

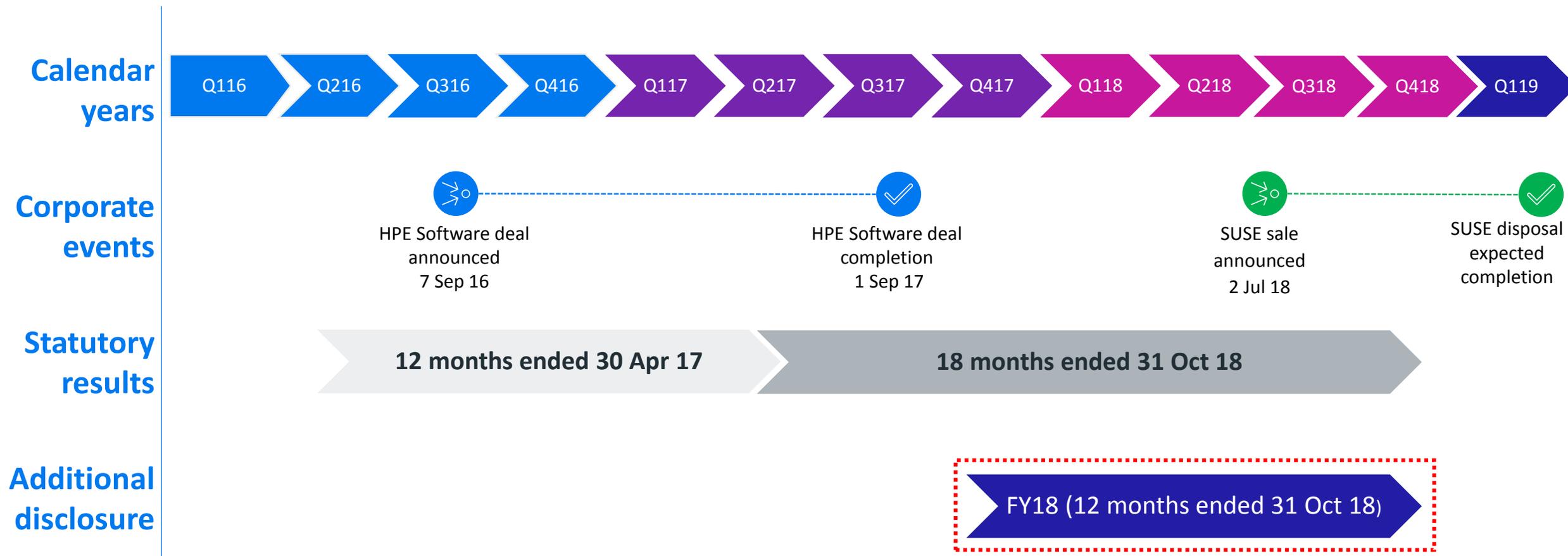


MICRO Financial information

Investor and analyst briefing pack
December 2018

Key corporate events

The previous two years have been transformational for MCRO



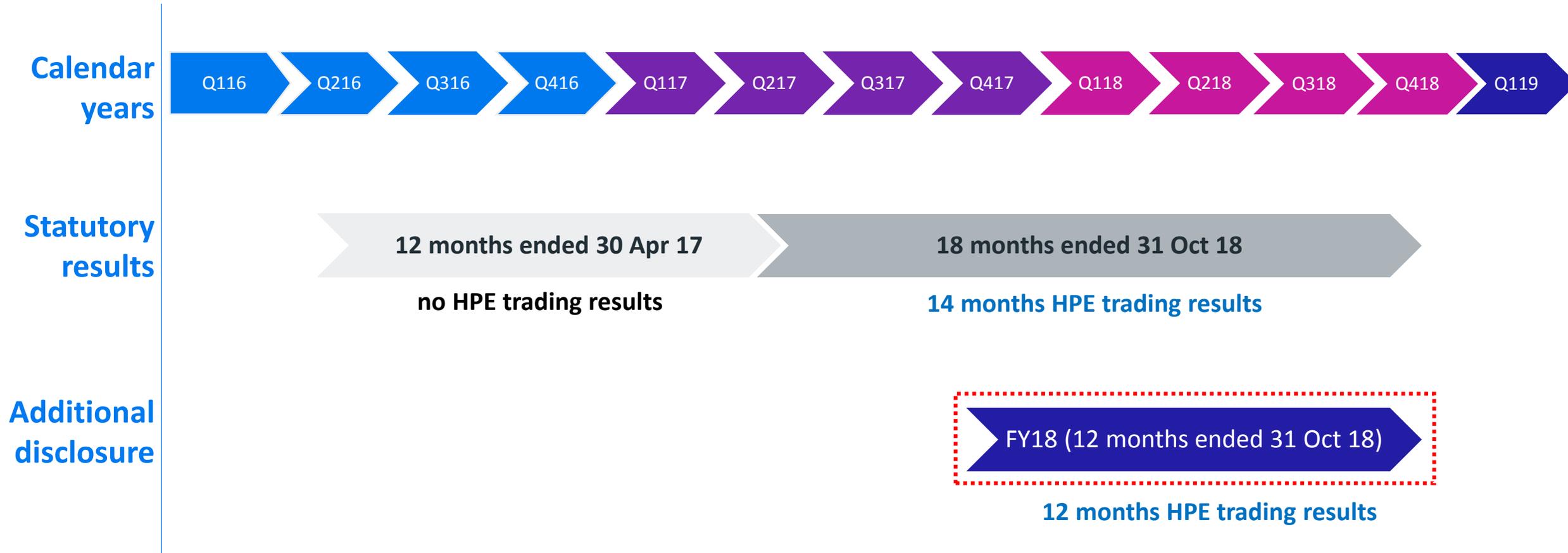
Impact on financial statements

MCRO's corporate events will have a material impact on the presentation of the financial statements

- The Micro Focus audited financial statements for the 18 months ended 31 October 2018 to be announced on 14 February 2019 will have a number of complexities that are likely to make it difficult for investors and analysts to assess company performance.
- This document sets out how we plan to address those complexities in order to assist investors and analysts in understanding the financial results.
- Key issues:
 - **Long period of account**
 - **HPE transaction**
 - **SUSE disposal and use of proceeds**
- Our aim is for analysts and investors to have a consistent view of the changes in the business by the time of announcement of our preliminary results on 14 February 2019.

Long accounting period and HPE Transaction

Under IFRS we are required to report the 18 months ended Oct-18 compared with 12 months ended Apr-17



SUSE presentation

Following shareholder approval of the disposal, SUSE meets the definition of a discontinued operation under IFRS 5

Previous presentation and basis for FY18 revenue and AEBITDA guidance

	Micro Focus Product Portfolio	SUSE	Micro Focus Int'l
	\$'000	\$'000	\$'000
Revenue	x	x	x
Cost of sales	(x)	(x)	(x)
Gross profit	x	(x)	x
Selling and distribution costs	(x)	(x)	(x)
Research and development expenses	(x)	(x)	(x)
Administrative expenses	(x)	(x)	(x)
Operating profit	x	(x)	x
Share of results of associates and gain on dilution of investment	(x)	-	(x)
Finance costs	(x)	(x)	(x)
Finance income	x	x	x
Net finance costs	(x)	(x)	(x)
Profit before tax	x	(x)	x
Taxation	(x)	X	x
Profit after tax	x	Y	x

Statutory reporting presentation*

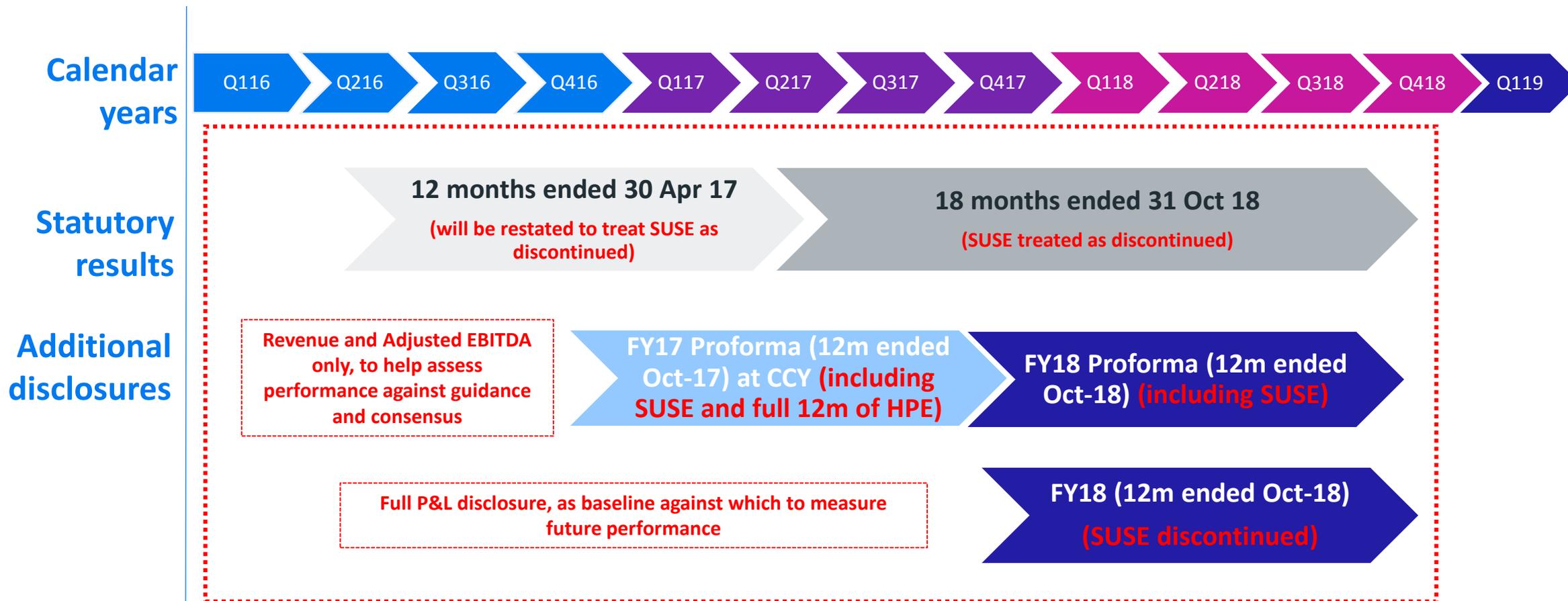
	Micro Focus Int'l
	\$'000
Revenue	x
Cost of sales	(x)
Gross profit	x
Selling and distribution costs	(x)
Research and development expenses	(x)
Administrative expenses	(x)
Operating profit	x
Share of results of associates and gain on dilution of investment	(x)
Finance costs	(x)
Finance income	x
Net finance costs	(x)
Profit before tax	x
Taxation	x
Profit from continuing operations	x
Profit from discontinued operation (attributable to equity shareholders of the company)	Y
Profit for the period	X

Implications

- All FY18 Guidance (and current consensus) includes SUSE.
- Under IFRS, we have a few options in how we present SUSE. We have elected to report SUSE as one line on the face of the income statement.
- We will provide additional disclosure to show performance against guidance and previous disclosure.
- Going forward all guidance will relate to continuing operations only.
- We expect that analyst and investor models will need to be reworked to focus only on continuing operations

*Prior periods will be restated to align to this presentation.

FY18 disclosures summarized



- The financial statements for the 18 months ended 31 October 2018 are being audited by KPMG who are new auditors for the Group.
- The financial statements are prepared under IFRS and due to our dual listing are subject to Public Company Accounting Oversight Board (“PCAOB”) audit procedures and are now subject to SEC reporting requirements.

Impact on NON-GAAP measures

	Definition	Impact / Comment
Proforma revenue	Revenue for Micro Focus (including SUSE) for the 12m to October 2018, and for Micro Focus (including SUSE and a full 12 months of HPE) for the 12m to October 2017, restated to FY18 foreign exchange rates.	This is the NON-GAAP measure for which previous guidance of revenue decline of between (6)%-(9)% was given.
Proforma Adjusted EBITDA	Adjusted EBITDA is the Adjusted Operating Profit prior to depreciation and amortization of purchased software, the impact of net capitalization of product development costs and foreign currency gains.	No change in metric. Adjusted EBITDA will be disclosed for both continuing and discontinued operations.
Adj. EPS	Diluted Adjusted EPS is calculated by taking profit after tax, prior to exceptional items, amortization of purchased intangibles and share based compensation charges, and tax attributable to these charges divided by the weighted average number of fully diluted ordinary shares in issue during the year. This measure indicates the ability of the Company to continue to adopt a progressive dividend policy.	No change in metric. Adjusted EPS will be disclosed for both continuing and discontinued operations.

FY19 guidance and consensus management

FY19 Presentation and guidance

SUSE is expected to complete in the first calendar quarter of FY19. We expect to record a material profit on disposal at completion which will be reported as exceptional.

All future guidance will be provided on a continuing operations basis (i.e. excluding SUSE).

The Group is expected to receive c.\$2.06bn in proceeds after tax and fees (page 25 of the SUSE circular). Our targeted medium term gearing ratio is 2.7x.

On a statutory basis the FY19 results will be reported against this 18 month period.

Modelling and consensus implications

Valuation models should be updated to reflect the SUSE disposal. We will publish a company consensus and exclude any model which does not present SUSE as discontinued.

Default assumption should be for a Return of Value (“RoV”) accompanied by a share consolidation, to bring leverage into line with the Board’s net leverage target (taking into account the cumulative expenditure on share buy-backs prior to completion).

Data terminals are likely to include some inaccuracies in respect to consensus figures.
We will therefore aggregate a consensus and exclude any forecasts not prepared on a consistent basis.

We will publish a company consensus around the end of January 2019 and exclude any model which does not reflect the SUSE disposal correctly.

DISCLAIMER

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Thank You.



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