Safe Harbour Statement

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.
2019 Highlights

• Strong performance delivery
  – Orders growth – increasing multi-year contracts
  – Continued revenue growth momentum

• Critical product launches

• 250+ 5G related orders

• Leadership team talent expanded

• Refreshed strategy
2019 Full Year Financial Results

Paula Bell
Chief Financial & Operating Officer
Key Metrics

Order Intake
$532.0m
Up 13.2%

Revenue
$503.6m
Up 5.6%

Operating Profit\(^1\)
$92.9m
Up 21%

EPS\(^{1,2}\)
13.40c
Up 23%

Free Cash Flow\(^3\)
$100m
Up $49m

Dividend
5.39c
Up 20%

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(1) Before exceptional items, acquisition related costs, acquired intangible asset amortisation and share-based payment
(2) Before tax on items in note (1), prior year tax and gain on divestment (in 2018)
(3) Cash flow generated from operations, less tax and net capital expenditure, interest paid and/or received, and payment of lease liabilities/sublease income.
## Financial Summary

<table>
<thead>
<tr>
<th>$m</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>532.0</td>
<td>470.0</td>
</tr>
<tr>
<td>Revenue</td>
<td>503.6</td>
<td>476.9</td>
</tr>
<tr>
<td>Gross profit</td>
<td>368.6</td>
<td>344.5</td>
</tr>
<tr>
<td>Gross margin</td>
<td>73.2%</td>
<td>72.2%</td>
</tr>
<tr>
<td>Adjusted operating costs(^1)</td>
<td>(275.7)</td>
<td>(267.4)</td>
</tr>
<tr>
<td>Adjusted operating profit(^1)</td>
<td>92.9</td>
<td>77.1</td>
</tr>
<tr>
<td>Adjusted operating margin(^1)</td>
<td>18.4%</td>
<td>16.2%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>89.6</td>
<td>61.2</td>
</tr>
<tr>
<td>Effective tax rate(^2)</td>
<td>13.0%</td>
<td>15.4%</td>
</tr>
<tr>
<td>EPS(^{1,3}) (cents)</td>
<td>13.40</td>
<td>10.86</td>
</tr>
<tr>
<td>Net cash</td>
<td>183.2</td>
<td>121.6</td>
</tr>
<tr>
<td>Dividend per share (cents)</td>
<td>5.39</td>
<td>4.49</td>
</tr>
<tr>
<td>Dividend per share (pence)</td>
<td>4.29</td>
<td>3.42</td>
</tr>
</tbody>
</table>

1. Before exceptional items, 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), prior year tax and gain on divestment (in 2018)

- Multi year contracts improve visibility
- Revenue growth momentum
- High software mix drives gross margin
- Opex increase – inflation only
- R&D investment maintained
- Operating profit up 20%
- EPS up 23%
- Tax rate outlook 13-14%
- Dividend up 20%, 25% in sterling
## Portfolio Performance

<table>
<thead>
<tr>
<th></th>
<th>Revenue (m)</th>
<th>Operating profit$^1$ (m)</th>
<th>Operating margin$^1$ (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td><strong>Networks &amp; Security</strong></td>
<td>319.9</td>
<td>285.1</td>
<td>73.9</td>
</tr>
<tr>
<td><strong>Lifecycle Service Assurance</strong></td>
<td>111.2</td>
<td>112.8</td>
<td>18.1</td>
</tr>
<tr>
<td><strong>Connected Devices</strong></td>
<td>72.5</td>
<td>79.0</td>
<td>9.5</td>
</tr>
<tr>
<td><strong>Corporate</strong></td>
<td>-</td>
<td>-</td>
<td>(8.6)</td>
</tr>
<tr>
<td><strong>Group total</strong></td>
<td>503.6</td>
<td>476.9</td>
<td>92.9</td>
</tr>
</tbody>
</table>

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

- US/China trade challenges managed well
- Good portfolio balance with no overweight customer dependency; top 10 customers = 42% of revenue
Balanced Cost Management

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product development</td>
<td>96.5</td>
<td>96.9</td>
</tr>
<tr>
<td>Selling and marketing</td>
<td>129.2</td>
<td>123.9</td>
</tr>
<tr>
<td>Administration¹</td>
<td>50.0</td>
<td>46.6</td>
</tr>
<tr>
<td>Total adjusted operating costs¹</td>
<td>275.7</td>
<td>267.4</td>
</tr>
<tr>
<td>Operating margin</td>
<td>18.4%</td>
<td>16.2%</td>
</tr>
</tbody>
</table>

- Improved effectiveness of our product development resource – target c20% of revenue
- Enhanced sales & marketing investment
  - developing routes to market for new technologies
  - broadening our customer base – enterprise, government
- Administration costs include CEO transition

(1) Before exceptional items, acquisition related costs, acquired intangible asset amortisation and share-based payment
## Exceptional Items

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO Strategic Review</td>
<td>(1.8)</td>
<td>-</td>
</tr>
<tr>
<td>French import duty dispute</td>
<td>2.3</td>
<td>(9.1)</td>
</tr>
<tr>
<td>Pension GMP equalisation</td>
<td>-</td>
<td>(4.0)</td>
</tr>
<tr>
<td></td>
<td>0.5</td>
<td>(13.1)</td>
</tr>
</tbody>
</table>

- 2019 includes:
  - French import duty VAT refund
  - CEO Strategic Review, programme concludes in 2020
### Cash

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit¹</td>
<td>92.9</td>
<td>77.1</td>
</tr>
<tr>
<td>Exceptional items credited/(charged)</td>
<td>0.5</td>
<td>(13.1)</td>
</tr>
<tr>
<td>Depreciation, other amortisation and loss on disposal</td>
<td>23.3</td>
<td>17.1</td>
</tr>
<tr>
<td>Lease repayments, interest and sublease income (IFRS 16)</td>
<td>(9.9)</td>
<td>-</td>
</tr>
<tr>
<td>Working capital movement (including provisions)</td>
<td>12.9</td>
<td>(12.8)</td>
</tr>
<tr>
<td>Pension and deferred compensation</td>
<td>(5.0)</td>
<td>(6.4)</td>
</tr>
<tr>
<td>Pension GMP adjustment</td>
<td>-</td>
<td>4.0</td>
</tr>
<tr>
<td>Tax paid</td>
<td>(5.6)</td>
<td>(5.7)</td>
</tr>
<tr>
<td>Bank interest received and other</td>
<td>2.9</td>
<td>1.3</td>
</tr>
<tr>
<td>Net capital expenditure</td>
<td>(11.9)</td>
<td>(10.6)</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td><strong>100.1</strong></td>
<td><strong>50.9</strong></td>
</tr>
</tbody>
</table>

- **Ordinary dividend** | **(28.6)** | **(24.9)** |
- **Special dividend**    | -     | **(29.9)** |
- **Acquisitions/divestments** | **(1.9)** | 1.8   |
- **Employee Share Ownership Trust** | **(8.6)** | **(2.5)** |
- **Foreign exchange**    | 0.6    | **(2.2)** |

**Closing cash** | **183.2** | **121.6**

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

- Strong cash conversion
- Highly effective working capital management
- Small acquisition of GPS technology
Strong Momentum

- Solid opening orderbook for 2020 – multi-year wins increasing visibility
- Maintain focused investment to sustain growth and maintain operating margin
- Sales and marketing initiatives continue into 2020
- Highly effective working capital management
- Strong cash balance – inorganic opportunities
2019 Update & Strategic Priorities

Eric Updyke
Chief Executive Officer
Growth Drivers

• Revenue Growth and Drivers
  – High-speed Ethernet
  – Positioning
  – Test-as-a-Service
  – APAC
  – Key Accounts Programme

• Driving bookings **ahead** of revenue
• Improved margins
2019 Business Segment Performance

**Networks & Security**
- Leading market positions and technologies driving growth
- Surge in Q4 400G Ethernet orders
- Continued high win rate with US GNSS defence spend
- Released DBA security product in H2
- Strong opening orderbook for 2020

**Lifecycle Service Assurance**
- New leader appointed in October
- Strong orders growth secured late in year
- Strong demand for 5G lab test
- Secured large, strategic TaaS contract

**Connected Devices**
- Maintained solid operating margin
- Some 4G legacy testing decline
- Strategic partnership and pivot to 5G
- Released new 5G device testing product and secured orders
- Key win for 5G Service Experience field test methodology
Impressions on Spirent and the Market

• Market drivers and trends
• Well-positioned for growth
• Clear, differentiated opportunities
• Expanding customer base
• Move beyond the lab
• Engaged, talented team committed to winning
• Maintaining leadership in key areas
Spirent’s 5G Momentum

250+ 5G Deals Won in 2019

• Front lines of 5G
• Market-leading solutions
• Key 2019 wins across portfolio
  – #1 in 5G Core and High-Speed Ethernet test and validation
  – VisionWorks: Industry’s first Active Assurance 5G nationwide deployment
  – Accelerating innovation with our 5G Digital Twin
• Tip of the iceberg
5G driving business across **Spirent** portfolio

**5G Launches**
64 initial launches.  
>349 planned.

Field Testing, Automation & Service Assurance

Spirent **Umetrix & VisionWorks**

**5G Devices**
47 available today.  
>199 in dev.

Device Perf. & Security Testing

Spirent **5G Device Test & Security Labs**

**5G Radio**
New **frequency** ranges & **antenna** technology.

5G Radio Frequency Modelling & Testing

Spirent **Vertex & Digital Twin**

**5G Transport**
Preparing for the **data tsunami**.

High Speed Ethernet Performance Testing

Spirent **Test Centre (10-400GE)**

**5G Core & Edge**
Network evolution to **Cloud & Virtualisation**.

Multi-Vendor Validation (perf., features, security)

Spirent **Landslide, CloudSure & Test-as-a-Service**

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1. Source: Hadden Telecoms  
2. Source: GSA
Simplifying 5G deployment for a leading North American Service Provider

**Situation:** Customer needed to deploy 5G quickly and cope with the complexity of cloud native architecture

**Solution:** Test-as-a-Service

Cross-portfolio solution to automate and execute 5G and cloud testing on behalf of customer

**Impact:** Enables customer to automate their testing needs and continually launch new 5G services, resulting in **lower costs** and **faster time to market**
Customer Centricity

Deepening and Expanding Customer Reach

• Driving Services and Solutions
  – Refreshed customer-driven, solutions-based selling mindset
  – Moving beyond the lab

• Diversify Customer Base
  – Key Account Management extended
  – New geographies and market segments
  – Growth in Government sales
  – Expanding into new customers
Innovation For Growth

Technology and Business Model

• Stay ahead on key technologies
• Innovative new business models
  – New services and solutions
  – Higher software content
  – Strategic partnerships
• Targeted M&A
Operational Excellence

Maintaining Financial Strength and Flexibility

- Added leadership and experience
- Sense of urgency
- Sales & Marketing improvement programme
- Visibility and predictability with orderbook growth and recurring revenue
- Growth in cash balance
- Navigating geopolitical issues
Outlook

• Managing risk – coronavirus update
• Strong opening orderbook, good momentum
• Well positioned; focused on building recurring revenue streams
• Steady profitable growth
• Capital Markets Day – 30 April 2020
Q&A
Financial Appendix
## Income Statement

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>503.6</td>
<td>476.9</td>
</tr>
<tr>
<td>Gross profit</td>
<td>368.6</td>
<td>344.5</td>
</tr>
<tr>
<td>Product development</td>
<td>(96.5)</td>
<td>(96.9)</td>
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<td>(123.9)</td>
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<tr>
<td>Administration</td>
<td>(50.0)</td>
<td>(46.6)</td>
</tr>
<tr>
<td>Adjusted operating profit</td>
<td>92.9</td>
<td>77.1</td>
</tr>
<tr>
<td>Adjusting items:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exceptional items</td>
<td>0.5</td>
<td>(13.1)</td>
</tr>
<tr>
<td>Acquisition related costs</td>
<td>(0.1)</td>
<td>-</td>
</tr>
<tr>
<td>Acquired intangible asset amortisation</td>
<td>(1.2)</td>
<td>(3.7)</td>
</tr>
<tr>
<td>Share-based payment</td>
<td>(3.5)</td>
<td>(2.8)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>88.6</td>
<td>57.5</td>
</tr>
<tr>
<td>Net finance income</td>
<td>1.0</td>
<td>1.3</td>
</tr>
<tr>
<td>Gain on divestment</td>
<td>-</td>
<td>2.4</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>89.6</td>
<td>61.2</td>
</tr>
<tr>
<td>Tax</td>
<td>(11.6)</td>
<td>(5.4)</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>78.0</td>
<td>55.8</td>
</tr>
<tr>
<td>Adjusted basic earnings per share (cents)</td>
<td>13.40</td>
<td>10.86</td>
</tr>
</tbody>
</table>
## Networks & Security

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>319.9</td>
<td>285.1</td>
</tr>
<tr>
<td>Gross profit</td>
<td>232.3</td>
<td>205.3</td>
</tr>
<tr>
<td>Gross margin</td>
<td>72.6%</td>
<td>72.0%</td>
</tr>
<tr>
<td>Product development</td>
<td>(56.0)</td>
<td>(53.0)</td>
</tr>
<tr>
<td>Other expenses¹</td>
<td>(102.4)</td>
<td>(95.9)</td>
</tr>
<tr>
<td>Operating profit¹</td>
<td>73.9</td>
<td>56.4</td>
</tr>
</tbody>
</table>

- Market-leading technology underpins revenue growth – 400G/GPS/Security
- Product marketing investment increased to develop medium term solutions

(1) Before exceptional items of $1.1 million charged in 2019
## Lifecycle Service Assurance

<table>
<thead>
<tr>
<th>$m</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>111.2</td>
<td>112.8</td>
</tr>
<tr>
<td>Gross profit</td>
<td>88.6</td>
<td>87.9</td>
</tr>
<tr>
<td>Gross margin</td>
<td>79.7%</td>
<td>77.9%</td>
</tr>
<tr>
<td>Product development</td>
<td>(27.6)</td>
<td>(29.6)</td>
</tr>
<tr>
<td>Other expenses¹</td>
<td>(42.9)</td>
<td>(40.9)</td>
</tr>
<tr>
<td>Operating profit¹</td>
<td>18.1</td>
<td>17.4</td>
</tr>
</tbody>
</table>

- 5G lab support growth opportunities
- Gross margin improvement due to a higher proportion of software revenue

(1) Before exceptional items of $0.4 million charged in 2019
Connected Devices

<table>
<thead>
<tr>
<th>$m</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>72.5</td>
<td>79.0</td>
</tr>
<tr>
<td>Gross profit</td>
<td>47.7</td>
<td>51.3</td>
</tr>
<tr>
<td>Gross margin</td>
<td>65.8%</td>
<td>64.9%</td>
</tr>
<tr>
<td>Product development</td>
<td>(12.9)</td>
<td>(14.3)</td>
</tr>
<tr>
<td>Other expenses¹</td>
<td>(25.3)</td>
<td>(26.5)</td>
</tr>
<tr>
<td>Operating profit¹</td>
<td>9.5</td>
<td>10.5</td>
</tr>
</tbody>
</table>

- Revenue continues to be stable whilst continued earnings growth from effective cost management
- 5G product development on track

(1) Before exceptional items of $0.3 million charged in 2019
IFRS 16 Impact

- The Group adopted IFRS 16 ‘Leases’ on 1 January 2019
- $1.8m increase to operating profit (rent removed $9.3m, depreciation increased $7.5m)
- Immaterial impact to PBT (after increased interest costs $1.7m)
- The following balances were added to the Group’s balance sheet at 1 January 2019:
  - $30.9m of property; and
  - $36.7m of corresponding lease liabilities
- No requirement to restate comparatives
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 2019 of 1.28 compared to 1.33 in 2018, the closing rate at 31 December 2019 was 1.32 vs 1.27 at 31 December 2018
- FX loss of $0.6m charged to the income statement in 2019 (2018 $0.6m loss) in relation to:
  - Transaction exposure in UK operations from US dollar sales; and
  - Retranslation of cash balances held in non-domicile currency
Policies

Dividend Policy
• Progressive dividend as business delivers growth
• Earnings cover ratio of 2 to 2.5 times

Balance Sheet & Capital Allocation Policy
• Maintain a cash positive balance sheet to manage
  – Technology cyclicality risk
  – Working capital requirements
  – Small inorganic investments
• Allow flexibility for larger inorganic investments may use modest level of debt
• Return excess cash to shareholders

Dividend
5.39c up 20%
Final dividend
3.45c