

The background of the slide is a composite image. It features a hand reaching out from the bottom left, holding a glowing blue cloud. In the background, there are several communication towers with satellite dishes, and a satellite is visible in the upper right corner. The overall color scheme is blue and white.

Spirent Communications plc 2015 Full Year Results

February 2016

2015 Full Year Results

Rachel Whiting, Chief Financial Officer

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2015 – Progress in a year of two halves



- Slow start to the year – revenue down \$2.3m in H1
- Gained momentum in H2 – revenue up \$22.2m
- Operating profit impact more exaggerated
- Group Revenue up 4%, adjusted operating profit of \$42m
- Networks & Applications up 9%, Service Assurance up 16%
- Wireless & Service Experience down 6% - challenges in Wireless device test
- Regionally Americas and APAC strong, EMEA somewhat weaker
- Expect similar seasonality in 2016

Comparative results 2015



(\$ millions)	2015	2014
Revenue	477.1	457.2
Gross Profit	331.8	316.3
Gross Margin	69.5%	69.2%
Product development	(118.3)	(115.4)
Selling & distribution	(127.2)	(113.5)
Administration	(44.2)	(41.4)
Operating Profit⁽¹⁾⁽²⁾	42.1	46.0
Return on Sales⁽¹⁾⁽²⁾	8.8%	10.1%
Exceptional and other items ⁽³⁾	(32.0)	(22.3)
Reported Operating Profit	10.1	23.7
Net finance (expense)/income	(0.1)	0.4
Associate	(0.4)	-
Profit before Tax	9.6	24.1
Tax	3.9	(3.5)
Net Income	13.5	20.6
Basic EPS (cents)	2.18	3.35
Adjusted EPS⁽¹⁾⁽²⁾⁽⁴⁾ (cents)	5.00	5.82

Notes: (1) Before exceptional items

(2) Before other items

(3) Other items are share-based payment, acquired intangible asset amortisation and impairment, goodwill impairment and acquisition expense

(4) Before prior year tax and tax in respect of items in note (1) and (2)

- Revenue up 4%
- Underlying book to bill ratio of 101
- Gross margin improved to 69.5%
- Operating profit reflects investment in sales & marketing
- Tax rate 25%
- Final dividend unchanged at 2.21 cents, full year also unchanged at 3.89 cents

(\$ millions)	2015	2014
Revenue	241.9	221.5
Gross Profit	167.5	151.3
Gross Margin	69.2%	68.3%
Product development	(60.7)	(59.7)
Other expenses ⁽¹⁾	(88.4)	(84.0)
Operating Profit⁽¹⁾	18.4	7.6
Return on Sales⁽¹⁾	7.6%	3.4%

- 9% growth in revenue driven by high speed Ethernet
- Strong demand in Americas and APAC driven by service providers and NEMs
- EMEA weaker due to customer consolidation
- Gross margin improvement
- Investment in sales & marketing has grown business with top customers
- Improved profitability reflecting increase in revenue and gross margin

(1) Before exceptional items

(\$ millions)	2015	2014
Revenue	168.7	178.6
Gross Profit	113.9	121.5
Gross Margin	67.5%	68.0%
Product development	(39.2)	(43.2)
Other expenses ⁽¹⁾	(59.2)	(54.3)
Operating Profit⁽¹⁾	15.5	24.0
Return on Sales⁽¹⁾	9.2%	13.4%

- Revenue declined 6% due to softness in Wireless business
- Success in Asia with chipset vendors and new Fit4Launch lab in Beijing
- Government spending boosted growth in Positioning
- Overhead spend contained
- Targeted cost containment actions taken and outsourced engineering in wireless business – full benefit from 2016

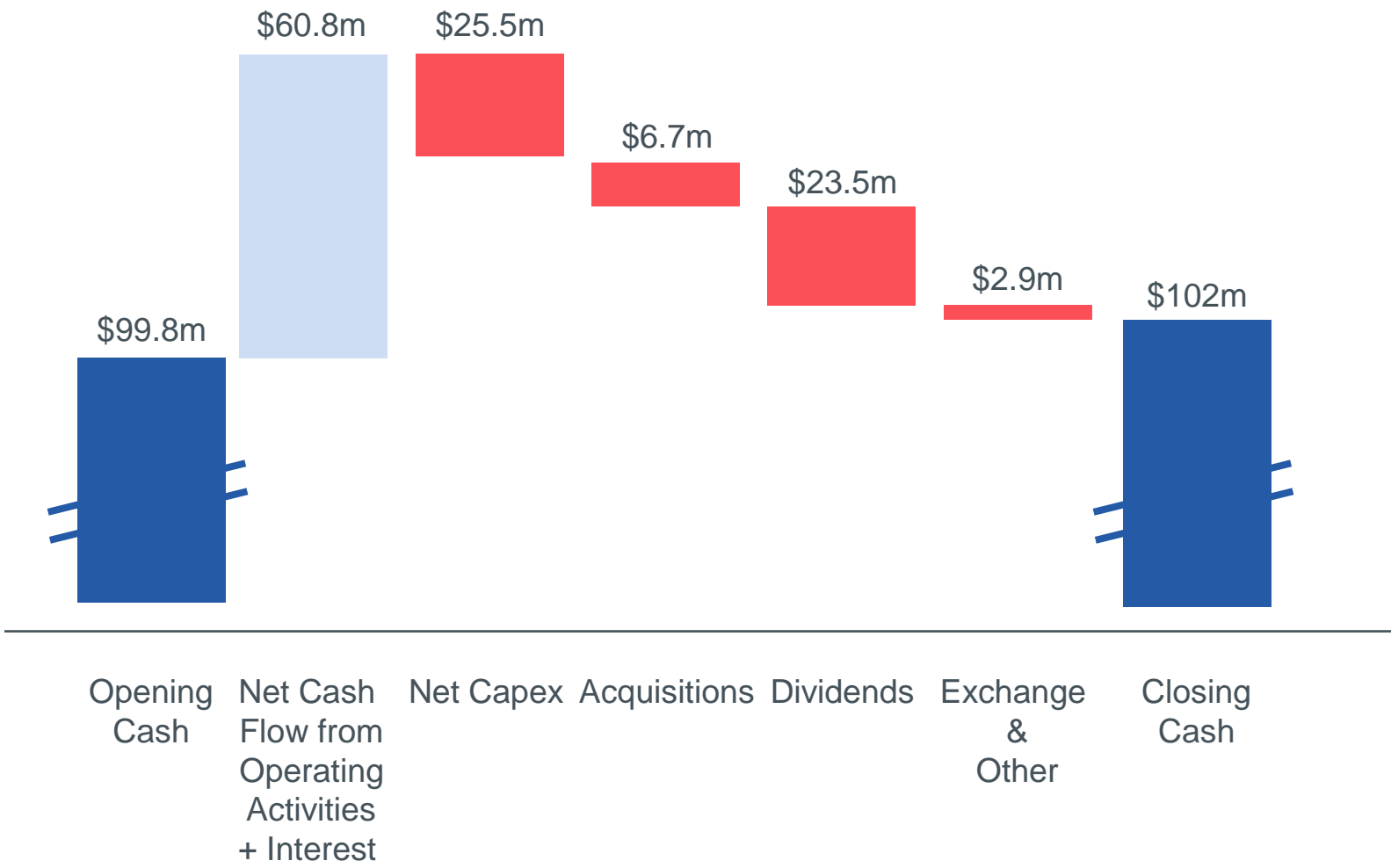
(1) Before exceptional items

(\$ millions)	2015	2014
Revenue	66.5	57.1
Gross Profit	50.4	43.5
Gross Margin	75.8%	76.2%
Product development	(18.4)	(12.5)
Other expenses ⁽¹⁾	(18.0)	(10.3)
Operating Profit⁽¹⁾	14.0	20.7
Return on Sales⁽¹⁾	21.1%	36.3%

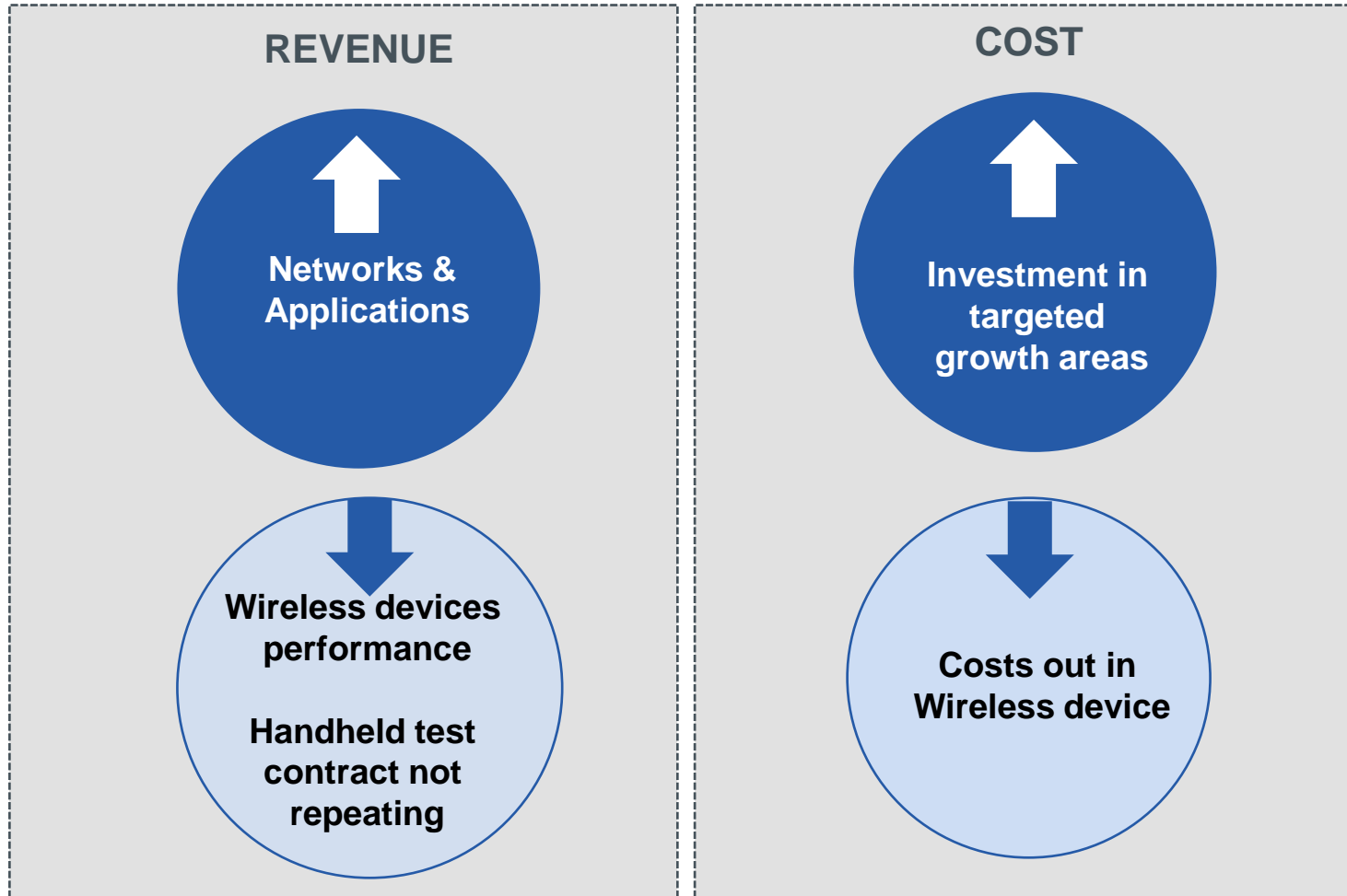
- Revenue up 16% driven by full year contribution from 2014 acquisitions
- Increased investment for development and launch of data analytics and virtual solutions
- Won significant first contract with service provider for new InTouch CNA solution
- Delivered final phase of field test order of \$16m creating headwind for 2016 revenue
- Continue focus on live networks, virtualisation and analytics

(1) Before exceptional items

2015 Cash flow



Factors influencing our performance in 2016



- Board's expectations unchanged for 2016 - heavy seasonal weighting to H2

2015 Full Year Results

Eric Hutchinson, Chief Executive Officer

Our strategy

Continuous innovation in test, measurement and verification solutions for data communications; to deliver easy to use solutions for complex issues.

Create a sustainable revenue stream for long term growth

Expand the markets we serve

Establish and maintain technology leadership

Deepen our customer relationships

Acquire new capabilities and technologies

Invest in our people

Maintain financial strength and flexibility



Execution against our strategy



Expand the markets we serve

- Delivered virtualisation capabilities
- Significantly enhanced our cyber security capabilities

Establish and maintain technology leadership

- 23 new products and solutions launched, many of which were first-to-market
- New innovations launched across Ethernet, cloud, security, analytics, et al

Deepen our customer relationships

- Expansion in sales and marketing delivered growth in major accounts
- 498 new customers added

Acquire new capabilities and technologies

- \$5m investment in Jolata – network latency management
- \$2m acquisition of Eptiro – Wi-Fi experience monitoring

Invest in our people

- Continued investment in training and development
- Additional new hires in areas such as cyber security

Maintain financial strength and flexibility

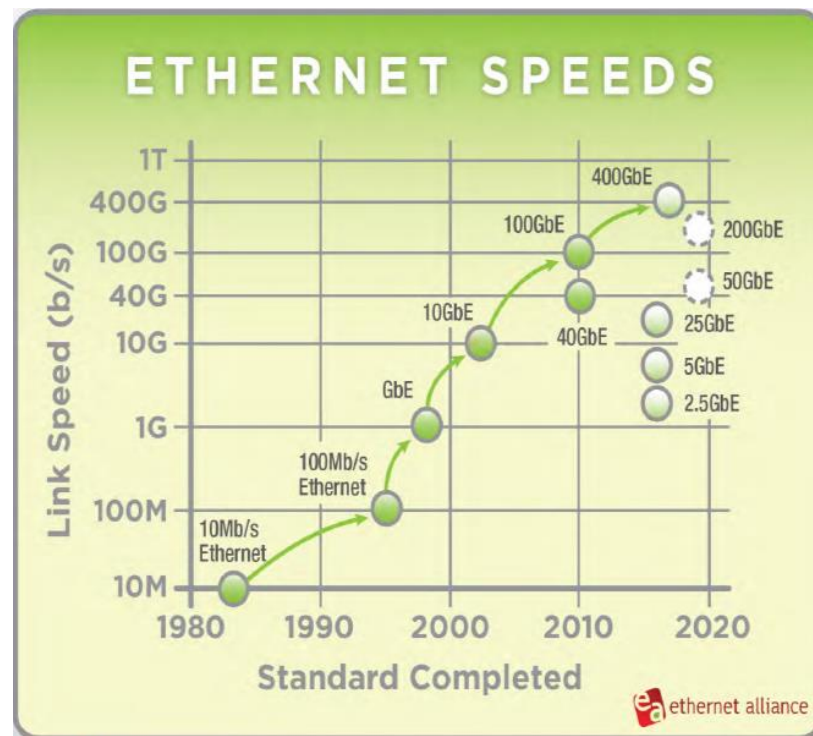
- Growth in a time of unprecedented change
- Strong balance sheet and remain cash generative

Spirent's growth markets and initiatives



1. High Speed Ethernet: market drivers

- More density required, existing technologies move to legacy
- Move to virtualisation delivers more software at a greater scale
- Focus on live testing and quality of service provision



1. High Speed Ethernet: progress and plans

■ Progress 2015

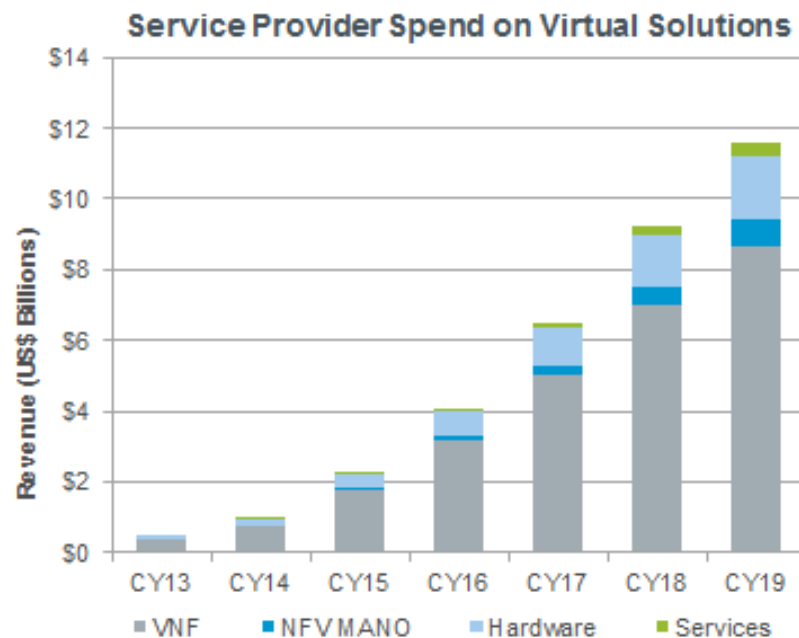
- 10% growth in 2015 Ethernet revenue
- Test solutions support for all new speeds
- 1st to market with 25G and 50G Ethernet test
- Added Wi-Fi test capability and enhanced user interface

■ Plans 2016

- Well positioned for the continued growth in network bandwidth
- Focus is on scale and performance in software capabilities, live testing and quality of service provision
- 25G and variants, 2.5G and 5G, expected to stimulate growth
- Market expansion to cloud providers via test as a service, Temeva

2. Cloud & Virtualisation: market drivers

- Emphasis on virtual products and cloud infrastructure is a key industry driver
- Expected to grow rapidly
- Build on Spirent's competitive advantage



2. Cloud & Virtualisation: progress and plans

■ Progress 2015

- Represented 2% of our business in 2015
- Developed and launched new solutions for testing cloud infrastructures and virtualisation
- Proof of concept trials in progress

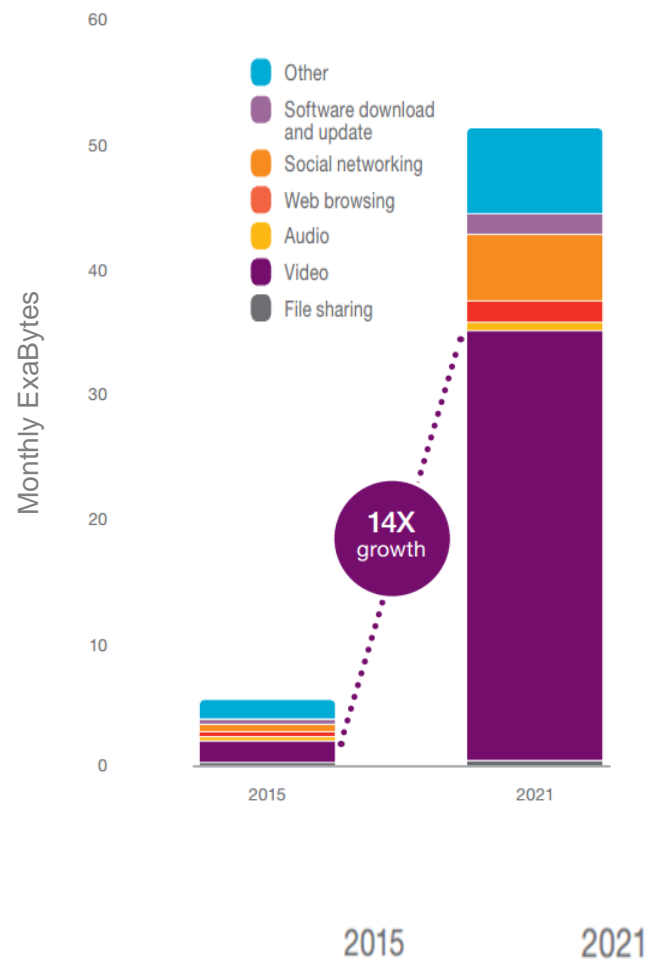
■ Plans 2016

- Major growth opportunity
- Further investment in software solutions
- Widening our appeal to cloud service providers as we move to an annual subscription

3. Mobility infrastructure: market drivers



Mobile Bandwidth Growth



+

Mobile Session Scale

	2015	2021	
M2M: non-cellular	2.6	10.7	Wi-Fi + Handoff test
M2M and consumer electronics; cellular	0.4	1.5	
Consumer electronics; non-cellular	1.6	3.1	LTE/5G + VoLTE/ Wi-Fi test
PC/laptop/tablet	2.4	2.8	
Mobile phones	7.1	8.7	
Fixed phones	1.3	1.4	
	15 billion	28 billion	

Source: Ericsson (November 2015)

3. Mobility Infrastructure: progress and plans

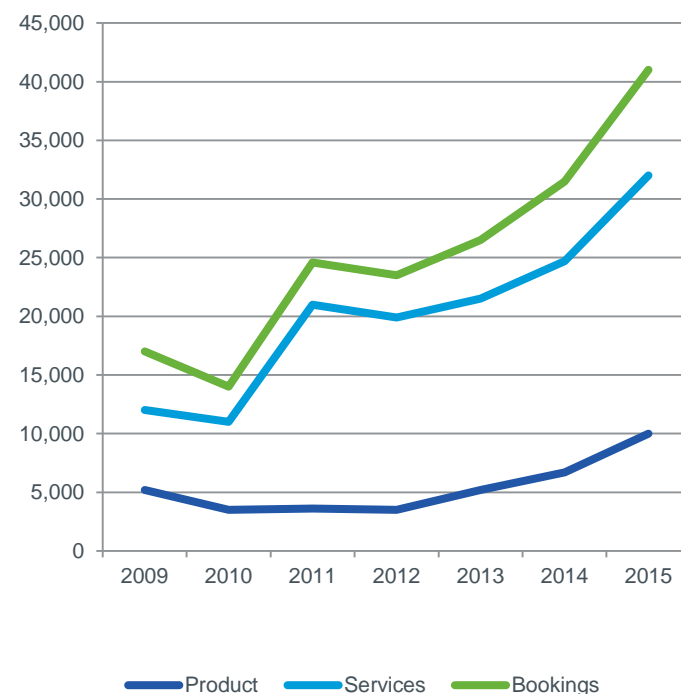
■ Progress 2015

- 31% year-on-year bookings growth, strong contribution margin
- Strong revenue backlog \$12.5m
- Growth in all regions: APAC 30%, Americas 37%, EMEA 13%
- Secured contract wins with major service providers
- Key partnership with a 28% investment stake in Jolata
- Expanded channels to market and technical capacity

■ Plans 2016

- Continued investment in developing new solutions and expanding our capability in this market
- Multiple product opportunities in bandwidth scaling
- Pipeline for business is strong across all regions

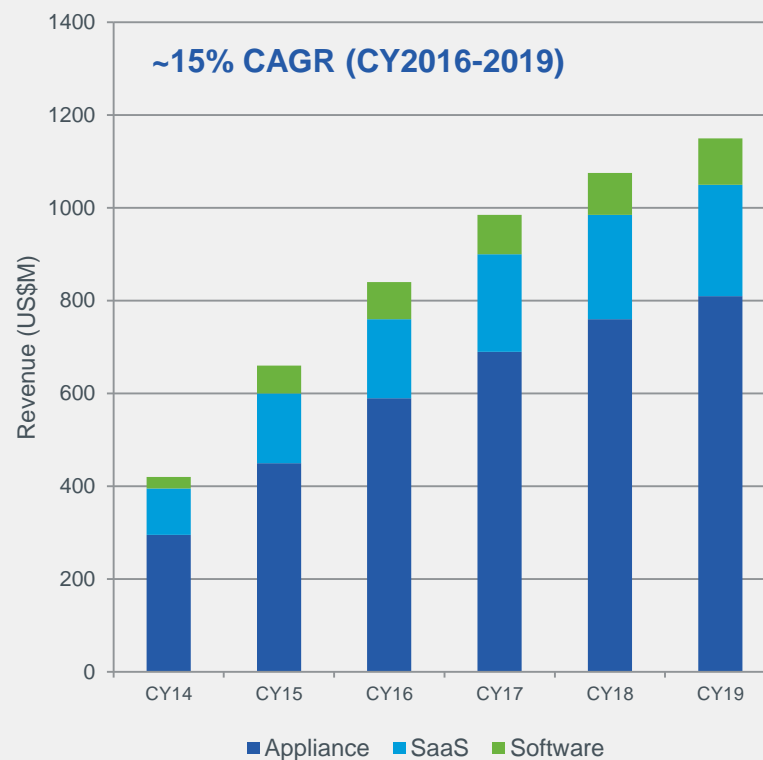
Mobility Infrastructure Order Intake



4. Cyber Security: market drivers

- 750 major breaches (US alone)
 - Nearly 178 million records exposed
- \$6.5m is average cost of a data breach
- No sector untouched
 - Government, tech, healthcare, entertainment

Network Advanced Threat Prevention Spend



Source: Identity Theft Resource Center, 2015 Data Breach Category Summary (January 2016); Ponemon Institute. 2015 Cost of Data Breach Study: United States (May 2015)

Source: IHS Infonetics Content Security Gateway Appliances, Software, and SaaS Market Share and Forecasts 3Q15 Edition; (December 2015)

4. Cyber Security: progress and plans

■ Progress 2015

- 6% of our business in 2015
- Revamped security solutions: Malware, Fuzzing, Threat Intelligence
- Security consulting added
- Grew leadership position for Global Navigation Satellite Systems (GNSS) test systems – strong business in the USA

■ Plans 2016:

- Launch new software based solutions in Q1 2016
- Solutions to detect GNSS vulnerabilities in the field
- Next Generation UI
- Enhance marketing initiatives



5. Analytics: market drivers

- Big data and virtualisation driving change
- Possibility of predicting errors as well as correcting them
- Virtualisation enabling test probes to be cost-effectively inserted at any point in the network
- Spirent's leadership position Service Assurance and proven field analytics platform presents a unique opportunity



5. Analytics: progress and plans

■ Progress 2015

- Built our next generation, highly scalable analytics platform – InTouch CNA – and won first contract
- Deployed predictive analytics solution
- Acquired Wi-Fi capability to assure carrier Wi-Fi services

■ Plans 2016

- Capitalise on new virtualised and 100Gbps service assurance systems
- Expand our served customer base in carriers worldwide
- Analytics solution offered with mobility infrastructure

6. Adjacent Markets - Internet of Things

■ Progress 2015

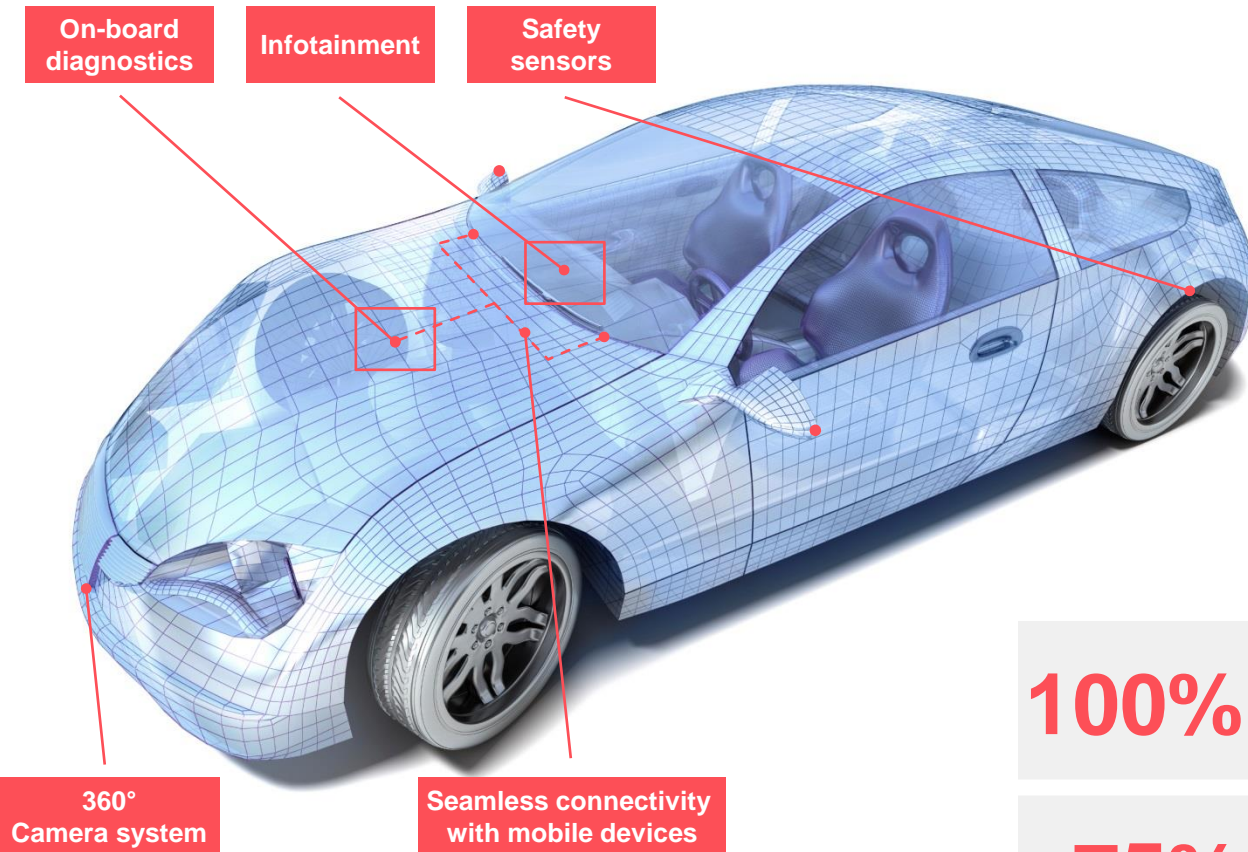
- Developing products & services to enable IoT
- Software as a client
- Solutions for seamless network connectivity
- Analytics for qualification and operation of IoT devices & applications

■ Plans 2016

- Releases planned throughout 2016
- Facilitate sharing best-practices and solve adoption challenges
- Continue to invest in business development



6. Adjacent Markets – Automotive



Consolidating in-car networks to Automotive Ethernet

Driving new requirements (e.g., BroadR Reach, AVB) on core products

100%

of cars will be connected by 2025

75%

of cars on the road will be autonomous by 2035

Conclusion and outlook



Demonstrating the return on investments we have made

Leveraging Spirent's capabilities

Enhancing our reputation in the market

Embracing the opportunities within our growth markets

Managing overheads

Revenue headwinds equivalent to 6 per cent growth

Underlying growth expected in the majority of businesses

Unchanged expectations for 2016





Thank you

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2015 Preliminary Results

Appendix

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101

Book to Bill
(2014:103)

\$477.1m

Revenue
(2014: \$457.2m)

\$42.1m

Operating Profit⁽¹⁾
(2014: \$46.0m)

8.8%

Return on Sales⁽¹⁾
(2014: 10.1%)

\$35.3m

Free Cash Flow⁽³⁾
(2014: \$10.7m)

5.00c

Adjusted EPS⁽¹⁾⁽²⁾
(2014: 5.82c)

Notes: (1) Before exceptional items, share-based payment, acquired intangible asset amortisation and impairment, goodwill impairment and acquisition expense

(2) Before prior year tax and tax on items in note (1)

(3) Operating cash flow after tax, net interest and net capital expenditure

Free cash flow

(\$ millions)	2015	2014
Operating Profit	10.1	23.7
Depreciation and loss on disposal	25.8	19.7
Intangible amortisation, goodwill impairment and share-based payment	20.5	15.7
Working capital and provisions	4.7	(6.3)
Pension	(3.3)	(3.9)
Cash Flow From Operations	57.8	48.9
Tax	2.6	(7.2)
Net Cash Flow From Operating Activities	60.4	41.7
Net interest received	0.4	0.6
Net capital expenditure	(25.5)	(31.6)
Free Cash Flow	35.3	10.7
Acquisitions and investment in associate	(6.7)	(85.9)
Dividends and share buyback	(23.5)	(38.6)
Exchange and other	(2.9)	(2.6)
Closing Cash And Cash Equivalents	102.0	99.8