6th April 2015

Micro Focus International plc

Confirmation of Pro-forma full year guidance on a constant currency basis and completion of Integration Review

Micro Focus International plc ("Micro Focus", "the Company" or “the Group”, LSE: MCRO.L), the international software product group, confirms its full year guidance on a constant currency basis and provides an update on the integration of the Attachmate Group (“TAG”) into the Group following completion of the Integration Review.

Pro-forma Full Year guidance

At the Interim results presentation in December 2014, management provided guidance of combined pro-forma full year* revenues of c. $1,330 million and combined pro-forma full year* Underlying Adjusted EBITDA** of c. $500 million, based on the exchange rates then prevailing. The Board is pleased to confirm that the Group has continued to trade in line with this guidance on a constant currency basis. Since the turn of the calendar year the US$ has strengthened significantly against key currencies to which the Enlarged Group is exposed. When comparing the spot exchange rates at 27 February 2015 to the average exchange rate experienced in the six months to 31st October 2014, the GBP is 7.4% weaker against US$, the Euro is 15.7% weaker and the Japanese Yen is 13.0% weaker. If this spot exchange rate was used to restate the pro-forma full year* numbers on a constant currency basis then pro-forma full year* revenues would reduce from c. $1,330 million to $1,240 million and Underlying Adjusted EBITDA** would reduce to c. $470 million.

Integration Review

On 20 November 2014 Micro Focus completed its merger transaction with TAG. Since that date Micro Focus has been conducting a detailed Integration Review which is now complete. The objective of the review was to build a strong plan and foundation on which to deliver the Group’s potential.

The key deliverables from the review were:

- The design of a combined organisation to be implemented with effect from 1 May 2015
- A restructuring plan for the next 24 months
- A combined budget for FY16
- Decisions on Company and Product Branding and Product Focus
- A systems design and implementation plan for the Company
- Confirmation of the Company’s cash flow profile

Prior to the merger with TAG, Micro Focus managed its portfolio of mature infrastructure products through a global product management and development organisation and with a geographic go to market (GTM) organisation. Fundamental to this approach was an analysis of the individual products, their markets, customers and growth potential. This approach has served us well and as part of the Integration Review we have applied this approach to the portfolio of products in the Enlarged Group.

As the Linux market and Open Source community has unique characteristics, we will have a dedicated focus on the SUSE product portfolio headed by Nils Brauckmann as President and General Manager, SUSE. This focus is essential if we are to capitalise on the growth potential of these products and be responsive to the open source community and heritage of SUSE. We are increasing the headcount dedicated to development, customer care and sales and marketing of the SUSE portfolio.

The rest of our products will be managed as a portfolio led by Stephen Murdoch, Chief Operating Officer of Micro Focus. This portfolio will comprise products that were in Micro Focus, NetIQ, Attachmate and Novell. This approach is consistent with how we have successfully managed Micro Focus over the last four years and we believe that by adopting this model we can better serve our customers and partners. Within this portfolio, each product will have a defined strategy, target market and growth profile and we will make investments accordingly. We will retain a geographic GTM organisation with management targeted on the sales of both the Micro Focus and SUSE portfolios.

A consequence of this decision is that we will simplify the branding and packaging of our portfolio to make it easier for customers to do business with us and leverage the breadth of technology solutions we now provide. For example, we will combine our leading host connectivity solutions of Reflection and Rumba into one portfolio of Micro Focus branded solutions enabling customers to leverage the best of both technologies. A similar approach of simplification will be taken systematically across the full portfolio. Once completed, we will be one company operating with two product portfolios, namely Micro Focus and SUSE.

We have already launched an updated Professional Charter which covers the behaviours we expect to see from all Micro Focus employees. Today we are also launching a Compliance Charter to give clarity to customers and partners on how the Company will act in circumstances where there is a question around compliance with our software licences.

As part of the restructuring we will be reducing the number of office locations from 126 at close to approximately 90 by April 2016; we will simplify the number of legal entities; we will consolidate our IT systems (from five CRM systems to one, from four order to cash systems to one, from two general ledgers to one); and we will commence consultation on a move from distributed processing to dedicated shared service centres. These changes will start immediately but will take 24 months to fully implement.

At completion of the merger on 20 November 2014 the total employee headcount was 4,641. As a result of implementing the actions outlined today there will be a gross reduction in employee headcount of approximately 500 and an increase, compared to 20 November 2014, of headcount in other areas of approximately 150, resulting in a net reduction of employee headcount of c. 7.5 % compared with 20 November 2014.

We anticipate that as a result of all these actions we will have an exceptional charge in each of FY15 and FY16 annual accounts.

Having been actively involved in the Integration Review and supportive of the new organisation structure, TAG senior managers Charles Sansbury (Chief Operating Officer), Jay Gardner (President and General Manager, NetIQ) and Kathleen Owens (President and General Manager, Attachmate and Novell) have decided to leave the business to pursue other interests. We thank them for their hard work and contribution to the Integration Review and wish them well in the future.

Our review of the Company's cash generation profile, net of required investments and the costs of the restructuring outlined above, has demonstrated to the Board that we are on track to reduce our net debt to Facility EBITDA ratio to below 2.5 times ahead of the original planned date of November 2016. As previously announced, the Group's net debt at 31 January 2015 was $1,510 million and since that date the Group has used surplus cash and drawn down $75m of its $225m Revolving Facility to make a voluntary repayment of $150 million of the Term Loan B.

The Board remains confident that the objectives set out at the time of acquisition can be achieved.

Analyst conference call

A conference call for analysts will be held at 12.30pm BST on 7 April 2015 and will be available for subsequent replay on the Micro Focus website. The dial in details are as follows:

Dial in number: +44 (0) 20 3003 2666
Access pin: 8050738#
Password: Micro Focus

Future Updates

Micro Focus will issue its preliminary results for the year ending 30 April 2015 on Wednesday 8 July 2015. A pre-close update will be issued on Tuesday 26 May 2015. A Capital Markets Day is scheduled to take place on 11 June 2015 to provide an insight into the products of the Group and further details will be issued in due course.

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About Micro Focus

Micro Focus, a member of the FTSE 250, provides innovative software that helps companies to improve dramatically the business value of their enterprise applications. Micro Focus Enterprise Application Modernization, Testing 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

* Pro-forma full year refers to the aggregation of revenues and Underlying Adjusted EBITDA* for Micro Focus for the year ending 30 April 2015 and for TAG for the year ending 31 March 2015. It includes the fair value adjustments for the period from completion on 20 November 2014 being (a) the deduction of the deferred revenue haircut of $16 million and (b) a credit of $4 million of costs in relation to onerous lease provisions.

** In assessing the performance of the business, the directors use non GAAP measures "Adjusted operating profit" and "Adjusted earnings per share", being the relevant statutory measures, prior to exceptional items, amortization of purchased intangibles and share based compensation. "Adjusted EBITDA" is the Adjusted Operating Profit prior to depreciation and amortization of purchased software. Underlying Adjusted EBITDA removes the impact of net capitalization/amortization of development costs and foreign currency gains and losses from Adjusted EBITDA, whilst Facility EBITDA is Adjusted EBITDA before amortization of capitalized development costs.