

Spirent Communications plc

2021 Full Year Results

March 2022

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Delivering on our winning strategy

2021 highlights

- Strong market drivers – critical partner in 5G
- Great progress in Lifecycle Service Assurance
- Services delivered good growth
- Invested in sales resource, expanding reach
- Sustainable, profitable growth continued
 - Revenue up 10%, 7% organic
 - Growing visibility, 30% increase in orderbook



Financial Results

Paula Bell

Chief Financial & Operations Officer

Key metrics

\$ 637.0m

Orders

↗ 18%

↗ 14% organic

20.6%

Operating margin¹

↗ 0.8pp

1. Before acquired intangible asset amortisation, share-based payment and other adjusting items.
2. Before tax on items in note 1 and over/under provisions in respect of prior year tax.

\$ 576.0m

Revenue

↗ 10%

↗ 7% organic

16.59c

EPS^{1, 2}

↗ 13%

\$ 118.5m

Operating profit¹

↗ 14%

6.76c

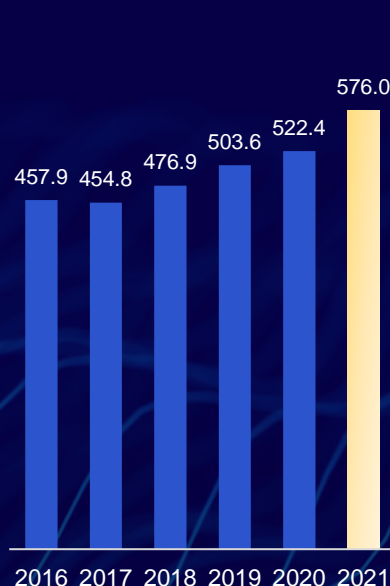
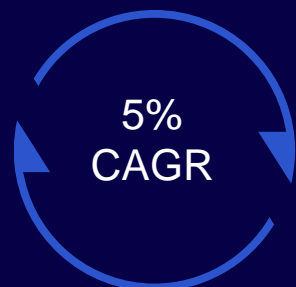
Ordinary dividend

↗ 12%

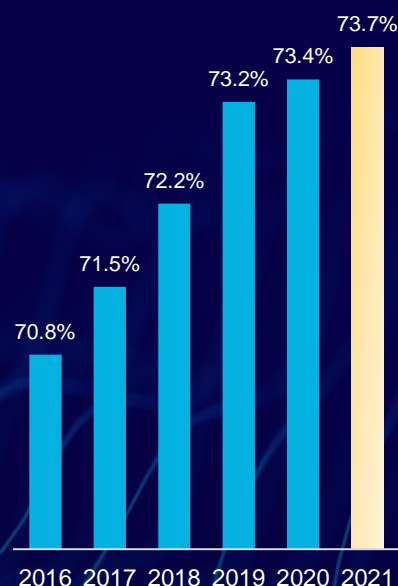
↗ 14% sterling

Growth performance trend

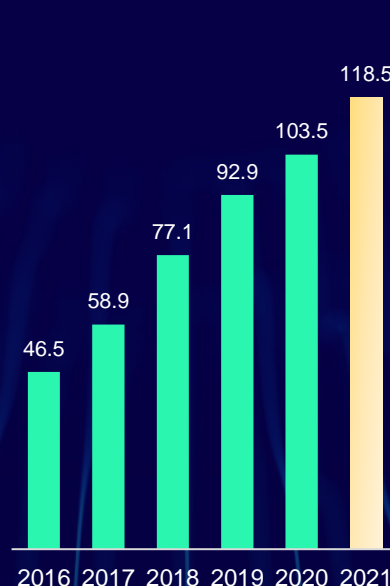
Revenue (\$m)



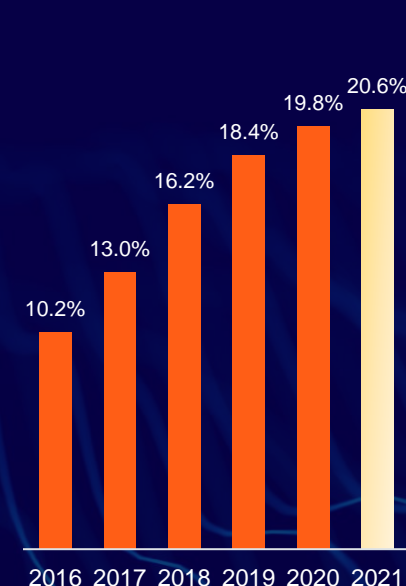
Gross margin (%)



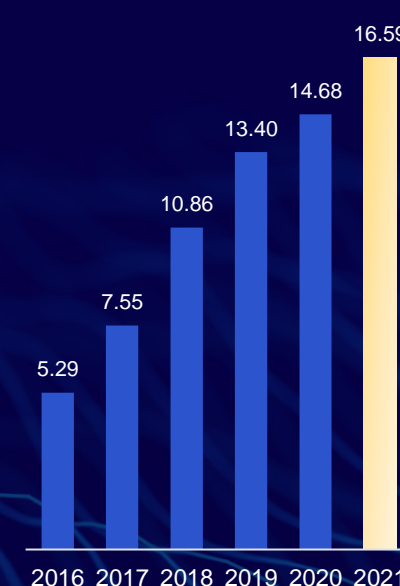
Adjusted operating profit¹ (\$m)



Operating margin¹ (%)



Adjusted basic EPS^{1,2} (cents)



Strong momentum | Operational effectiveness | Strong balance sheet

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

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

Financial summary

\$m	2021	2020
Order intake	637.0	539.4
Orderbook	269.8	207.0
Revenue	576.0	522.4
Gross profit	424.7	383.4
Gross margin	73.7%	73.4%
Adjusted operating costs ¹	(306.2)	(279.9)
Adjusted operating profit ¹	118.5	103.5
Adjusted operating margin ¹	20.6%	19.8%
Profit before tax	103.6	95.8
Effective tax rate ²	14.4%	13.6%
EPS ^{1,3} (cents)	16.59	14.68
Cash	174.8	241.2
Dividend per share (cents)	6.76	6.04

- Orderbook up 30%
- Book to bill 111
- Superior gross margin maintained
- Operating profit up 14%
- Ordinary dividend up 12% (14% in sterling)
- Tax rate outlook c15-17%
- Special dividend 7.50 cents paid in 2021
- Strong balance sheet

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 and over/under provisions in respect of prior year tax.

Portfolio performance

	Revenue		Operating profit ¹		Operating margin ¹	
\$m	2021	2020 ²	2021	2020 ²	2021	2020 ²
Lifecycle Service Assurance	261.6	219.3	63.1	50.7	24%	23%
Networks & Security	314.4	303.1	63.5	62.0	20%	20%
Corporate	-	-	(8.1)	(9.2)	-	-
Group total	576.0	522.4	118.5	103.5	21%	20%

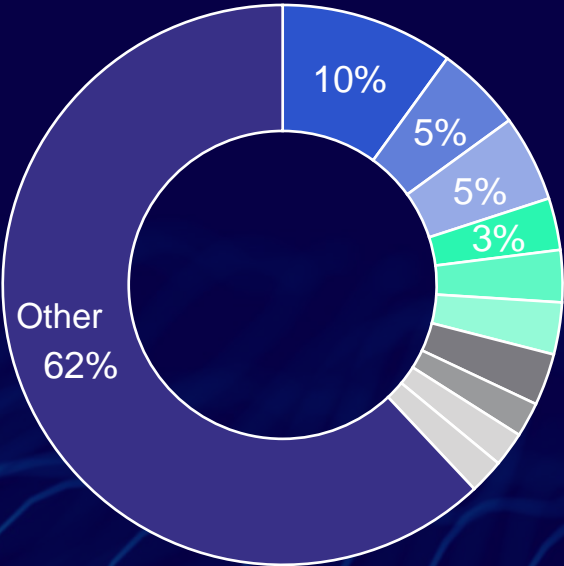
1. Before acquired intangible asset amortisation, share-based payment and other adjusting items.

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

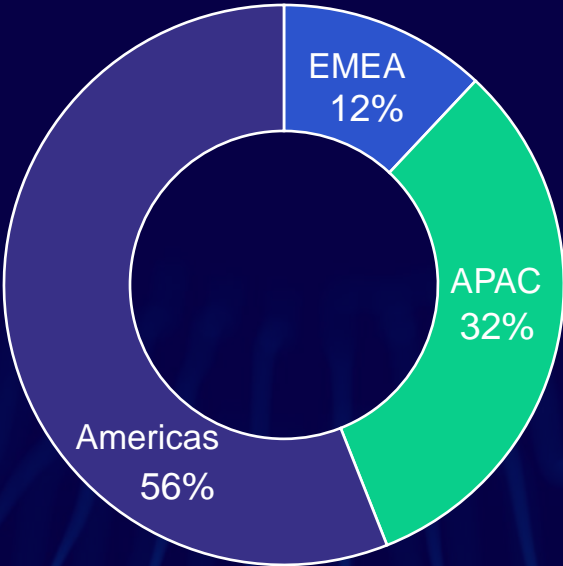
- Strong operating margin – all segments
- 5G drives Lab and Live assurance and device test demand

Strong diversification

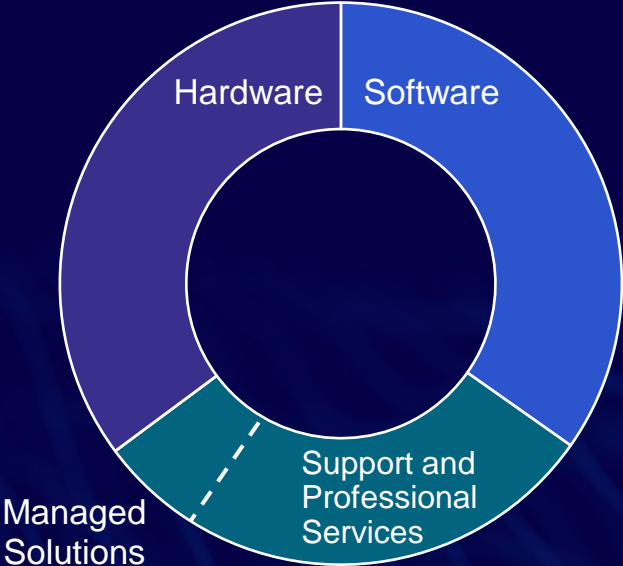
Revenue by customer



Revenue by geography



Services opportunity



Orderbook development



Deals over \$1m – 2017 to 2021 year



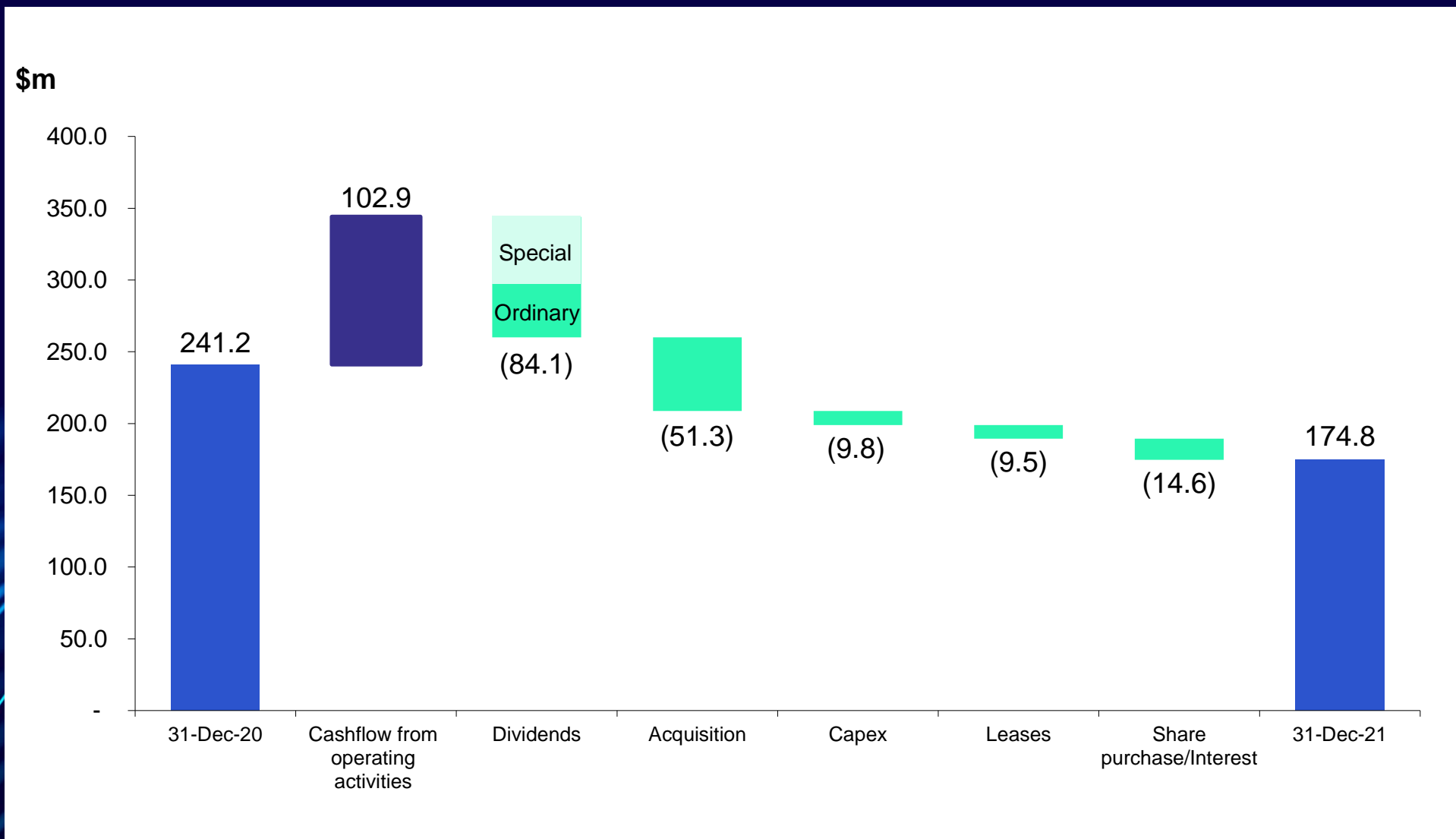
Effective cost management

\$m	2021	2020
Product development	113.3	103.1
Selling and marketing	140.7	123.4
Administration	51.4	52.8
Sub total ¹	305.4	279.3
FX loss	0.8	0.6
Total operating costs¹	306.2	279.9

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

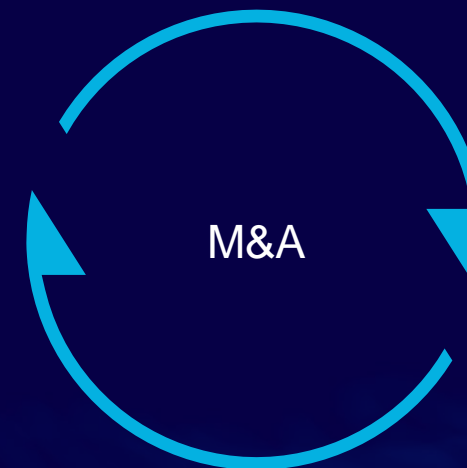
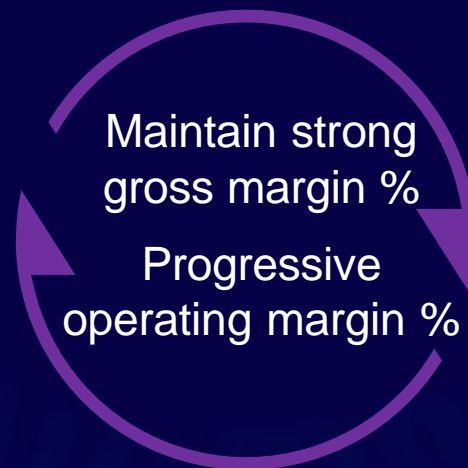
- 2021 opex includes octoScope acquisition
- Tight cost control whilst investing in key areas for future growth:
 - Developed EMEA sales structure
 - Expanded key account management
 - Increased global sales coverage
 - New Business Excellence function
- Developed services organisation
- Targeted R&D investment

Cash



- \$84m return to shareholders
- Cash conversion 91%
- Good working capital management

Medium term targets



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

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

- Accelerate strategy
- Drive faster growth and leverage

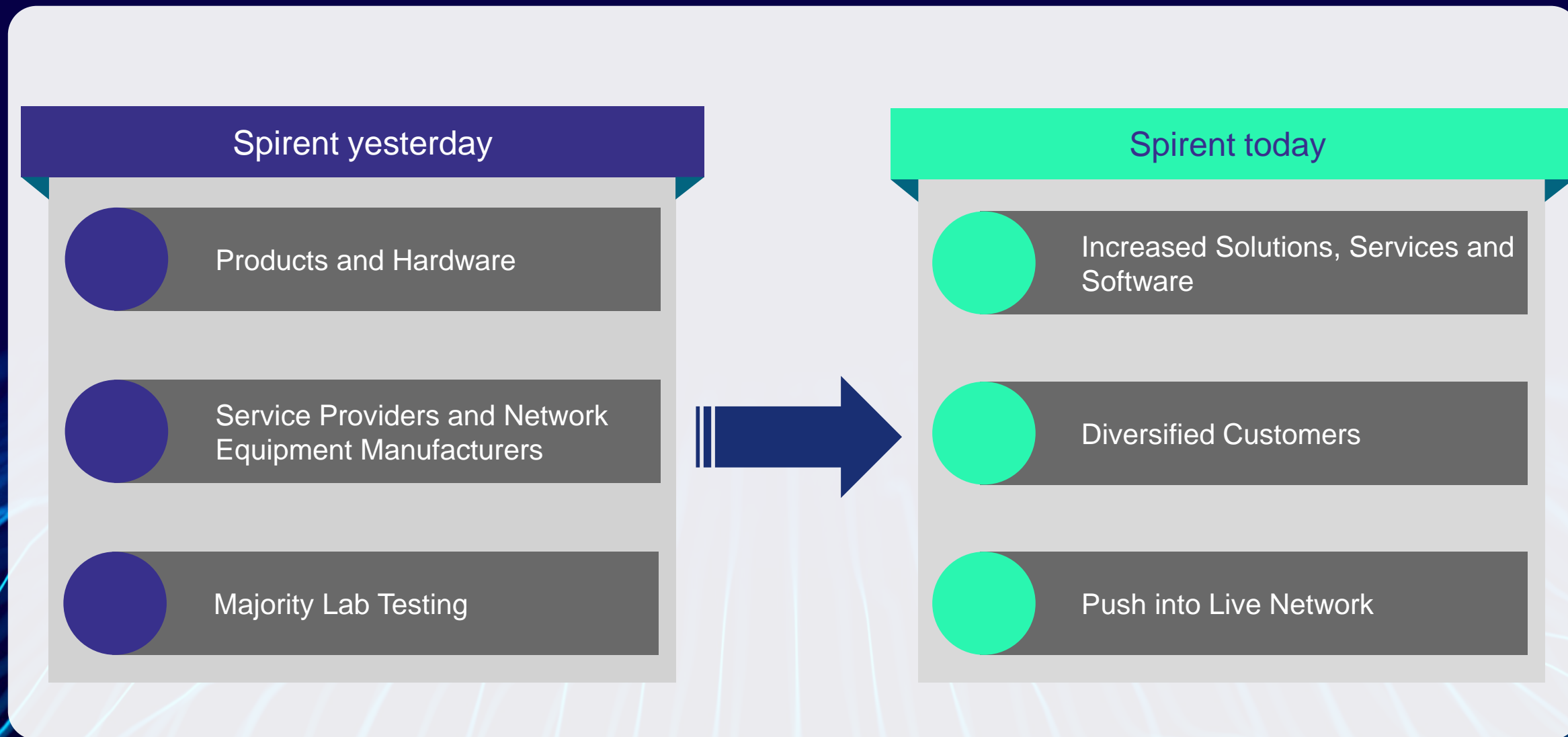
Financial takeaways

- Strong momentum continues
- We are well positioned as the 5G critical partner with a wide customer base
- 5-year trend of robust revenue growth: expect ongoing progress
- Resilient business model – supply chain management
- Strong cash balance – inorganic opportunities
- 2022 starts with a strong orderbook

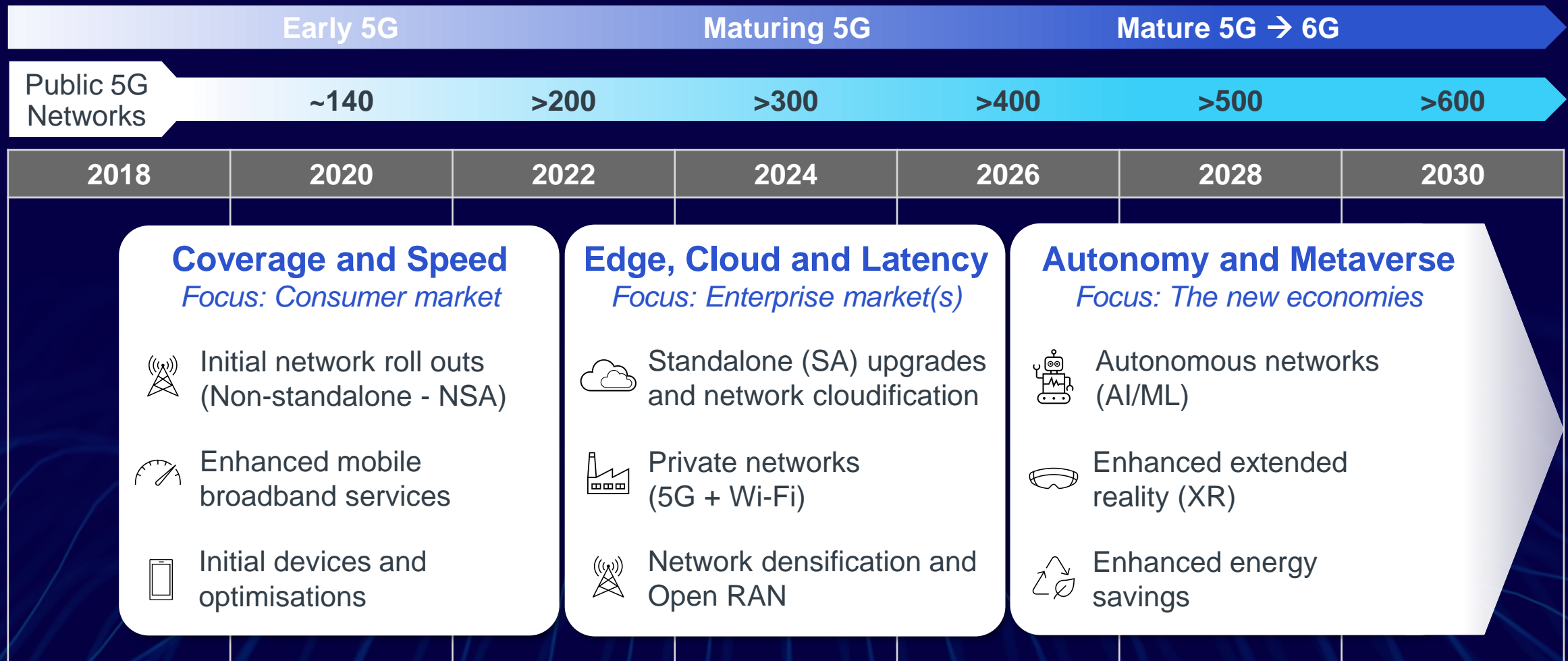
Eric Updyke

Chief Executive Officer

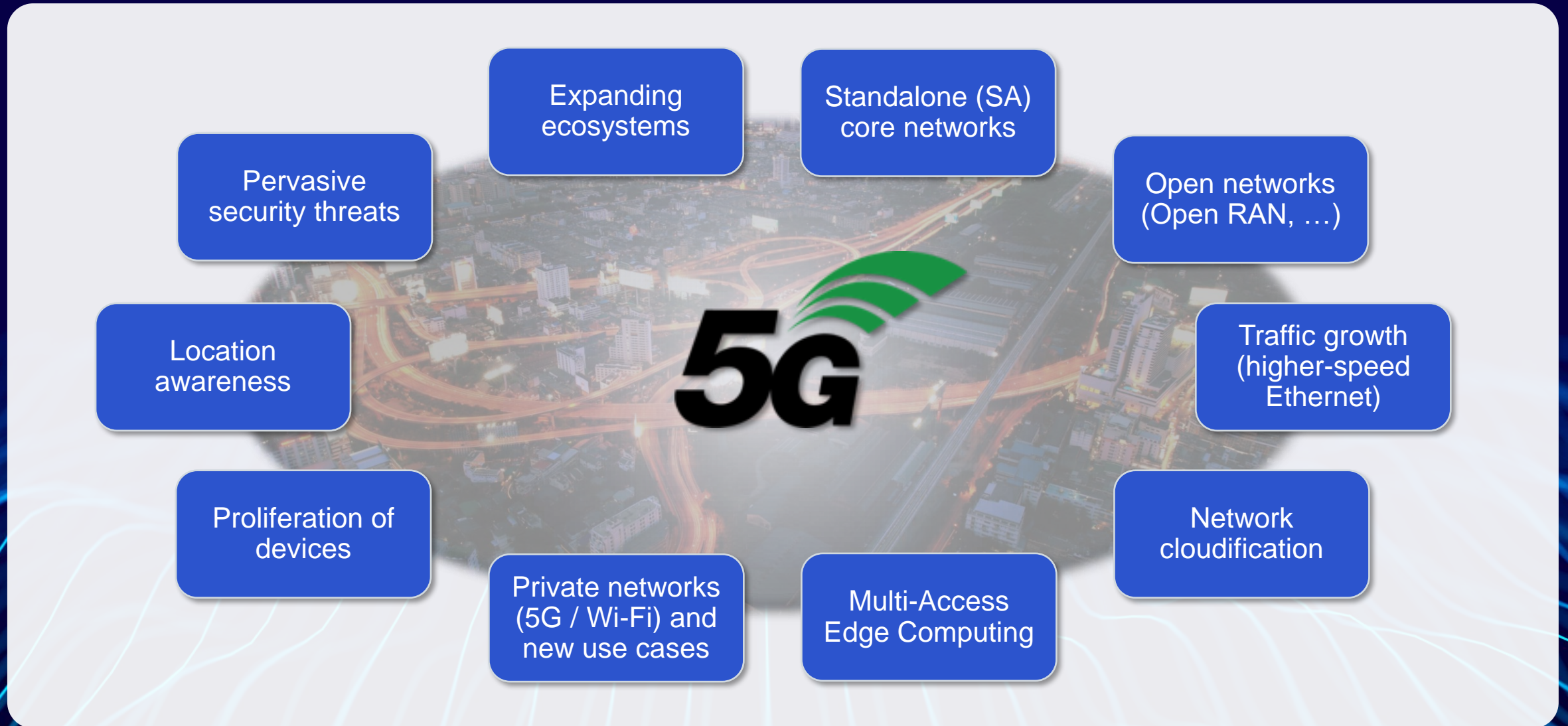
Our winning strategy



5G – The enduring driver



Spirent: THE critical partner across the whole 5G ecosystem



#1 5G Core test vendor

>800 deals won in 2021 -
>1,800 cumulative deals.

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

5G network on public Cloud

Autonomous testing of cloud-native 5G Core network for DISH Networks and Telefónica.



5G private networks

Validating private-cloud-hosted 5G core network for a Tier-1 NA operator.



Lab to pre-production

Validating cloud-native 5G core for two leading EMEA operators and Rakuten Japan.



5G service assurance

Active network monitoring for consumer & enterprise services for a Tier 1 NA operator.



5G latency benchmarking

Nationwide performance (latency) benchmarking of Telco vs Public cloud hosted apps.



Supporting DISH's public-Cloud-hosted 5G network



Customer challenge

DISH needed to rapidly deploy a new and disruptive **fully-virtualised** national 5G network

Spirent / DISH approach

- Accelerate 5G core network test with **extreme automation**
- Host test labs **in the Cloud**
- Accelerate innovation lifecycle **from years/months to weeks**

Why Spirent?

- Industry leadership in **5G Core & Cloud** test and validation
- Industry-proven **automation**
- Vendor-neutral partner with **Lab to Live** delivery expertise

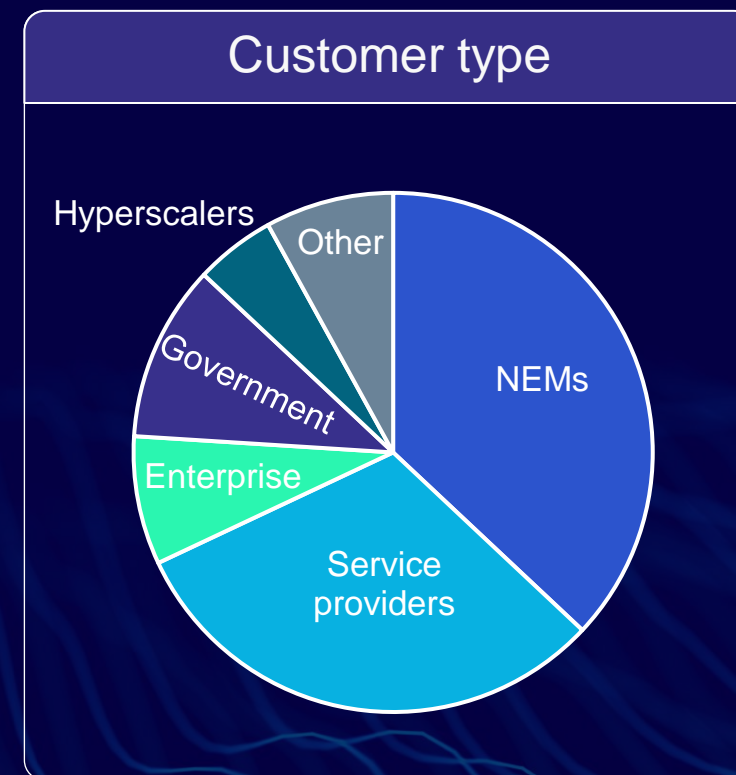
"As a leader in 5G testing and automation, Spirent offers us the security and confidence to introduce our state-of-the-art 5G network into the market."

Marc Rouanne, Chief Network Officer,
DISH Wireless

dish wireless

Expanding our global customer reach

- Solutions-based selling
- Diverse customer base
 - Winning with Hyperscalers
- Growing orderbook
 - Multi-year support and services deals
 - Growing subscriptions
- Continue to evolve go-to-market effectiveness
 - Expanding partner base
 - Organised differently than our competition

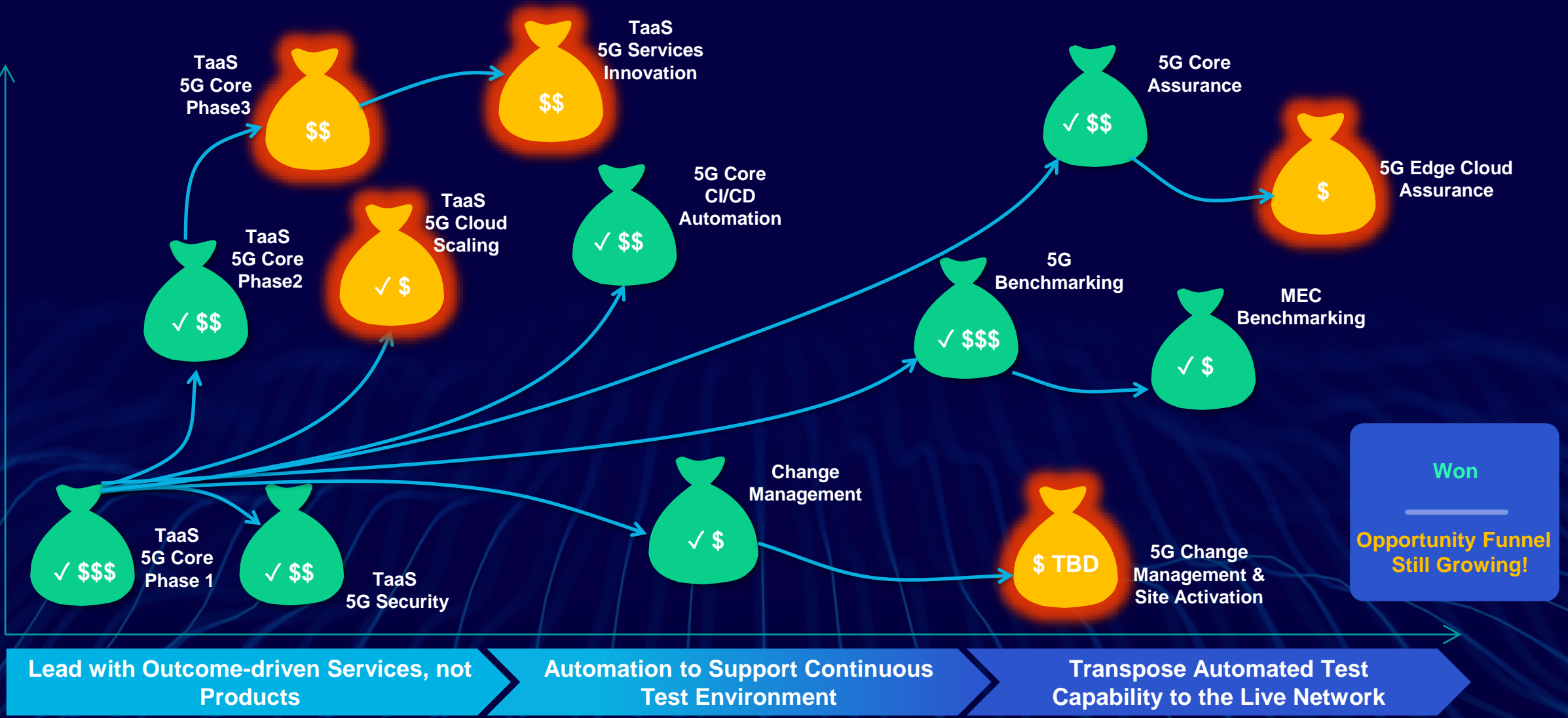


- Managed Solutions (XaaS) – the growth engine
 - Increasing deal sizes
 - Selling globally
- Executing well
 - Investing in tools, processes, structure for scale
- Enhanced support and maintenance model and processes



Adding value across the Lab → Live customer journey

(ACTUAL example - Tier 1 CSP)



2021 highlights

Lifecycle Service Assurance



- Strong orders growth leveraging market leadership
 - Healthy orderbook entering 2022
 - #1 5G Core Network Test Vendor
- Growth in lab testing and live assurance
- Focus on outcome-driven services
- Successfully integrated octoScope acquisition
 - Solidified Wi-Fi test leadership

2021 highlights

Networks & Security

- Sustained Market Leadership in high-speed Ethernet
 - First to market with 800G
 - Diversifying customer base
- Growth in Application Security
 - Significant wins at Tier-1 service providers leveraging 5G leadership
- Positioning momentum
 - Strength in both government and commercial business
 - Expanding into new areas of PNT



Operational Excellence

World-class supply chain



- Proactively, aggressively managing supply chain
- Minimised disruption to customer shipments
- Expertly navigated material shortages and extended lead times to source and ship
- Expanding critical component supplier base
- Continue to manage this risk carefully

Operational Excellence

Committed to a Sustainable future

- ✓ 100% electricity from renewable sources
- ✓ Reduced Scope 1 & 2 carbon emissions by 6.5% in 2021
- ✓ Consolidated several sites to reduce footprint
- ✓ Improving efficiency of our lab usage
- ✓ Products enabling customer sustainability
- 2022: Achieve Carbon Neutral Status



Operational Excellence

An engaging and inclusive culture

- Retaining key talent
- Employee Value Proposition
 - Opportunity to work on cutting-edge projects
 - Relationships with customers
 - Develop and grow in expanding business
- Diversity, Equity, and Inclusion
 - Flexible working arrangements
 - Enhancing Family Friendly Benefits
 - Diverse talent acquisition process
 - Early career development programmes



Spirent

The military teaches you a lot of things. The most important, for me, is a good set of values to help you navigate your way through life both during and after you leave.

Marcus Argent
Member to Technical Staff



Summary and outlook

- Our strategy is working
- 5G is a powerful, enduring driver
- Growing visibility and deal sizes through solutions-selling
- Growth across the portfolio
- Robust financial and operational platform
- Set up for sustainable, profitable growth



Thank You

Financial Appendix

Income statement

\$m	2021	2020
Revenue	576.0	522.4
Gross profit	424.7	383.4
Product development	(113.3)	(103.1)
Selling and marketing	(140.7)	(123.4)
Administration	(52.2)	(53.4)
Adjusted operating profit	118.5	103.5
Adjusting items:		
Acquired intangible asset amortisation	(4.2)	(0.5)
Share-based payment	(5.6)	(4.2)
Other adjusting items	(4.5)	(3.1)
Operating profit	104.2	95.7
Net finance income	(0.6)	0.1
Profit before tax	103.6	95.8
Tax	(14.4)	(11.4)
Profit after tax	89.2	84.4
Adjusted basic earnings per share (cents)	16.59	14.68

Lifecycle Service Assurance

\$m	2021	2020 ³
Revenue	261.6	219.3
Gross profit	199.0	163.7
Gross margin	76.1%	74.6%
Product development	(54.3)	(46.5)
Other expenses ¹	(81.6)	(66.5)
Operating profit¹	63.1	50.7
Operating margin²	24.1%	23.1%

1. Before other adjusting items of \$0.6 million charged in 2021 (2020: \$0.9 million).

2. Operating profit before other adjusting items as a percentage of revenue.

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

- Growth in both Lab (Landslide) & Live (VisionWorks) assurance portfolios
- Increase in demand for lab based 5G network test solutions
- Higher software content driving gross margin

\$m	2021	2020 ³
Revenue	314.4	303.1
Gross profit	225.7	219.7
Gross margin	71.8%	72.5%
Product development	(59.0)	(56.6)
Other expenses ¹	(103.2)	(101.1)
Operating profit¹	63.5	62.0
Operating margin²	20.2%	20.5%

1. Before other adjusting items of \$1.4 million charged in 2021 (2020: \$0.8 million).

2. Operating profit before other adjusting items as a percentage of revenue.

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

- Maintained market-leading position for high-speed Ethernet and PNT
- Resilient operating margin

Other adjusting items

\$m	2021	2020
R&D site plan	(1.2)	-
Direct acquisition transaction costs	(1.9)	-
Acquisition related performance payments	(0.6)	-
Acquisition integration costs	(0.8)	-
CEO strategic review	-	(3.1)
Total charge	(4.5)	(3.1)

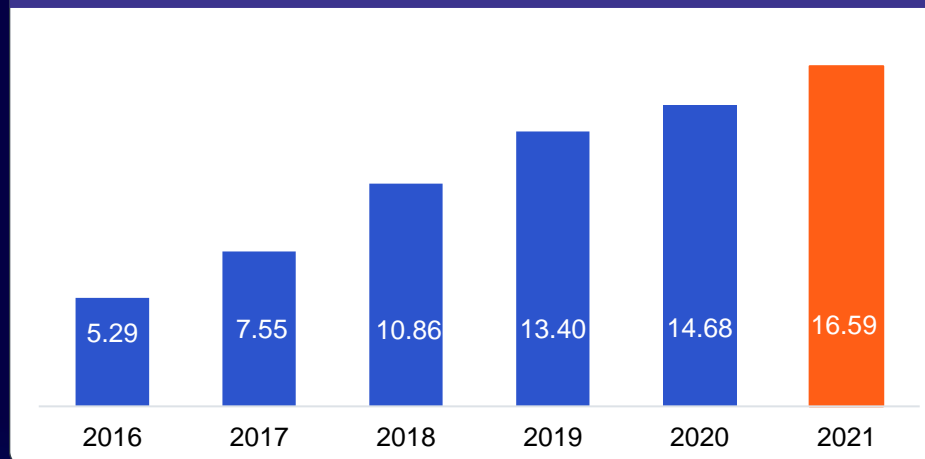
- R&D is a 2-3 year plan to optimise effectiveness of our global engineering facilities

- 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 2021 of 1.37 compared to 1.28 in 2020, the closing rate at 31 December 2021 was 1.35 vs 1.37 at 31 December 2020
- FX loss of \$0.8m charged to the income statement in 2021 (2020: \$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

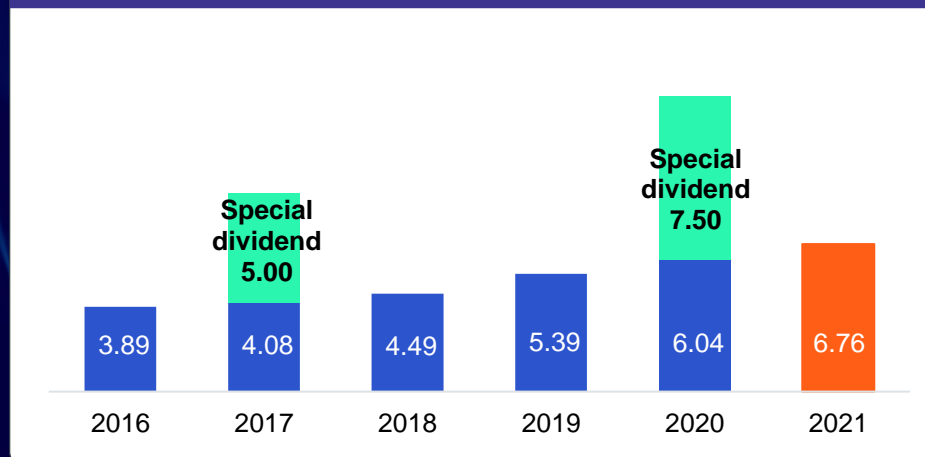
Capital allocation

- 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)
 - 12% Ordinary dividend increase
 - \$84m paid in 2021

EPS (adjusted basic) (cents)



Dividend per share (cents)





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