

SPIRENT COMMUNICATIONS PLC **Third Quarter 2023 Trading Update**

Trading impacted by very challenging telecommunications market conditions

London, UK – 4 October 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 nine month period up to 30 September 2023.

The telecommunications market is extremely challenged at this time, with Spirent’s largest customers delaying their expenditure and technology investments. The uptick in demand we witnessed in the second quarter dissipated over the summer months and the anticipated rebound in September has not happened. In contrast, we did see strong growth from our non-telecommunications end markets such as Positioning.

As a result, there is not enough near term strength in the orderbook to support our expectations for the final quarter trading, and accordingly we reduce our outlook for the near term. The impact of negative operating leverage will very materially affect operating profit in this financial year.

Summary

- Order intake momentum experienced in the second quarter did not continue into the third quarter. Order intake for the first nine months was 24 per cent down compared to the same period last year
- Revenue for the first nine months is anticipated to be down broadly 20 per cent, in line with the reduction seen in the first half, and is expected to continue broadly at this rate for the full financial year; negative operating leverage will impact operating profit very materially
- Management is taking appropriate cost action, while maintaining critical investments aligned to our market growth drivers
- The Company concluded its \$72 million (£56 million) Share Buyback Programme and we continue to maintain a robust balance sheet

Group performance

The telecommunications market and our key customers continue to be very challenged in the current economic environment and are therefore delaying their investment plans, impacting timing of order placements and contributing to ongoing uncertainty and reduced visibility in the near term.

It is anticipated that for the nine months to the end of September, Group revenue will be approximately 20 per cent behind the same period last year; we do not see the year-on-year performance improving in the remaining quarter. We continue to effectively manage gross margin, which continues to track to plan.

Financial position

We successfully concluded our Share Buyback Programme totalling \$72 million, (£56 million) and have cancelled 33 million shares accordingly. The Group's balance sheet remains strong.

Lifecycle Service Assurance

Despite improvements in the second quarter, our ability to convert prospects in our bid pipeline to firm orders waned in the third quarter. Conversations with prospects remain encouraging, but delays meant that we were unable to convert these deals in the third quarter.

Delays also impacted the timing of the significant order with a leading global bank, but good progress has been made finalising work scope and we remain confident of its closure in the fourth quarter whilst also building a funnel of other potential opportunities.

Networks & Security

Demand for high-speed Ethernet was particularly challenged in the third quarter. A strong pick up in orders from China was expected and this did not materialise as the Chinese Government reduced its spending plans and the general economic landscape there deteriorated. The China market represents a large proportion of revenue which we are now not expecting to receive in this financial year.

However, we saw good order intake growth in the third quarter for our Positioning solutions, which operate with different end markets and customers. This resulted in good orderbook growth, particularly from our commercial customer base, having secured a number of strategically important contracts.

Medium/long-term outlook

Our confidence in 5G as an enduring growth driver remains intact. While initial 5G Standalone (SA) launches have remained sluggish during 2023 due to the complexity associated with deploying and operating a cloud-native core network, momentum is growing. Acceleration is anticipated in 2024 as demand-side drivers increase, especially from enterprises for private 5G.

Core network spending, including cloud capabilities and associated high-speed Ethernet (HSE) IP core upgrades, is also 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.

Eric Updyke, Chief Executive Officer, said:

“We saw positive trading momentum and pipeline build in the second quarter which gave us confidence for the remainder of the year, however a slow summer and disappointing September meant that we fell materially short of our expectations for the third quarter. In the long run, our drivers remain intact, but the near term orderbook isn’t strong enough to support our final quarter expectations, and our outlook for the full year reduces accordingly.

“Given the lack of certainty in the timing on our customers’ technology roadmaps, we are taking the necessary cost actions, while being careful to protect those investments that enable us to maximise our long-term structural growth drivers.

“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 market leadership position and differentiated, high-quality operating model leaves us well placed to leverage market opportunities as they open up.”

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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.otcmarkets.com/marketplaces/otc-pink>.

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