

A woman with long, dark, curly hair is sitting outdoors at dusk. She is wearing a light-colored, textured jacket and is holding a small, metallic, cylindrical cup to her lips with her right hand. In her left hand, she holds a tablet computer, which is illuminated by a soft light. The background shows a dark sky and some blurred structures, suggesting an outdoor setting like a tent or a campsite.

SPIRENT COMMUNICATIONS PLC 2021 HALF YEAR RESULTS

AUGUST 2021

SAFE HARBOUR STATEMENT

A short, solid green horizontal line.

This presentation and the subsequent question and answer session may contain forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. There are risk factors that could cause our actual results to differ materially from those expressed in or implied by such statements.

Spirent disclaims any intention or obligation to revise or update any forward-looking statements that may be made during this presentation or the subsequent question and answer session regardless of whether those statements are affected as a result of new information, future events or otherwise.

OUR AMBITION

To be the global **leader** and **trusted partner** for **innovative** technology test and assurance solutions

Customer
Centricity

Innovation
for Growth

Operational
Excellence

WELL POSITIONED TO DELIVER LONG-TERM GROWTH

Spirent Yesterday



Products & Hardware



Service Providers and Network Equipment Manufacturers



Majority Lab Testing



Network Service Assurance

**Customer
Centricity**



**Innovation
for Growth**



**Operational
Excellence**



Spirent Tomorrow



Increased Solutions, Services and Software



Diversified Customers



Push into Live Network



Broader Assurance Market

2021 H1 HIGHLIGHTS

- Orders up 14%, revenue up 9%
- Lifecycle Service Assurance – strong momentum
- Solutions and Services growth increasing visibility
- Customer expansion
- Focused organic and inorganic investment



FINANCIAL RESULTS

PAULA BELL

CHIEF FINANCIAL & OPERATIONS OFFICER



KEY METRICS

\$ 263.8m

Order intake

↗ 14%

\$ 255.1m

Revenue

↗ 9%

\$ 44.7m

Operating profit¹

↗ 13%

6.23c

EPS^{1, 2}

↗ 9%

\$ 156.4m

Closing cash

↗ 10%

2.39c

Dividend

1. Before exceptional items and acquisition related costs, acquired intangible asset amortisation and share-based payment.

2. Before tax on items in note 1 and over/under provisions in respect of prior year tax.

FINANCIAL SUMMARY

\$m	H1 2021	H1 2020
Order intake	263.8	232.1
Revenue	255.1	233.7
Gross profit	184.0	171.5
Gross margin	72.1%	73.4%
Operating costs ¹	(139.3)	(132.0)
Operating profit ¹	44.7	39.5
Operating margin ¹	17.5%	16.9%
Profit before tax	34.8	36.0
Effective tax rate ²	14.8%	13.0%
EPS ^{1,3} (cents)	6.23	5.70
Cash	156.4	221.4
Dividend per share (cents)	2.39	2.17

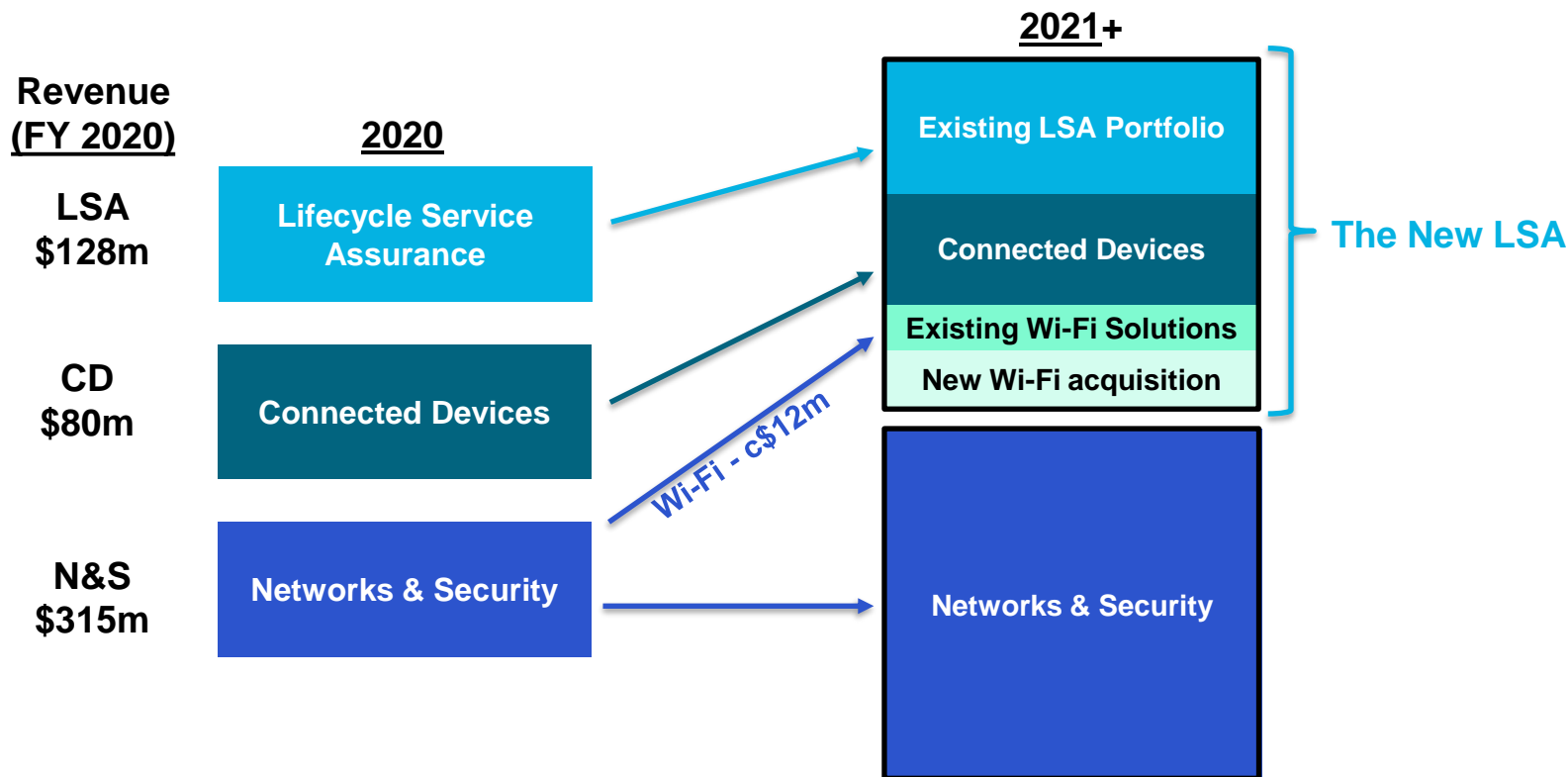
1. Before exceptional items and acquisition related costs, acquired intangible asset amortisation and share-based payment.

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

3. Before tax on items in note 1 and over/under provisions in respect of prior year tax.

- Orders growth 14%; organic 11%
- Sustained our revenue growth up 9%; organic 7%
- Opex – includes inflation and sales investment
- Operating profit up 13%
- PBT shown after acquisition related items of \$6.3m (2020: nil)
- Cash \$156m after \$51m acquisition and \$69m dividends (Special and Ordinary)
- ETR outlook unchanged c15%
- Dividend up 10%

SEGMENT CHANGES - RECAP



PORTFOLIO PERFORMANCE

	Revenue			Operating profit ¹		
\$m	H1 2021	H1 2020 ²	H1 2019 ²	H1 2021	H1 2020 ²	H1 2019 ²
Lifecycle Service Assurance	113.8	96.9	88.3	22.6	18.8	9.5
Networks & Security	141.3	136.8	129.1	26.8	24.0	15.7
Corporate				(4.7)	(3.3)	(4.5)
Group total	255.1	233.7	217.4	44.7	39.5	20.7

1. Before exceptional items and acquisition related costs, acquired intangible asset amortisation and share-based payment.

2. Restated for changes to the Group's operating segments effective 1 January 2021.

2021 highlights

- LSA revenue up 17%
 - 5G-driven growth continuing at LSA
- N&S revenue up 3%
 - Pipeline for lab-based N&S business gathers pace

EFFECTIVE COST FOCUS

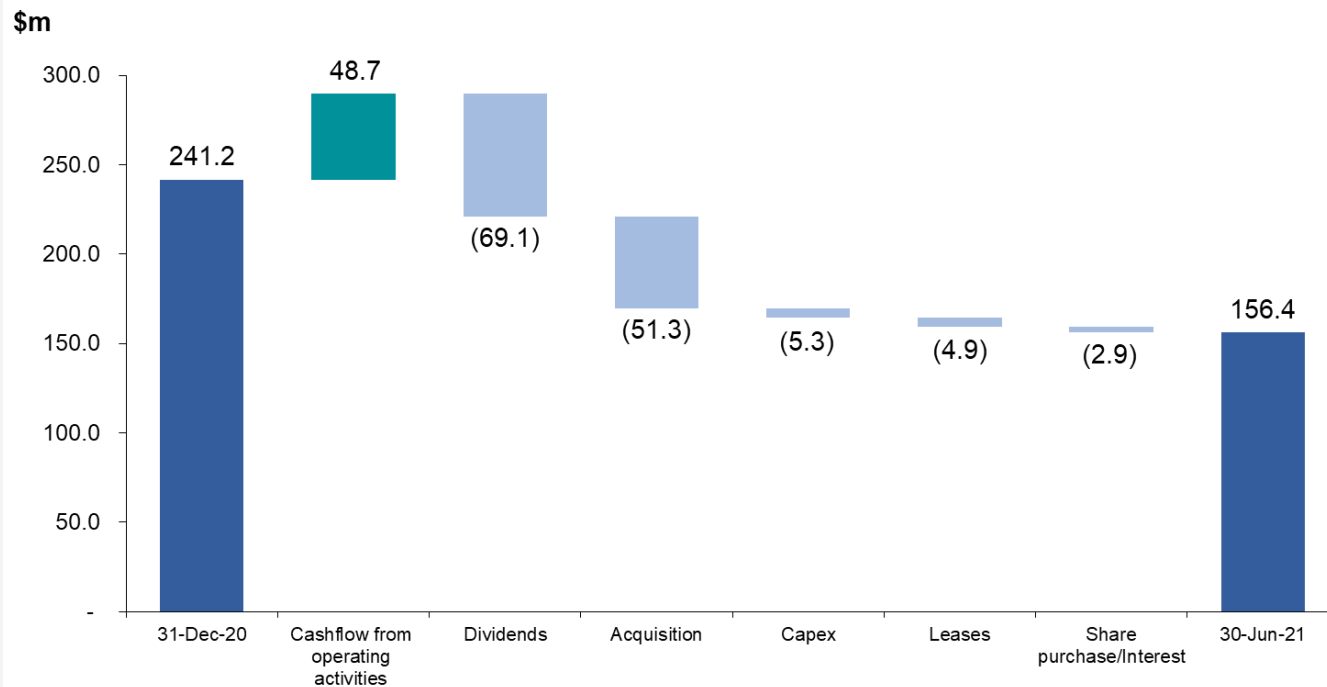
\$m	H1 2021	H1 2020	H1 2019
Product development	52.5	50.7	48.5
Selling and marketing	61.8	56.7	63.1
Administration	24.6	24.5	23.8
Sub total ¹	138.9	131.9	135.4
FX loss	0.4	0.1	0.4
Total operating costs¹	139.3	132.0	135.8

1. Before exceptional items and acquisition related costs, acquired intangible asset amortisation and share-based payment.

2021 highlights

- Continued focus on R&D investment effectiveness
- Sales investment for expansion of:
 - Geographies
 - Key Account Programme
 - Channels to Hyperscalers and Government
 - Service offerings

CASH



- \$69m return to shareholders
- Cash conversion 127%
- Good working capital management

DELIVERING SUSTAINABLE GROWTH

- Growth on track:
 - Lab to live
 - Services
 - Assurance driving more software sales
 - Multi-year contract wins increased
- Cash provides further M&A firepower
- Strong financial platform as we enter busier H2



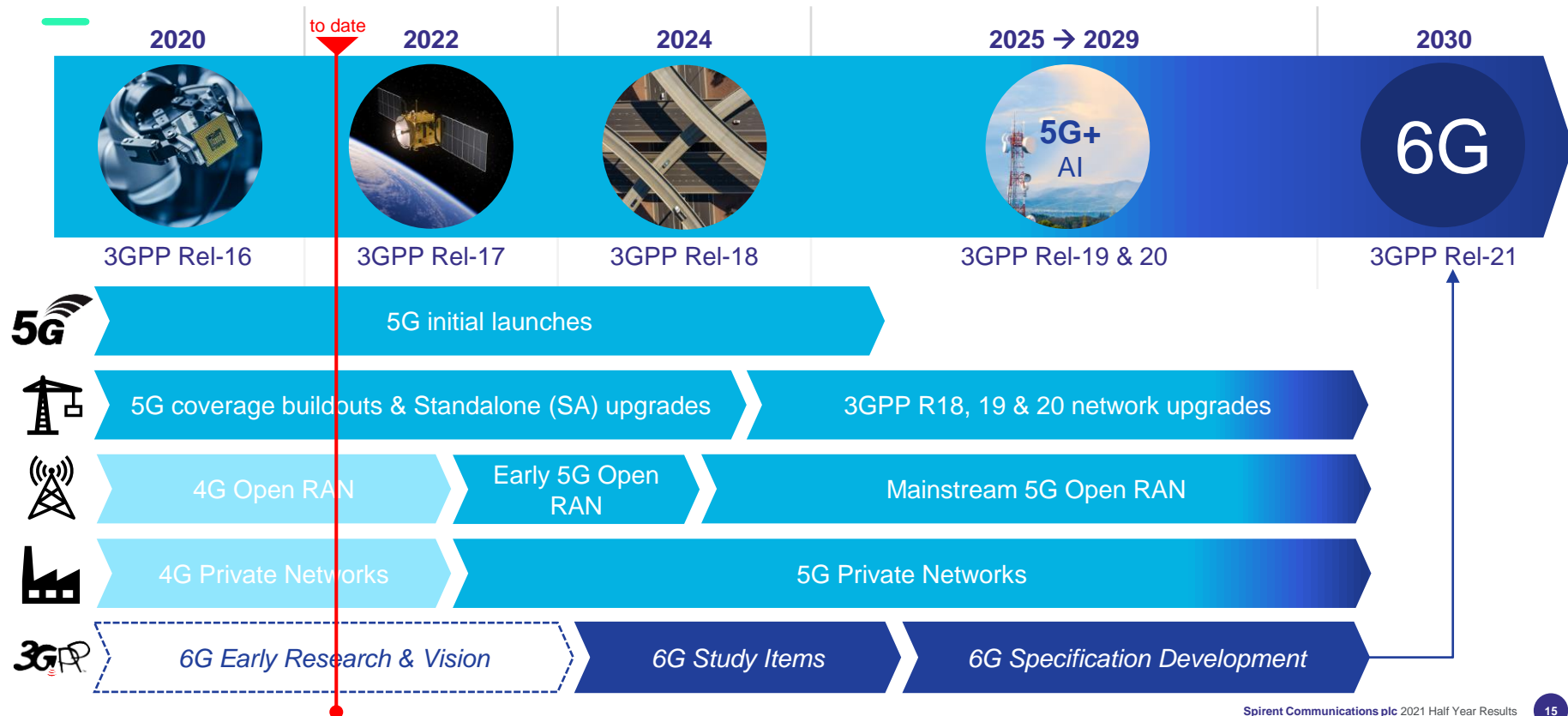
DELIVERING OUR STRATEGY

ERIC UPDYKE

CHIEF EXECUTIVE OFFICER



5G TIMELINE & THE JOURNEY TO 6G



5G LEADERSHIP

5G Wins

>1,400 Deals Won (cumulative)
(>400 in H1 2021)

#1 5G Core Test Vendor

10/10 world's top 5G CSPs
working with Spirent

Digital Twin

End-to-end 5G & 5G security
testbed at leading
government contractor.



Network Benchmarking

Innovative 5G network
performance benchmarking
project with Tier-1 CSP.



5G Market

Networks:	169 launched ¹ (Q1 2021)	→	282 planning ¹ (2-3 years)
Standalone: (upgrades)	~12 public ¹ (Q2 2021)	→	>79 ¹ (1-2 years)
Devices	557 types ¹ (Q2 2021)	→	>800 types ¹ (1-2 years)
Subs:	~400M ² (Q2 2021)	→	~3.5B ² (2025)
Spending:	~\$15B ³ (‘20)	→	~\$56B ³ (‘24)

Hyperscaler Success

Supporting top-tier hyperscaler
on 5G core and edge validation
for its customers.



Lab-to-Live

Lab-to-live 5G mobility
solution at leading NA
CSP.



CUSTOMER CENTRICITY

Services – good progress

- Services revenue up 16%
- Continued success with Test-as-a-Service offers
- Innovative 5G Benchmarking services win at Tier-1 CSP

Investing in Sales Team

- Expanding into new geographies
- Expanded Key Account Management – 2 new key accounts in last 12 months
- Winning with Hyperscalers and Governments across the portfolio - 400/800G, Landslide and Positioning



INNOVATION FOR GROWTH

Solving next generation customer challenges

- Partnering on the lab to live journey - material increase in 'live' based products
- Winning with our O-RAN solution
- Assuring next evolution of Position, Navigation and Timing technology

Market leadership

- First to market with 800G solutions
- Solid leader in Wi-Fi test following octoScope acquisition
- Leading in advanced Positioning solutions for governments



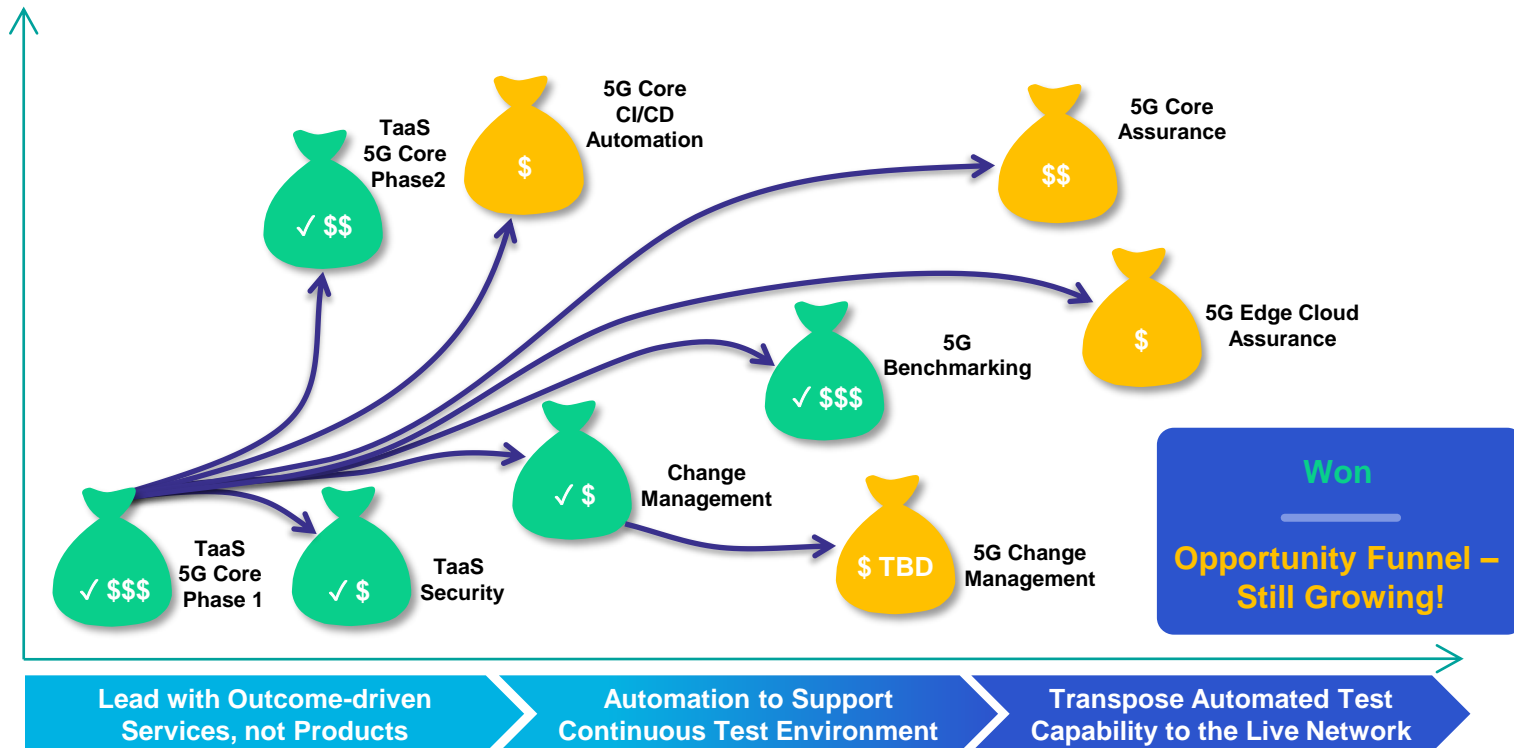
Spirent

LIFECYCLE SERVICE ASSURANCE

H1 Progress:

- Customer diversification:
 - ✓ Expanded lab portfolio customers into Hyperscalers and Government
 - ✓ Consolidated octoScope to lead in Wi-Fi test
- Live network active assurance leadership:
 - ✓ VisionWorks solution added strategic new logos
- Expand solutions and services:
 - ✓ New Digital Twin wins
 - ✓ Innovative 5G Benchmarking services for Tier-1 CSP
 - ✓ AWS Collaboration on automated 5G Core testing
 - ✓ 5G upgrades driving multiple new device test deals at chipset vendors and OEMs

ADDING VALUE ACROSS THE LAB → LIVE CUSTOMER JOURNEY (ACTUAL EXAMPLE – TIER-1 CSP)



LIFECYCLE SERVICE ASSURANCE

Priorities:

- **Live network active assurance leadership:**
 - ✓ Focus on next generation VisionWorks 5G Mobility Service Assurance solution
- **Leverage acquired octoScope assets:**
 - ✓ Integrate with existing wireless test solutions to realise a complete, services-driven RF platform
- **Open RAN:**
 - ✓ Augment our initial Open RAN offerings to deliver comprehensive end-to-end capability
- **Expand solutions and services:**
 - ✓ Expand our 5G network benchmarking, security, and certification programmes to offer additional analytics and insights

NETWORKS & SECURITY

H1 Progress:

- **Protect and grow market leadership:**
 - ✓ Growth in 400G Ethernet ports driven by 5G, Cloud, IoT; leading early 800G engagements
 - ✓ Expanding advanced large-scale GNSS test system leadership into US government programmes
- **Customer diversification:**
 - ✓ Growth in new verticals: SD-WAN, Auto, Cloud
 - ✓ Expansion into Hyperscalers across portfolio
- **Expand solutions and services:**
 - ✓ More integrated Security Solutions driving growth with OEMs and 5G traction at telcos and Cloud providers
 - ✓ 5G and its applications benefiting Cloud portfolio
 - ✓ Assessing emerging Low Earth Orbiting (LEO) satellite and GNSS assurance segments



NETWORKS & SECURITY

Priorities:

- **Protect and grow market leadership:**
 - ✓ Lead the market with first 800G solution
- **Customer diversification:**
 - ✓ Complete evaluation of space Positioning, Navigation and Timing market and suitability of LEO satellite models; develop partnerships
- **Expand solutions and services:**
 - ✓ Expand SAM with new Layer 2-7 platform for 100G and 400G
 - ✓ Enhanced software/subscription business with new platform
 - ✓ Bring new PNT Assurance solution and services to market





OPERATIONAL EXCELLENCE

Business Resilience and Financial Strength

- Sales investment driving strong order growth
- Visibility and predictability with orderbook growth and recurring revenue
- Developing our services infrastructure and central team
- Strong cash balance – flexibility for M&A

INVESTING IN A SUSTAINABLE FUTURE

Five key promises:



Deliver a sustainable future

- Reduce customer sustainability impacts
- Support sustainable innovation



Be Net Zero carbon

- Achieve carbon neutral certification in 2022
- Ambition to be net zero carbon by 2035



Promote diversity and invest in people

- Take action on diversity and set clear objectives
- Attract and develop talent to drive innovation



Operate responsibly

- Roll out ISO 4001 practices globally
- Embed circular economy principles in product design



Be accountable and transparent

- Expand sustainability governance and reporting
- Communicate regularly on FuturePositive progress

FUTURE+ POSITIVE

Recent highlights:

- ✓ 100% electricity from renewable sources
- ✓ Reduced Scope 1 & 2 carbon emissions by 9% in 2020
- ✓ Products enabling customer sustainability
- ✓ New Diversity & Inclusion Strategy
- ✓ Implemented flexible working
- ✓ Early career development programmes




FTSE4Good



CULTURE

- Diversity and inclusion strategy: defined 2021 priorities
 - External Benchmarking
 - Enhancing Family Friendly Benefits
 - Diverse Interview Slates
 - Flexible Working Arrangements
- Developing and mentoring talent
 - Early career development programme
- Improved internal communications




“

Don't be slowed down by those who say engineering is not a role for women. If you remain ever curious, you will thrive!

—

Bing Yuan
Staff Product Verification Engineer




“

I hope the next generation of female engineers have the same opportunities as their male colleagues to influence the technologies of the future.

—

Libby Glasgow
Software Engineer




“

I have always enjoyed math and have a real affinity for problem solving. For me, engineering taps into all that I love!

—

Deepthi Nandakumar
Senior Software Engineer



“

I was hooked on engineering from a young age. I would spend hours on end solving problems and doing engineering projects with my dad.

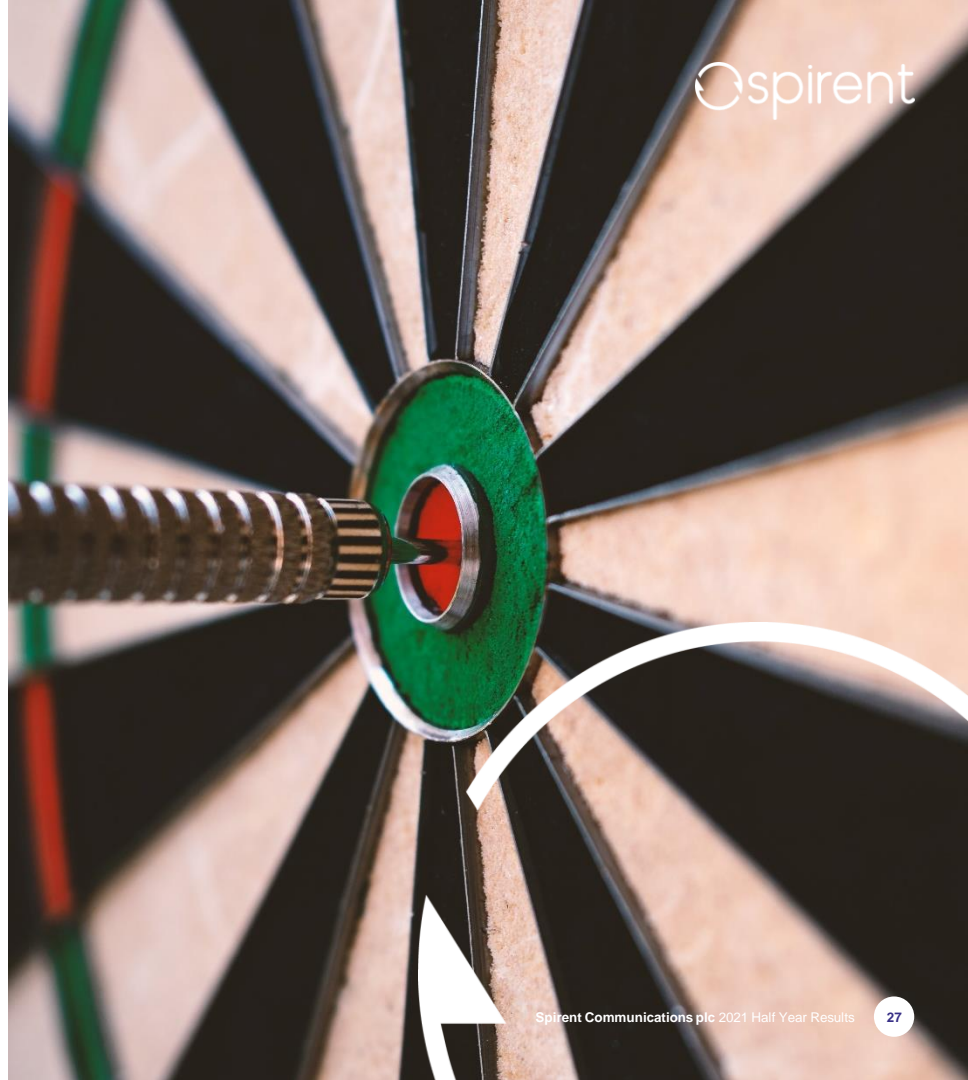
—

Esther Anyaegbu
Senior Systems Engineer

Celebrating International Women in Engineering Day

SUMMARY & FY OUTLOOK

- Good momentum going into H2
 - Managing through ongoing COVID uncertainty
- Enduring growth drivers
- Foundation for sustainable, profitable growth
 - Focused M&A agenda to supplement inorganic investment
 - Diversifying customers
 - Selling more solutions, services, software
 - Growing orderbook increasing predictability
- 2021 outlook unchanged



THANK YOU



APPENDIX



INCOME STATEMENT

\$m	H1 2021	H1 2020
Revenue	255.1	233.7
Gross profit	184.0	171.5
Operating costs	(139.3)	(132.0)
Adjusted operating profit	44.7	39.5
Adjusting items:		
Exceptional items and acquisition related costs	(5.3)	(2.0)
Acquired intangible asset amortisation	(1.8)	(0.2)
Share-based payment	(2.6)	(1.7)
Operating profit	35.0	35.6
Net finance income	(0.2)	0.4
Profit before tax	34.8	36.0
Tax	(5.2)	(3.8)
Profit after tax	29.6	32.2
Adjusted basic earnings per share (cents)	6.23	5.70

LIFECYCLE SERVICE ASSURANCE

\$m	H1 2021	H1 2020 ¹
Revenue	113.8	96.9
Gross profit	83.5	71.9
Gross margin	73.4%	74.2%
Product development	(24.7)	(22.6)
Other expenses ²	(36.2)	(30.5)
Operating profit²	22.6	18.8

1. Restated for changes to the Group's operating segments effective 1 January 2021.

2. Before exceptional items of \$0.3 million charged in H1 2021 (H1 2020: \$0.9 million).

5G-driven growth continued across our lab-based technologies

VisionWorks operational network assurance growth, especially in North America

Consolidated leadership in Wi-Fi test market with acquisition of octoScope in first quarter

Developed multiple new opportunities as we transition to an outcome-driven service delivery model

NETWORKS & SECURITY

\$m	H1 2021	H1 2020 ¹
Revenue	141.3	136.8
Gross profit	100.5	99.6
Gross margin	71.1%	72.8%
Product development	(27.8)	(28.1)
Other expenses ²	(45.9)	(47.5)
Operating profit²	26.8	24.0

1. Restated for changes to the Group's operating segments effective 1 January 2021.

2. Before exceptional items of \$0.6 million charged in H1 2021 (H1 2020: \$0.7 million).

Security business revitalised with renewed focus on key accounts

400G Ethernet test growth continued

Positioning business continued its expansion into new markets utilising technology for PNT applications

EXCEPTIONAL ITEMS AND ACQUISITION RELATED COSTS

\$m	H1 2021	H1 2020
R&D engineering plan	(0.5)	-
CEO strategic review	-	(2.0)
Direct acquisition transaction costs	(1.8)	-
Acquisition related performance payments	(2.5)	-
Acquisition integration costs	(0.5)	-
Total charge	(5.3)	(2.0)

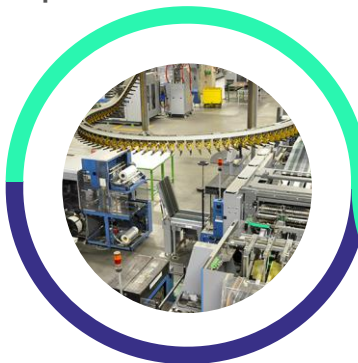
- \$4.8m costs in 2021 relating to acquisition of octoScope
- R&D engineering plan commenced, will continue over period 2021-2023
- CEO strategic review concluded in H2 2020

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 2021 of 1.39 compared to 1.26 in H1 2020, the closing rate at 30 June 2021 was 1.39 vs 1.23 at 30 June 2020
- FX loss of \$0.4m charged to the income statement in H1 2021 (H1 2020: \$0.1m) in relation to:
 - Transaction exposure in UK operations from US Dollar sales; and
 - Retranslation of cash balances held in non-domicile currency

KEY GROWTH DRIVERS REMAIN UNCHANGED

Spirent's market-leading portfolio is well-positioned to support our customers



5G: The Game-Changer

Extensive 5G portfolio and subject matter expertise accelerates time-to-revenue



Complex Networks + Cloud Migration

Cloud and Service Assurance solutions help deploy, develop and optimise networks



Connected Everything

Leading Wi-Fi, high-speed Ethernet and cellular device test solutions support growing demands



Intelligent Location

Innovative Positioning and Location solutions help assure accuracy, integrity and reliability

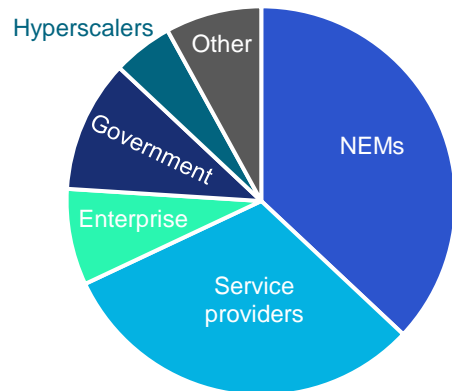


Pervasive Security Threats

Advanced security testing helps fulfill the promise of secure communication

DRIVING EXPANSION

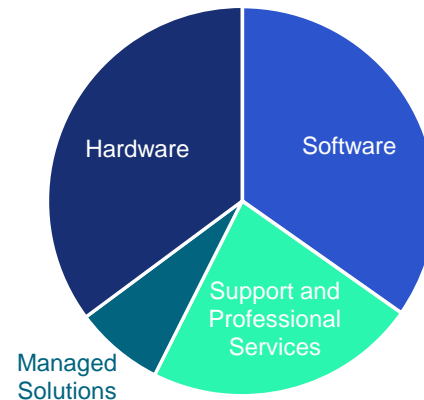
Customer type



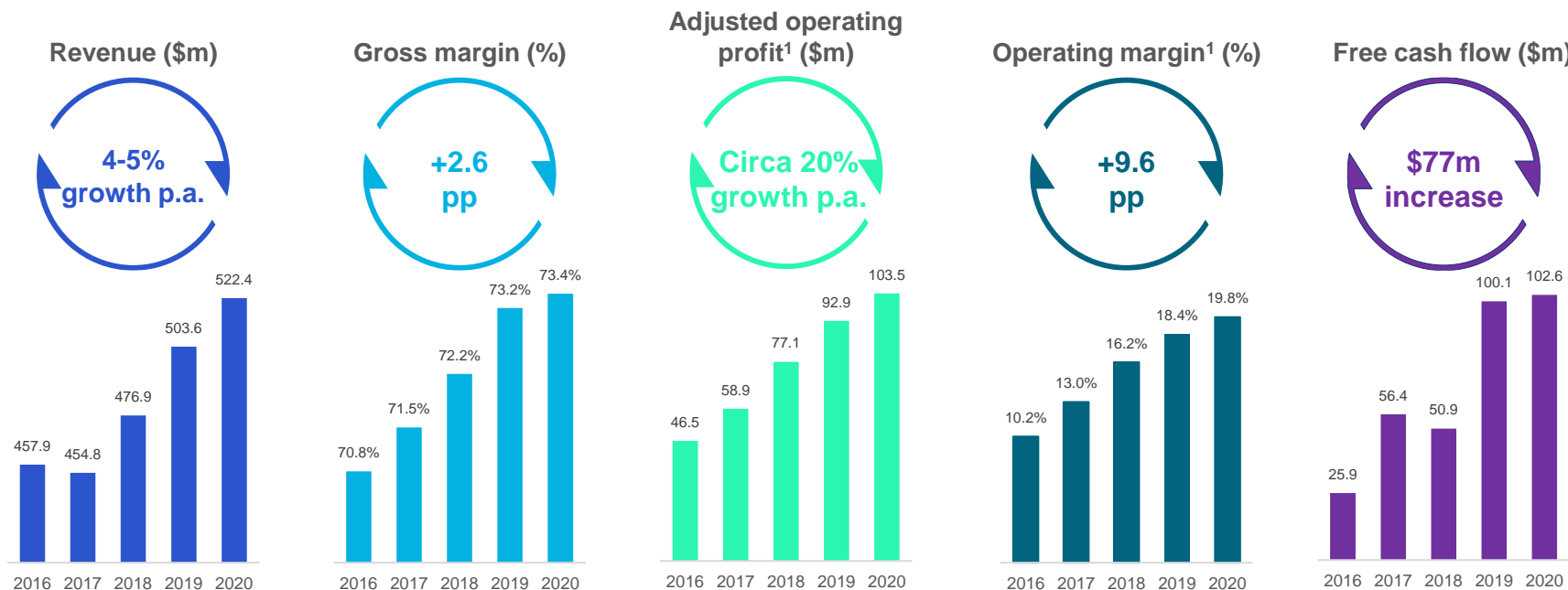
Focus areas

- Hyperscaler and Government expansion
- Services revenue up 16%
- Further penetration into the live environment

Services opportunity



GROWTH PERFORMANCE TREND



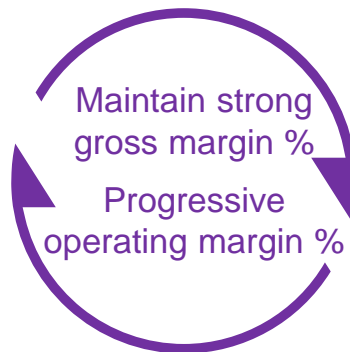
Strong momentum | Operational effectiveness | Strong balance sheet

1. Before exceptional items, acquisition related costs, acquired intangible asset amortisation and share-based payment.

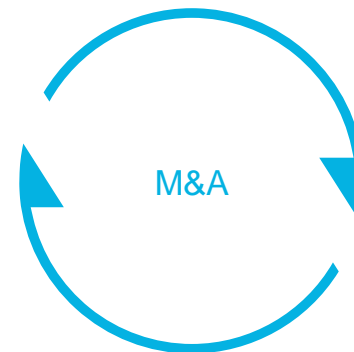
MEDIUM TERM TARGETS



- Recurring revenue
- Software } Neutral impact to
- Services } gross margin
- Lab to live
- Technical cyclical
mitigation



- Potential for operational leverage and/or increased product development investment

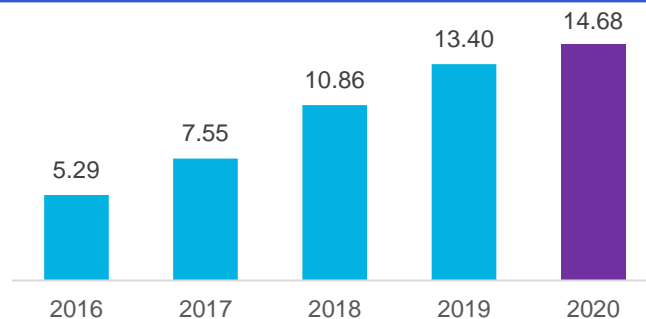


- Accelerate strategy
- Drive faster growth and leverage

CAPITAL ALLOCATION

- Focused investment – both organic and inorganic
- Disciplined approach to M&A
 - Robust performing targets
 - Growth enablers to new customers/new adjacencies
 - Technology bolt-ons
- Progressive dividend policy (2-2.5 x earnings cover)
- 2020 - Special dividend \$45m (paid 2021)
 - \$4.5m Pension top up (paid 2021)

EPS (adjusted basic) (cents)



Dividend per share (cents)





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