Micro Focus deal "clearly signals" scope for further deals, says Numis

Micro Focus's (LON:MCRO) deal to acquire software assets from US-listed Progress Software has received the thumbs up from City broker Numis.

It also said the company's performance update was well ahead of expectations, but also noted it was "distorted" by one-offs.

It expects to make a 3% upgrade to revenue and profit forecasts. It has maintained its 'add' recommendation and 631 pence target price.

At 10am, the stock was up 3.5 pence at 573.5 pence, valuing the group at £856mln.

Numis said today's deal "clearly signals that there is scope for M&A that meets management's aggressive cash flow return targets".

"The ongoing focus on sustainable cash flows rather than growth should provide further opportunities for Micro Focus to acquire assets as other companies look to shed low/no growth but well established product lines at attractive valuations," the broker added.

Company Synopsis:
Micro Focus 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.

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