

2. Micro Focus Buys Again, Raises Legacy Modernization Expectations

By Jason Stamper

UK-based Micro Focus International raised its expectations for the financial year and announced it has acquired a fellow Cobol modernization vendor, Acucorp.

Micro Focus said that following a successful end to the financial year, in which a higher than expected number of larger value transactions were closed, it expects total revenues for the year ended April 30 of \$170m.

Acucorp, founded in 1988 and headquartered in San Diego, California, offers an ANSI- Cobol compiler, an IDE; web deployment technology; interfaces to RDBMS data; access to other ODBC data sources; Cobol-based GUI development; distributed computing and programmer productivity tools.

It claims to be able to take legacy applications to over 600 different computing platforms including thin clients and mobile devices. Micro Focus is paying \$40.7m for the firm. Acucorp made profit of \$3m in '06 and had assets of \$13.1m as of December 31. Micro Focus said it will need to restructure the business and take a charge of \$8m as a result in the financial year to 30 April 2008.

Our View

Micro Focus is on a roll, thanks in no small part to relative newcomer, CEO Stephen Kelly. The firm's acquisition of Hal late last year with its application portfolio management gave it a broader portfolio, while this latest acquisition appears to feature more overlaps but also give it some more customers in the SME space.

Micro Focus is saying it expects Acucorp to add \$17m revenue in FY08 but we believe the firm may be playing safe: if it can cross-sell its other technologies to Acucorp's customers and sell Acucorp technology to its own existing base it should be able to over-deliver on that figure.

Legacy modernization is high on CIOs' agendas and Micro Focus has unique strength in the Cobol space. Now with a safe pair of hands at the top it's looking well positioned to capitalize on market demand.