong organic revenue and margin growth. Micro Focus has made five acquisitions since November 2006 and, as a result of effective integration strategies, has significantly enhanced the financial performance of its enlarged operations.
- Micro Focus has been evaluating acquisition opportunities in logically adjacent markets as part of its original strategy review in 2006 to broaden its addressable market and create new engines to drive significant and sustained future organic growth through the extension of its product portfolio. As part of this process, Micro Focus has identified the c.US\$2 billion global Application Testing / ASQ market as particularly attractive. Industry analysts believe this market will continue to grow strongly driven by the strategic importance of ASQ solutions in the increasingly complex enterprise IT environment. Micro Focus already operates in this market with its Data Express product. The acquisition of Compuware's Testing and ASQ Business is an opportunity to establish a significant presence in this fragmented market which fits closely with Micro Focus' existing modernization and assessment offering.
- The Micro Focus Board believes that the enlarged group would benefit from:
  - a significantly expanded addressable market opportunity. The acquisition of Compuware's Testing and ASQ Business is an

- opportunity to establish a significant presence in this fragmented market, which fits closely with Micro Focus' existing application management and modernization offering. Micro Focus already operates in the ASQ market through its Data Express product;
- a broadened and strengthened product portfolio which will allow the enlarged group to capture a greater portion of the software development and deployment value chain;
  - a large combined customer base, including a significant number of blue-chip organisations;
  - greater penetration of the strategically important US technology market;
  - cost synergies achievable through administrative optimization and back-office integration;
  - greater scale which will enable the enlarged group to better meet the growing demands of the combined customer base; and
  - a further strengthening of Micro Focus' position as a consolidator in the global software market while also taking advantage of the current valuation environment.
- The acquisition will be funded from existing Micro Focus cash resources supplemented by a new three year revolving credit facility of US\$175 million provided through a syndicated loan consortium comprising Barclays, HSBC, Lloyds and RBS.
  - The Compuware Testing and ASQ Business does not operate as a separate business unit. Micro Focus due diligence has indicated that, had the business reported its results on a stand-alone basis, reported revenues would be approximately US\$74 million and profit before tax would be approximately US\$5 million for the fiscal year ending 31 March 2009. Gross assets at closing are expected to be approximately US\$23 million.
  - The Board of Micro Focus believes that the acquisition will be earnings enhancing within 12 months of completion (before amortisation of intangible assets and one-off integration and restructuring costs). As with previous acquisitions, Compuware's Testing and ASQ Business will be integrated into Micro Focus with a view to improving its operating margin over time. The consequent restructuring charge is expected to be approximately US\$7 million in the financial year to 30 April 2010.
  - The Directors of Compuware have unanimously approved the terms of the acquisition, which is subject to US antitrust approvals and customary closing conditions. The transaction is expected to close before the end of June 2009.

**Commenting on the acquisition, Stephen Kelly, Chief Executive Officer of Micro Focus International plc, said:**

“Micro Focus sees significant value for customers and shareholders in this proposed transaction. Acquiring the Compuware Testing and ASQ business is a logical extension to our existing application management proposition, and we see strong growth potential in this market. Our successful track record of five effective integrations during the past three years equips us well to rapidly harness the benefits of this proposed acquisition.”

**Bob Paul, Compuware President and Chief Operating Officer, said:**

“This agreement represents a key accomplishment in Compuware’s Business Service Delivery strategy for ensuring applications work well and deliver business value. By focusing Compuware’s human, technical and financial resources on core market categories where we can be best in the world - like end-to-end application performance - Compuware will deliver more differentiated value to our customers and better bottom-line results for our investors and employees.”

**Enquiries:**

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**Notes to editors:**

Arma Partners LLP acted as financial adviser to Micro Focus and Udata Advisors, Inc. acted as financial adviser to Compuware. Micro Focus was advised by KPMG Corporate Finance Debt Advisory with respect to arranging the acquisition financing facilities.

No financial disclosure in this announcement is intended to be or should be taken to be an estimate of the future profits or otherwise of either Micro Focus or any part of Micro Focus Group. Any statement relating to earnings enhancement does not mean that the future earnings per share of Micro Focus will necessarily match or exceed its historical published earnings per share.

**About Micro Focus**

Micro Focus, a member of the FTSE 250, 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. For additional information please visit [www.microfocus.com](http://www.microfocus.com)

**About Compuware**

Founded in 1973, Compuware provides software, experts and best practices to ensure applications work well and deliver business value. Its unique approach, Business Service Delivery, helps CIOs optimize end-to-end application performance for leading businesses around the world, including 46 of the top 50 Fortune 500 companies. Learn more at [www.compuware.com](http://www.compuware.com).