Interim Results for the Six Months Ended 30 April 2021

1 July 2021

Micro Focus International

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Agenda

01. Highlights

02. Financial Update

03. Operational Update

04. Outlook

Highlights

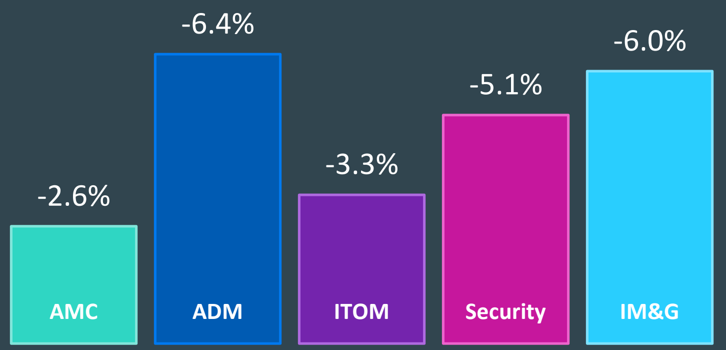
Results summary

- Revenue of $1.4bn for H1 21 is ahead of market expectations and represents a decline of 4.6% on a constant currency (“CCY”) basis.
- Adjusted EBITDA margin of 36.4% (H1 20: 37.7% CCY) for the first half.
- Cash generated from operating activities of $468.1m for H1 21 (H1 20: $560.4m), which after exceptional items resulted in Adjusted Cash Conversion of 124.5% (H1 20: 131.5%).
- Strategic partnership with AWS, and good progress across the product portfolios including key partnerships announced with Microsoft Azure, Snowflake, Dell EMC and others.
- Business has now transitioned to a common IT platform end-to-end. We are in the early days of go-live and stabilising systems before ramping to full operational deployment.
- Dividend of 8.8 cents has been proposed, consistent with 5x covered approach and approximately one third being paid as an interim dividend.
- **Another period of solid progress against our plan.**

Financial Update

Revenue analysis by portfolio and stream

Revenue by Product Group (y-o-y CCY %)

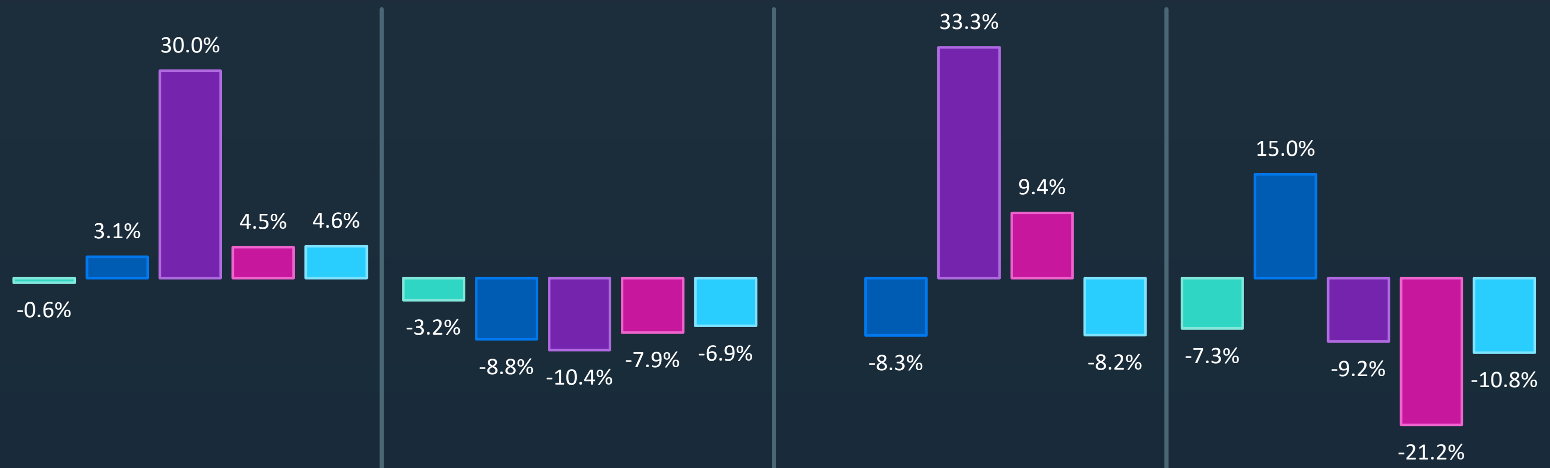


Product Group

AMC, IM&G and Security have products in growth markets and we are increasingly confident that we can deliver growth.

ADM and ITOM have improved but need to deliver further improvements to moderate growth.

Revenue by stream (y-o-y CCY %)



Licence (+9.7%)

Strong sales execution and Covid-19 compare dynamics.

Maintenance (-8.0%)

improvement is a business priority (comprehensive plans set out on slide 15).

SaaS & other recurring (-5.4%)

Second period of sequential improvement.

Consulting (-9.5%)

Delivering faster ROI for our customers.

Financial performance

- Revenue decline of 4.6% year-year on a CCY basis for the six months to 30 April 2021.
- Total costs (included within Adjusted EBITDA) reduced by 2.6%, reflecting cost savings which largely funded key investments.
- Adjusted EBITDA margin of 36.4%, representing a decline of 1.3ppts versus H120.
- Exceptional spend totalled $143.0m and c.$80.0m in cash terms.
- Dividend of 8.8 cents has been proposed consistent with 5x covered approach and approximately one third being paid as an interim dividend.

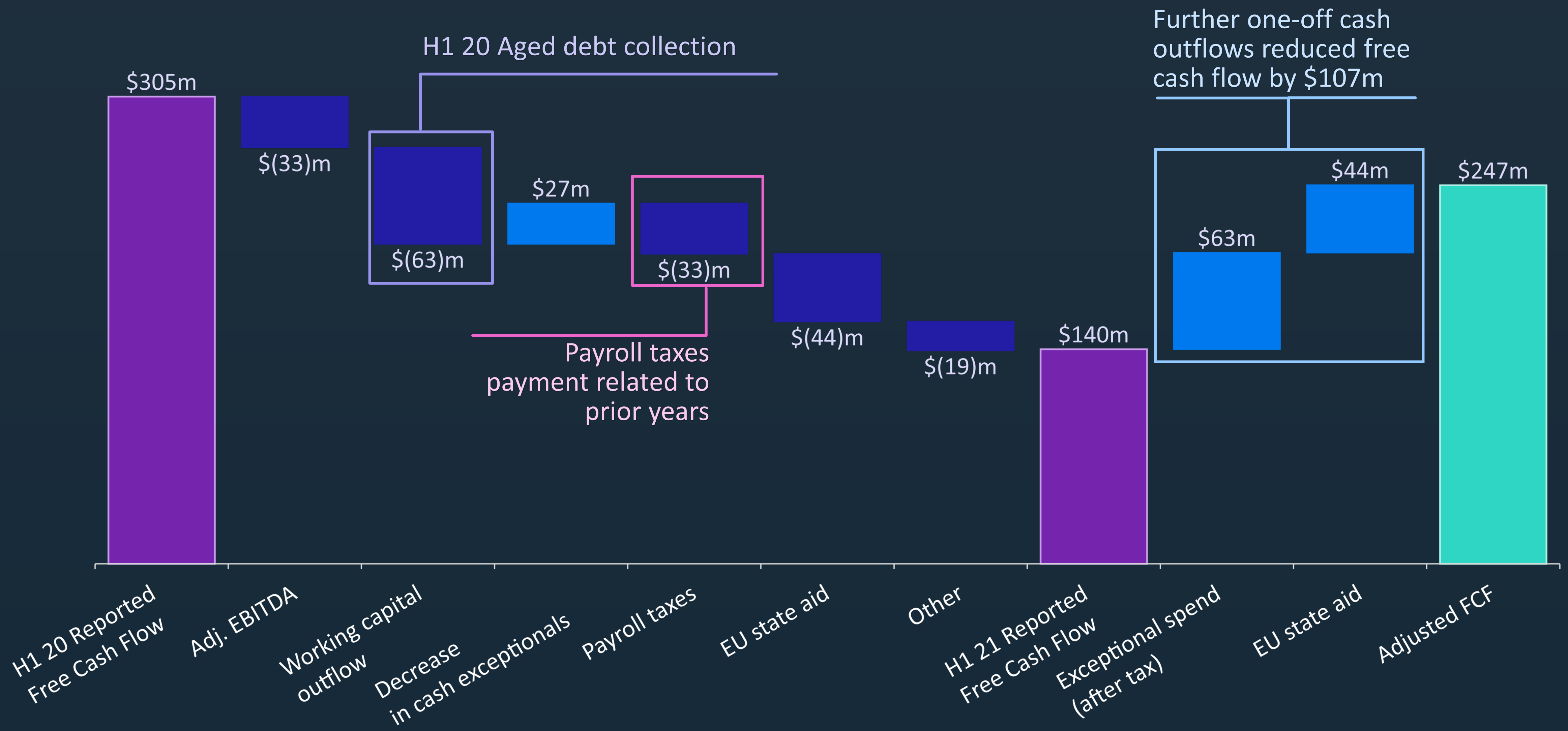
MICRO FOCUS $m	Notes	H1 21 Reported	H1 20 CCY	Change %
Revenue		**1,425.7**	1,493.9	(4.6)%
Total costs	1	**(906.7)**	(931.3)	(2.6)%
Adjusted EBITDA		**519.0**	562.6	(7.7)%
Adjusted EBITDA margin %		**36.4%**	37.7%	(1.3)ppt

Other metrics				
Exceptional costs	2	**143.0**	1,048.4	(86.4)%
Diluted adjusted EPS (cents)		**66.2**	72.1	(8.3)%
Dividend per share (cents)		**8.8**	-	n/a

Notes

1. Included within Adjusted EBITDA.
2. H120 exceptional costs includes impairment charge of $922.2m

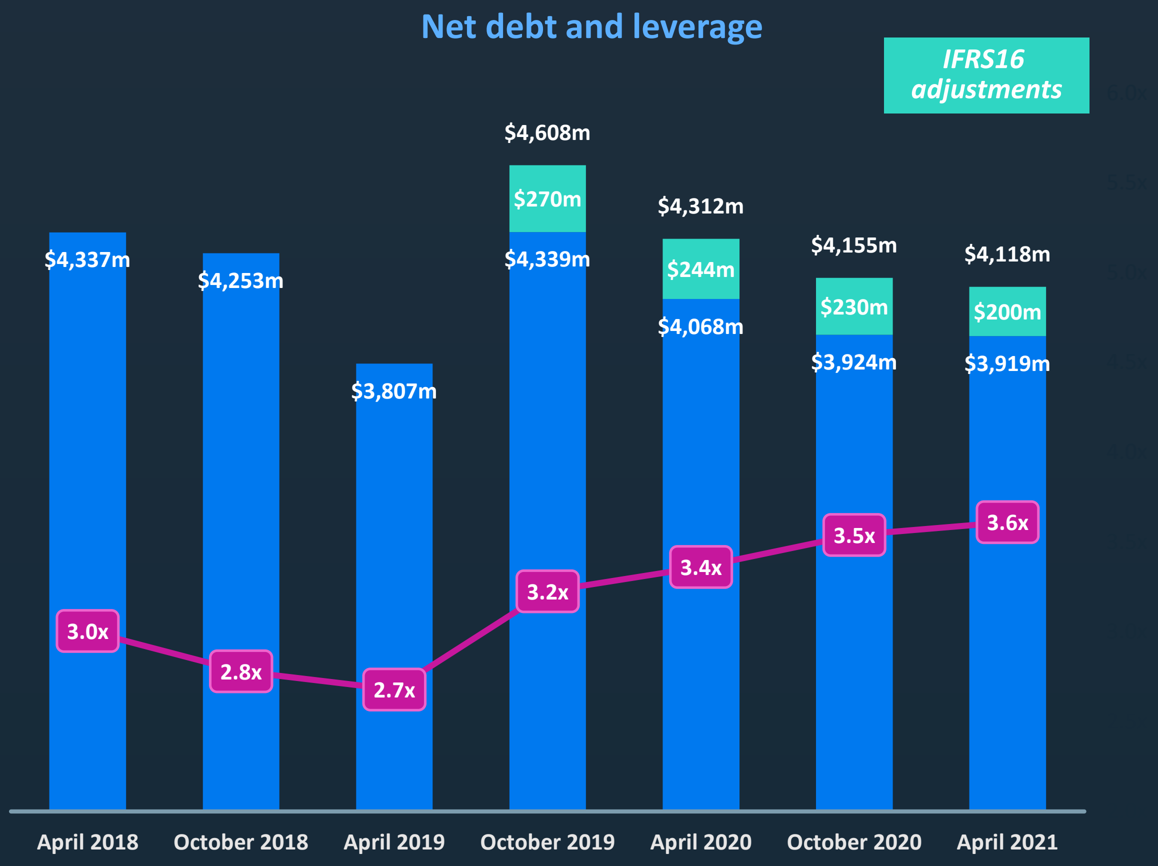
H1 free cash flow ("FCF")



See Appendix 3 for further analysis.

Capital discipline and balance sheet

- Since October 2019, we have reduced net debt by $490m on a like-for-like basis.
- Net debt reduction in H1 21 has been impacted by the one-offs discussed on the previous pages.
- Current leverage of 3.6x in line with expectations given planned investment programme as part of our turnaround plan.
- Reduction in leverage over the medium term remains a key target but will increase in the short term due to impact of one-off cash flow items.
- Our existing term loans are not due for repayment until June 2024 and the Group has available liquidity of over $1bn.



Operational Update

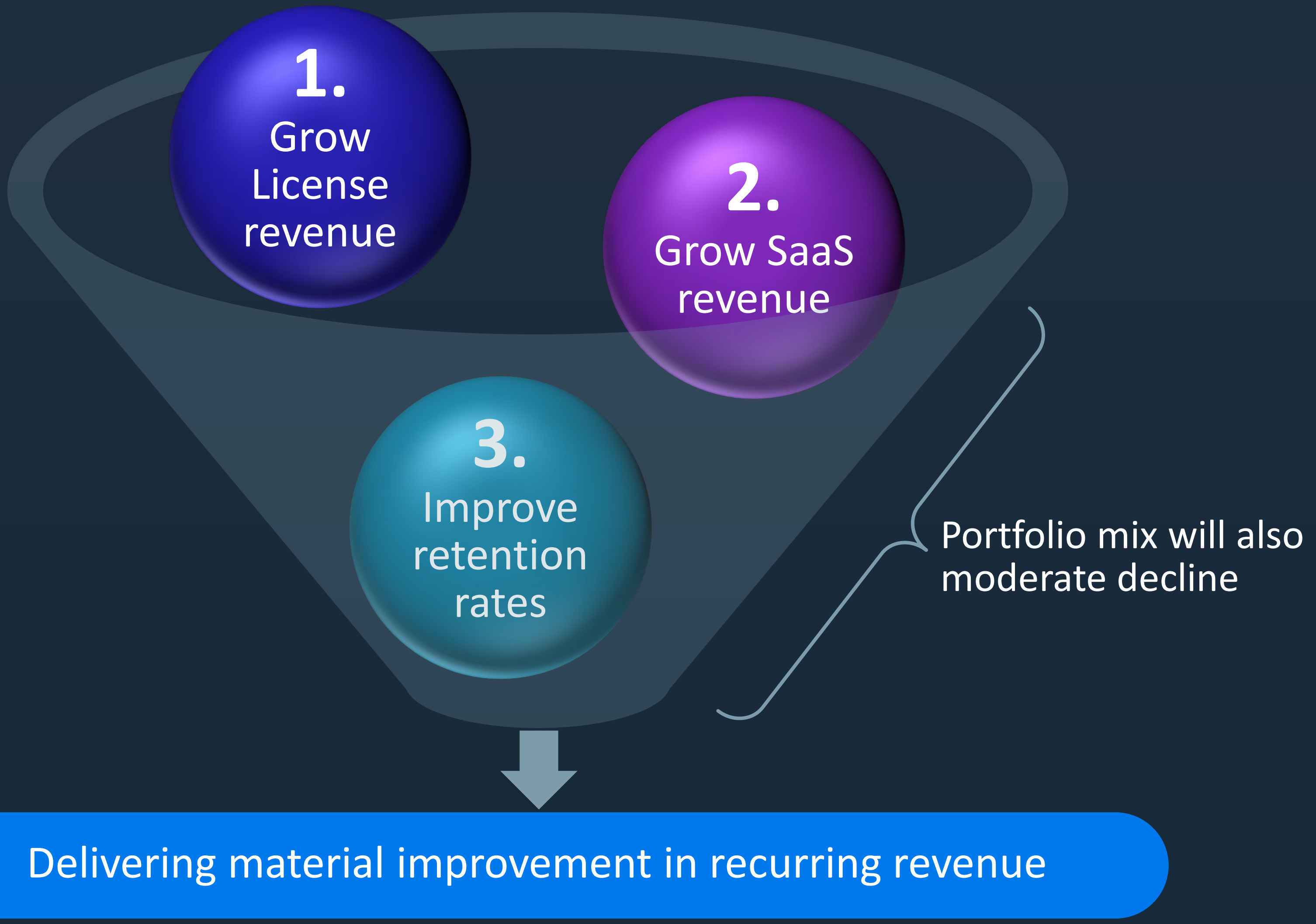
Our recovery plan

FY20	FY21	FY22	FY23
GTM Transformation (phase 1)	**Transition to single IT platform**	Digital transformation programmes complete	End to end customer engagement model
Product re-positioning and investment	**Capturing growth in key markets**	Restructure to deliver Target Operating Model design and cost base	SaaS or Subscription offering will be the only proposition in targeted areas
Investment in SaaS infrastructure	**Targeted plans to address sub-portfolio hot spots**	Accelerate SaaS and Subscription transition	Drive capture of operational efficiencies and overall productivity
	Restructured approach to customer coverage		

Operational priorities

Go-to-Market Effectiveness	Increase productivity and improve customer and market opportunity coverage levels
Business Agility	Operationalise new systems, simplify processes and organisation to underpin productivity improvements, deliver efficiencies and create strategic flexibility
Recurring Revenue Performance	Restructure approach and realign resources to improve retention rates and accelerate transition to SaaS where appropriate
Product Innovation	Investments prioritised to accelerate and deepen customer deployments and supporting Digital Transformation

Recurring revenue performance



Recurring revenue performance

Improving retention rates through consistent customer engagement

Leadership Team

- Changes in leadership team complete
- Sales compensation changes underway

Customer Success

- New organisation
- Product & customer coverage
- Version currency

Product specialism

- Risk Hotspot SWAT teams
- Product specialism on renewals
- Premium support expansion

Maintenance Modernisation

- Integrated approach across company
- Auto-Renewal and self service options.
- Channel partner performance

SaaS

- Managed transition
- Product enhancements
- Post-sales Engagement

Product innovation

Product development prioritising customers' Digital Transformation imperatives and delivering expanded capabilities in Cloud, Artificial Intelligence, Cyber, Analytics and Application Modernisation

- AWS partnership will help customers modernise mainframe workloads.
- Added Artificial Intelligence capabilities across the testing portfolios

- OPTIC empowers IT operations with built-in, unlimited-use Artificial Intelligence and the ability to optimise the cloud environments
- SMAX codeless configuration allows flexibility to integrate with external tools

- Voltage released native Cloud implementations for AWS, Azure and Snowflake integration
- ArcSight Recon SaaS enables customers to perform log management in the cloud

- Dell EMC and Vertica partnership means customers leverage cloud innovation for analytics
- Vertica now available as a managed cloud service from H2 FY21

Outlook

Outlook and Full Year Guidance

- Revenue stabilisation as we exit FY23 remains the most important business objective and we are targeting incremental improvements in the trajectory annually in order to achieve this goal.
- We remain on track for material improvement in the rate of revenue decline year-on-year and in line with consensus (-7%).
- We remain committed to delivering sustainable levels of free cash flow over the long term.

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Appendices

Appendix 1 – Currency impact

Revenue and Cost weighting across key currencies:

	H121		H120	
	Revenue	Cost	Revenue	Cost
USD	57.3%	45.7%	59.9%	44.3%
EUR	21.3%	13.1%	19.1%	14.4%
GBP	4.5%	12.6%	5.1%	13.1%
CAD	3.2%	2.1%	3.3%	1.9%

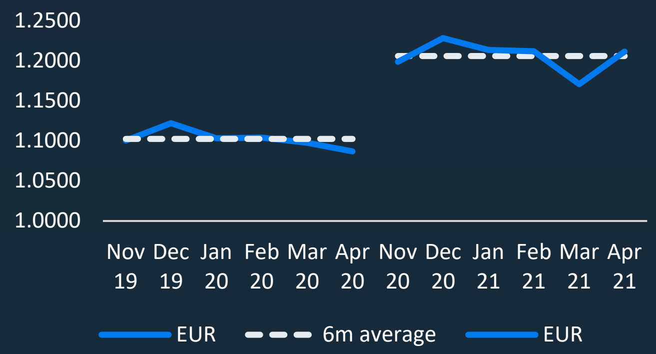
Average exchange rate movements
in the 6 months to April 21
vs the 6 months to April 20:

USD to 1 EUR: USD is weaker by 9.1%

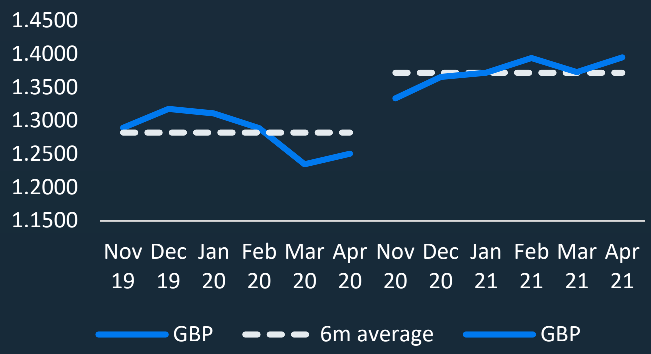
USD to 1 GBP: USD is weaker by 6.6%

USD to 1 CAD: USD is weaker by 5.8%

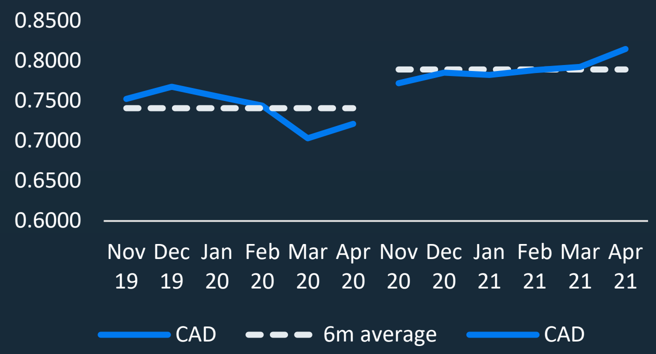
USD to 1 EUR



USD to 1 GBP



USD to 1 CAD



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Appendix 2 – Revenue by product group and region

$m	H121 Licence	H121 Maintenance	H121 SaaS and other recurring	H121 Consulting	H121 Total	CCY % change to H120 Licence	CCY % change to H120 Maintenance	CCY % change to H120 SaaS and other recurring	CCY % change to H120 Consulting	CCY % change to H120 Total
AMC	62.1	158.5	-	5.1	225.7	(0.6)%	(3.2)%	-	(7.3)%	(2.6)%
ADM	49.6	208.9	36.6	9.2	304.3	3.1%	(8.8)%	(8.3)%	15.0%	(6.4)%
ITOM	92.8	262.2	2.0	54.6	411.6	30.0%	(10.4)%	33.3%	(9.2)%	(3.3)%
Security	70.1	193.6	18.6	14.5	296.8	4.5%	(7.9)%	9.4%	(21.2)%	(5.1)%
IM&G	27.1	89.3	62.6	8.3	187.3	4.6%	(6.9)%	(8.2)%	(10.8)%	(6.0)%
Revenue*	301.7	912.5	119.8	91.7	1,425.7	9.7%	(7.9)%	(5.3)%	(9.5)%	(4.6)%
North America	114.4	444.3	91.2	30.3	680.2	11.7%	(10.5)%	(3.5)%	(7.9)%	(6.3)%
International	134.7	362.5	23.1	48.6	568.9	9.1%	(5.6)%	(6.9)%	(11.2)%	(3.1)%
Asia Pac & Japan	52.6	105.7	5.5	12.8	176.6	7.1%	(4.7)%	(24.7)%	(6.6)%	(2.4)%
Revenue*	**301.7**	**912.5**	**119.8**	**91.7**	**1,425.7**	**9.7%**	**(7.9)%**	**(5.3)%**	**(9.5)%**	**(4.6)%**

*H120 revenue includes $0.4m deferred revenue haircut

Appendix 3 – H1 Free cash flow

MICRO FOCUS	Notes	H1 21 $m	H1 20 $m	Y-O-Y	Split as: Adj. EBITDA	Cash Exceptional	Working capital	Payroll taxes	EU state aid	Other
Adjusted EBITDA		**519.0**	**552.2**	(33.2)	(33.2)					
Less:										
Exceptional items (reported in Operating loss)		**(143.0)**	**(1,048.4)**	905.4		905.4				
Movements in provisions		**102.4**	**22.1**	80.3		80.3				
Goodwill impairment charge		**0.0**	**922.2**	(922.2)		(922.2)				
Other non-cash items		**23.3**	**13.3**	10.0						10.0
Movement in working capital		**(33.6)**	**99.0**	(132.6)		(37.0)	(62.6)	(33.0)		
Cash generated from operations		**468.1**	**560.4**							
Interest payments		**(110.7)**	**(105.5)**	(5.2)						(5.2)
Bank loan costs		**(0.6)**	**(1.1)**	0.5						0.5
Tax payments		**(128.9)**	**(65.5)**	(63.4)					(44.2)	(19.2)
Purchase of intangible assets		**(35.8)**	**(36.5)**	0.7						0.7
Purchase of property, plant and equipment		**(10.3)**	**(6.1)**	(4.2)						(4.2)
Lease related capital payments		**(42.3)**	**(40.8)**	(1.5)						(1.5)
Free cash flow		**139.5**	**304.9**	(165.4)	(33.2)	26.5	(62.6)	(33.0)	(44.2)	18.9
Cash exceptional spend	1	81.0	107.5	(26.5)						
Tax impact on exceptional spend		(17.8)	(23.7)	5.9						
Cash exceptional (after tax)		**63.2**	**83.8**	**20.6**						
EU state aid		44.2		44.2						
Adjusted Free cash flow		**246.9**	**388.8**	**(141.9)**						

Notes: 1. Cash costs of exceptional spend in H1 20 estimated based on movement in balance sheet.

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