

SPIRENT COMMUNICATIONS PLC 2024 HALF YEAR RESULTS

AUGUST 2024

SAFE HARBOUR STATEMENT

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SUMMARY

- Telco slowness continues as predicted; China slow economic recovery
- Keysight acquisition approved by Spirent shareholders
- Transaction overhang causing customer hesitancy
- Stabilisation of Assurance solutions
- Good progress on diversification – more Financial Services logo wins
- Executing new product releases
- Strong financial management



NEW PRODUCTS & MARKETS

- New AI high-speed Ethernet solution launched in July
 - Won grand prize at Interop Tokyo 2024
- Launched new Positioning solution - PNT X to help simplify complex testing
- New Wi-Fi 7 solution seeing early momentum
- Automation solution winning in diverse end markets – more Financial Services wins



UPDATE ON THE KEYSIGHT ACQUISITION

- Spirent shareholders approved the transaction in May (98.15% approval)
- Review by regulators progressing
- Continue to expect the deal to close in the first half of Keysight's fiscal year (1 November 2024 to 30 April 2025)



FINANCIAL SUMMARY

\$m	H1 2024	H1 2023
Orderbook	284.2	303.4
Order intake	188.8	239.4
Revenue	197.3	223.9
Gross profit	138.2	161.0
Gross margin	70%	72%
Operating costs ¹	(133.2)	(149.4)
Operating profit ¹	5.0	11.6
(Loss)/profit before tax	(7.5)	4.8
Effective tax rate ²	11.2%	14.7%
EPS ^{1,3} (cents)	1.05	2.10
Cash	131.0	148.2

1. Before acquired intangible asset amortisation, share-based payment and other adjusting items.

2. Adjusted tax charge as a percentage of adjusted profit before tax.

3. Before tax on items in note 1.

- Continued Telco market malaise impacting revenue
- Cost base benefiting from cost actions during 2023/early 2024
- ETR outlook c10-12%
- Robust cash position

PORTFOLIO PERFORMANCE

- Customer investment decision caution continues
- Assurance test stabilisation – some delays in Wi-Fi and channel emulation
- China slow economic recovery impacted Ethernet sales

\$m	Revenue		Operating profit/(loss) ¹	
	H1 2024	H1 2023	H1 2024	H1 2023
Lifecycle Service Assurance	85.7	95.6	6.3	(1.8)
Networks & Security	111.6	128.3	4.1	17.2
Corporate			(5.4)	(3.8)
Group total	197.3	223.9	5.0	11.6

1. Before acquired intangible asset amortisation, share-based payment and other adjusting items.

DISCIPLINED FOCUS ON COSTS

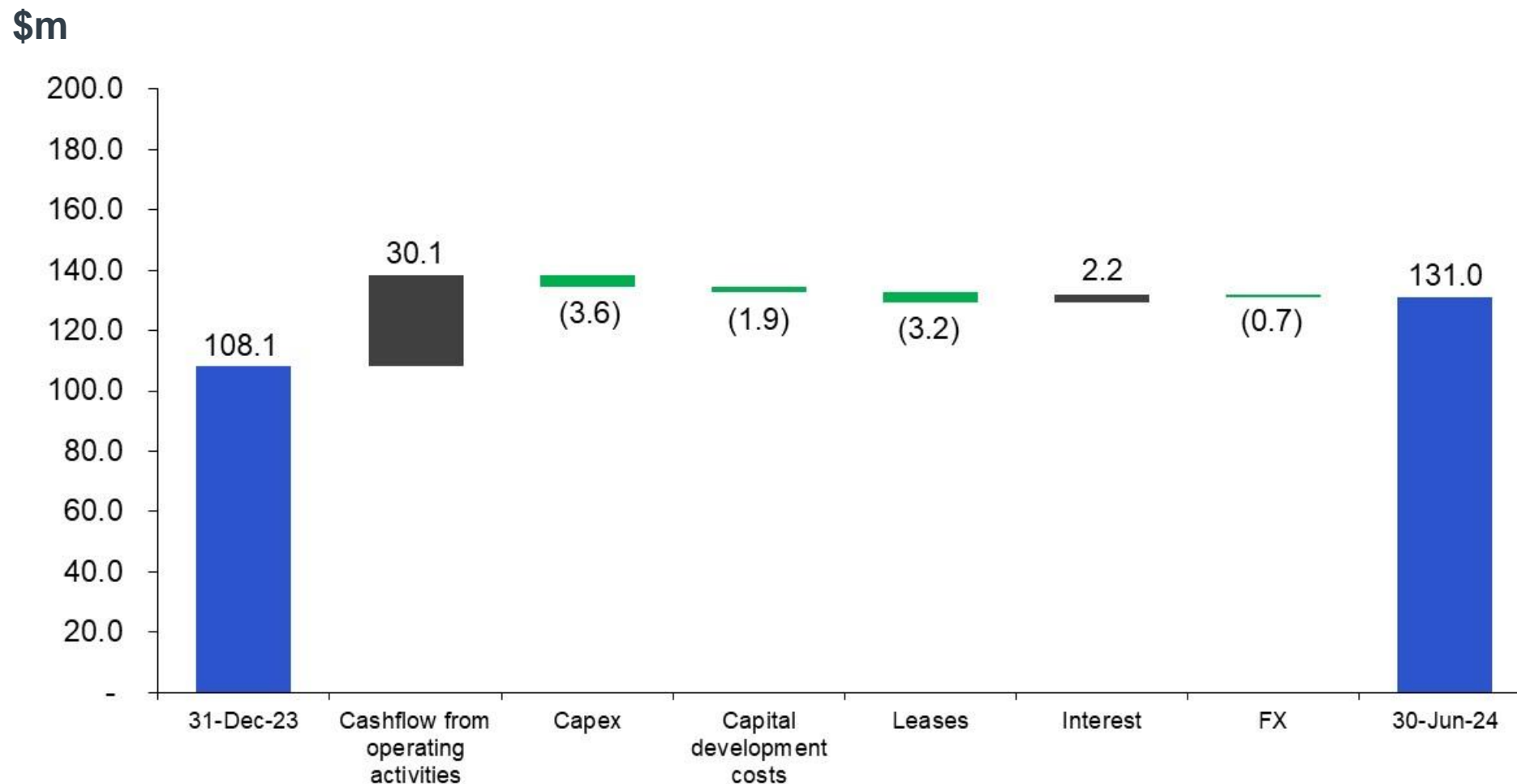
\$m	H1 2024	H1 2023
Product development	47.4	53.2
Selling and marketing	60.2	67.7
Administration	25.7	28.2
Sub total¹	133.3	149.1
FX (gain)/loss	(0.1)	0.3
Total operating costs¹	133.2	149.4

1. Before acquired intangible asset amortisation, share-based payment and other adjusting items.

\$m	H1 2024	H1 2023
Product development:		
Lifecycle Service Assurance	(22.0)	(27.2)
Networks & Security	(25.4)	(26.0)

- Well managed cost base
- Maintaining R&D focus and product plans
- Restructure of sales to include more channel support in EMEA which is delivering good progress
- R&D costs benefit from transfer of activities to low-cost regions and organisation restructure

STRONG BALANCE SHEET AND CASH FOCUS



H1 MARKET AND DIVERSIFICATION PROGRESS

New customer segment focus

- Further diversification into non-Telco areas

XaaS

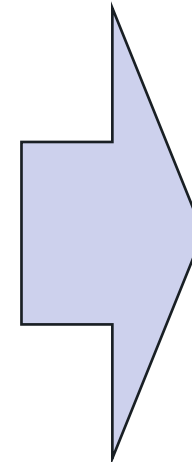
- Allowed us to align with customer caution around capex spend, enhanced ROI proposition

Effective supply chain management

- Robust procurement activities – new system launched
- Costs contained and pricing managed well

Cost control

- R&D efficiency – lower cost regions
- Office accommodation review
- Organisation design considerations



New revenue streams

Gross margin protection

Operating leverage

OUTLOOK

- Managing macroeconomic challenges
- Pending acquisition causing customer hesitancy
- Focused investment for growth
 - Disciplined cost management
 - R&D investment driving new product launches
 - Very attractive long-term market trends
- 5G growth anticipated in 2025 and beyond
- Expect challenging market conditions to continue for the remainder of the year



APPENDIX

INCOME STATEMENT

\$m	H1 2024	H1 2023
Revenue	197.3	223.9
Gross profit	138.2	161.0
Operating costs	(133.2)	(149.4)
Adjusted operating profit	5.0	11.6
Adjusting items:		
Acquired intangible asset amortisation	(2.7)	(2.4)
Share-based payment	(3.2)	(3.0)
Other adjusting items	(8.4)	(4.6)
Operating (loss)/profit	(9.3)	1.6
Net finance income	1.8	3.2
(Loss)/profit before tax	(7.5)	4.8
Tax credit	0.8	0.4
(Loss)/profit after tax	(6.7)	5.2
Adjusted basic earnings per share (cents)	1.05	2.10

BUSINESS SEGMENT PERFORMANCE

Lifecycle Service Assurance

\$m	H1 2024	H1 2023
Revenue	85.7	95.6
Gross profit	61.7	69.5
Gross margin	72.0%	72.7%

- Lab and live test assurance broadly level, Wi-Fi and wireless softness in line with challenging market conditions
- Automation solution winning in diverse end markets

Networks & Security

\$m	H1 2024	H1 2023
Revenue	111.6	128.3
Gross profit	76.5	91.5
Gross margin	68.5%	71.3%

- Revenue decline driven primarily by takeover impact, China slowdown and delayed telco recovery in the Americas
- Product mix affecting gross margin in the period

OTHER ADJUSTING ITEMS

\$m	H1 2024	H1 2023
R&D engineering plan	-	(0.4)
Finance transformation	(0.2)	-
Organisational restructure	(0.5)	(4.2)
Facilities downsize	(0.2)	-
Acquisition related costs	(7.5)	-
Total charge	(8.4)	(4.6)

- The \$7.5m acquisition related costs relate mainly to professional advisor charges
- Restructuring costs incurred in the first half of 2024 are due to the continuation of the strategic initiatives implemented in the prior year and consist mainly of consultancy costs and severance payments.

FOREIGN CURRENCY

- Our significant foreign exchange (FX) exposure relates to GBP
- Vast majority of revenue is transacted in USD so the impact of FX on revenue is minimal
- Average USD:GBP exchange rate for H1 2024 of 1.26 compared to 1.23 in H1 2023, the closing rate at 30 June 2024 was 1.26 vs 1.26 at 30 June 2023.
- FX gain of \$0.1m charged to the income statement in H1 2024 (H1 2023: \$0.3m loss charged) in relation to:
 - Transaction exposure in UK operations from US Dollar sales; and
 - Retranslation of cash balances held in non-domicile currency



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