



SPIRENT COMMUNICATIONS PLC Third Quarter 2024 Trading Update

Good progress in Q3 in challenging telecommunications market conditions

London, UK – 6 November 2024 Spirent Communications plc (“Spirent”, the “Company” or the “Group”) (LSE: SPT), the leading provider of automated test and assurance solutions for next-generation devices and networks, today issues the following Trading Update for the nine-month period up to 30 September 2024.

Summary

- Challenging market conditions have continued but performance in the third quarter shows an uptick compared to the same period in 2023
- Order intake gathered momentum with important wins for Lifecycle Service Assurance and High-Speed Ethernet Testing
- Revenue growth in the third quarter was 5 per cent resulting in an improved performance since the first half
- Important new product launches in fast-growing markets, including Data Centre AI Testing, with immediate wins from data centre customers
- Cost actions implemented to date have preserved our efficient operating platform, while maintaining critical investments aligned to our strategy and market growth drivers
- Cash position remains strong at \$132.4 million as at 30 September 2024

Group performance

Our diversified portfolio of solutions and services, combined with our robust operating model, means we continue to focus on delivering innovative solutions into new customer segments.

Despite challenging market conditions and customer hesitancy resulting from recent takeover announcements, we are encouraged by our third quarter performance, and we will continue to monitor leading indicators to gauge when the Telco market will resume R&D investment plans in earnest.

We secured more new logo wins in our financial services segment, and we are building a promising pipeline. Customers in this segment are investing to meet increasing operational resilience regulations which will drive increasing demand for our test and automation solutions and support for their lab transformations.

In the Artificial Intelligence (AI) arena we launched our new Data Centre AI Testing solution during the period. This opens up the next generation of network testing for our High-Speed Ethernet business and interest from critical data centre industry players has further strengthened the pipeline. We trialled the solution with customers and have already secured a number of commercial wins. The need to be able to test the performance of Ethernet network fabric in an AI data centre is mission critical for customers and will drive new business for Spirent. We also expect data centre builds to drive demand for 800G Ethernet test during 2025 and 2026.

Spirent Communications plc

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Registered in England Number 470893 | Registered at the above office

Our sales force in EMEA was successfully reorganised in the last 18 months to drive more channel sales and is currently delivering order growth, whilst China remains a challenging economic environment. We continue to work closely with Tier 1 service providers in North America securing multi-year support and new Lifecycle Service Assurance wins.

For the nine months to the end of September, Group revenue was approximately 6 per cent behind the same period last year, an improved position since the first half of the year. We continue to effectively manage gross margin, which continues to track to plan.

Medium/long-term outlook

Our confidence in 5G as an enduring growth driver remains intact:

- Core network spending, including cloud capabilities and associated high-speed Ethernet (HSE) IP core upgrades, is poised to increase through at least 2027 as investment cycles move beyond 5G New Radio coverage, the long tail of global service providers progressively upgrade, and 5G Advanced becomes standardised. This will enable a wealth of new capabilities for direct-to-device satellite connectivity, eXtended Reality (XR) and AI, all of which Spirent is well positioned to capitalise on through our leadership in HSE test and core network test and assurance.
- In addition, new technical and operational challenges in deployment and operation of the 5G core are triggering growing capex investments in IT digital transformation programmes around DevOps tools (Continuous Testing) and lab and test automation. The combination of the upcoming multi-year launches of 5G Standalone, its evolution to 5G Advanced, and the associated Digital Transformation programmes continues to represent a long-term sustainable growth opportunity for Spirent.

Details of the recommended cash offer for Spirent by Keysight

On 28 March 2024, the Boards of Keysight and Spirent announced that they had reached agreement on the terms of a recommended cash offer for the entire issued ordinary share capital of Spirent (the "Transaction"). It is intended that the Transaction will be implemented by means of a scheme of arrangement under Part 26 of the Companies Act 2006 (the "Scheme"). On 25 April 2024, Spirent published a shareholder circular to convene the Court Meeting and the General Meeting, to approve the Scheme (the "Scheme Document"). On 22 May 2024, the resolutions proposed at the Court Meeting and General Meeting in connection with the Transaction were duly passed.

Keysight and Spirent are continuing to actively engage and work constructively with the relevant regulatory authorities in order to satisfy the regulatory conditions in relation to the Transaction as set out in the Scheme Document. Keysight and Spirent currently expect the Scheme to become effective during the first half of Keysight's 2024/2025 fiscal year being the period up to 30 April 2025, as previously announced. The precise timing for closing of the Transaction will depend on the speed of progress with the relevant regulatory authorities; both Keysight and Spirent continue to keep the timetable under close review and will provide any updates as required.

Outlook

Although market conditions remain challenging and are expected to continue in the near term, the recent momentum may deliver an improved second half trading performance. Looking forward, our confidence in 5G as an enduring growth driver remains intact as demand-side drivers increase.

Eric Updyke, Chief Executive Officer, said:

“We saw positive trading momentum in the third quarter and will carefully monitor how this develops in coming months.

“We are very proud of the engagement of all of our staff driving our strategy forward in a challenging backdrop, particularly given the offer by Keysight to acquire Spirent.

“We have continued to protect our R&D investments in key technologies which we expect to drive our long-term structural growth when customers spending improves.

“Spirent will continue to benefit from these industry drivers as our customers demand more rigorous end-to-end assurance and testing solutions to deliver faster, more resilient, more reliable networks. Our leadership position and differentiated, high-quality operating model leaves us well placed to leverage market opportunities as they open up.”

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Enquiries

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About Spirent Communications plc

Spirent Communications plc (LSE: SPT) is the leading global provider of automated test and assurance solutions for networks, cybersecurity and positioning. The Company provides innovative products, services and managed solutions that address the test, assurance and automation challenges of a new generation of technologies, including 5G, SD-WAN, Cloud, autonomous vehicles and beyond. From the lab to the real world, Spirent helps companies deliver on their promise to their customers of a new generation of connected devices and technologies. Further information about Spirent Communications plc can be found at <https://corporate.spirent.com/>.

Spirent Communications plc Ordinary Shares are traded on the London Stock Exchange (ticker: SPT; LEI: 213800HKCUNWP1916L38). The Company operates a Level 1 American Depositary Receipt (ADR) programme with each ADR representing four Spirent Communications plc Ordinary Shares. The ADRs trade in the US over-the-counter (OTC) market under the symbol SPMYY and the CUSIP number is 84856M209. Spirent ADRs are quoted on the Pink OTC Markets electronic quotation service which can be found at <https://www.otcm Markets.com/marketplaces/otc-pink>.

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