

SPIRENT COMMUNICATIONS PLC Trading Update

Strong second quarter order uptick

London, UK – 13 July 2023: 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 period 1 January to 30 June 2023, ahead of announcing its Half Year Results on 2 August 2023.

Highlights

- Recovery in customer spending and order intake in the second quarter following a slow start to the year. Order intake in the second quarter broadly similar to same period last year
- Orderbook has increased 6 per cent since December 2022 to \$304 million
- Increasing order pipeline and conversion rate with important 5G and Positioning wins
- Near to closing a significant lab and test automation opportunity for a brand new strategic customer segment, Financial Services; master agreement in place and detailed work scope being finalised
- Full year expectations unchanged although materially heavier weighting to second half
- Continued disciplined approach to cost management

Group performance

Following a slow start to the year, we saw recovery in customer spending and order intake in the second quarter. Order intake in the second quarter was broadly similar to same period last year. Order intake for the first half of \$239 million was down 19 per cent against the strong 2022 comparator but has gathered positive momentum as we progressed through the period.

We are actively monitoring our leading order-winning indicators that signal customer spend momentum and, although uncertainty remains with regard to timing, we expect this stronger momentum will feed into the second half and beyond. We are seeing increasing customer engagement, order opportunities and an improving pipeline.

We have seen good order growth from our Positioning business, illustrating how end markets outside of the telecommunications sector have not been as materially affected by the industry wide challenges that have impacted customer spending. We are diversifying our customer base into new verticals and are currently in final negotiations to provide a significant lab and test assurance and services solution, worth over \$15 million, with a major retail bank. This will establish a brand new customer segment that presents a significant opportunity for our solutions in a sizeable market. A material element of the contract will translate into revenue in the second half of 2023.

Order intake momentum has not yet fed into revenue which for the first six months was \$224 million, 20 per cent behind the same strong comparator period in 2022. As a result, operating profit in the first half was impacted by negative operating leverage which we expect to reverse in the second half. The orderbook has, however, grown since the record year-end position of \$288 million to \$304 million, demonstrating the continual progress made by the Group as it seeks to improve visibility and drive long-term, sustainable growth.

Spirent Communications plc

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We continue to secure many large 5G contract wins as the development of this technology and network deployments remain firm structural drivers underpinning our growth.

We continue to take a proactive and disciplined approach to managing the cost base, with no increase in operating costs compared to the same period last year. As part of our ongoing focus on exploring efficiency opportunities, we are commencing a plan to rationalise our office facilities, recognising more remote work patterns.

Lifecycle Service Assurance

As the period progressed, we saw increasing engagement from our customers around 5G lab and live network test and assurance. We also secured several important Open RAN (O-RAN) wins from leading and pioneering customers in this developing technology, along with a growing opportunity pipeline. Our customers' drive for greater efficiency drove additional opportunities for our automation solutions and for our Test-as-a-Service and Lab-as-a-Service offerings.

Networks & Security

We started the year with continued positive order intake momentum for our Positioning products from government customers in the US and Europe and from commercial customers, including leading chipset and automotive companies. We also benefited from new opportunities in the emerging Low Earth Orbit (LEO) satellite market. Whilst the year started more slowly for high-speed Ethernet, partly due to delayed customer budget setting in China following recent COVID-19 lockdowns, we secured strategic 800G wins with leading chipset vendors and hyperscalers.

Financial position and dividend

Given the Group's strong cash position we commenced a share buyback programme in April for up to £56 million which is progressing well. The repurchased shares are being cancelled. The programme demonstrates the Board's confidence in the Company's attractive structural growth drivers and ability to deliver significant future shareholder returns.

Commenting on today's announcement, Eric Updyke, Chief Executive Officer, said:

"Although the first half trading was materially impacted by the slowdown in customer spending, we have been encouraged by the stronger momentum in the second quarter, which will feed into second half revenue and beyond.

"Our diversified portfolio of solutions and services, combined with our robust operating model has helped mitigate the slowdown in spending in the telecommunications sector as we focus on delivering innovative solutions into new customer segments.

"The Board's expectations remain unchanged for the full year, albeit, as previously stated, the trading performance will be significantly more weighted to the second half of the year than usual."

Note

1. All financial results are presented before external auditor review.

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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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