

## About Spirent

We innovate to help the world communicate and collaborate faster, better and more securely. We help our customers develop new and better products and networks and ensure, in turn, that their customers get the best performance.

Spirent is listed on the London Stock Exchange.

## Spirent at a glance

Spirent helps our customers manage the complexity of their devices, networks and services, enabling them to keep the promises they make to their customers while reducing cost. We provide innovative test and assurance solutions and trusted expertise that allow our customers to bring better quality products and services to market faster, to automate the turn-up of new services and to proactively identify and resolve problems in their production networks.

Across every one of our businesses we are accelerating the transition of testing and evaluation of devices, network equipment and applications from development labs to the operational network, and evolving from a product-centric to a customer-centric organisation. We will continue to innovate towards fully automated testing and autonomous service assurance and analytics solutions.

Spirent has around 1,500 employees, serving in excess of 1,100 customers in over 50 countries, and is organised into three operating segments.

### Networks & Security:

Revenue 2019 \$319.9m (2018 \$285.1m)

Operating profit 2019 \$73.9m (2018 \$56.4m)

Performance and security testing to accelerate the development and validation of new equipment, networks and applications for high-speed Ethernet/IP, cloud, mobile and global navigation satellite systems (GNSS).

### Lifecycle Service Assurance:

Revenue 2019 \$111.2m (2018 \$112.8m)

Operating profit 2019 \$18.1m (2018 \$17.4m)

Solutions for pre-deployment testing of mobile core networks. Cloud-native active test and assurance solutions that automate service turn-up, monitoring and troubleshooting of 5G, long-term evolution (LTE), Ethernet, software-defined wide area networking (SD-WAN), cloud networks and more.

### Connected Devices:

Revenue 2019 \$72.5m (2018 \$79.0m)

Operating profit 2019 \$9.5m (2018 \$10.5m)

Automated test systems and service offerings to test mobile devices and supported voice, video and location services in the lab or on operational networks. Solutions for new 5G air interface technology testing.

## Performance highlights

### Networks & Security

- Leading market positions and technologies are driving good growth with revenue up 12 per cent.
- Surge in order placements for 400G high-speed Ethernet in the latter part of the year validates our market leadership.
- Positioning business delivered a record year for revenue, benefiting from continued momentum across its customer base and maintaining a high win rate for GNSS defence projects in the United States.
- Released new data breach assessment security product and won first landmark deal in China with continued focus on building pipeline for 2020 revenue.

### Lifecycle Service Assurance

- Strong orders growth, secured later in the year, resulted in a robust close to the orderbook with revenue broadly level in 2019.
- Strong demand for lab-based 5G network testing (Landslide products) mitigated some slower traction of VisionWorks solutions.
- New leader appointed in October 2019, who is evolving our strategies for growth and global expansion.

### Connected Devices

- Maintained a solid operating margin, despite some revenue decline driven by expected decline of 4G testing.
- Robust 5G market demand, including the release of a new 5G device testing product for which we won the first orders.
- Secured a key win for our Service Experience field test methodology for proving 5G networks and devices from a tier-one service provider.

Substantial shareholders**	% held
Ameriprise Financial, Inc.	15.99
Aviva plc	8.06
BlackRock, Inc	5.62
Standard Life Investments Ltd	5.29
AXA Investment Managers SA	4.99
Brandes Investment Partners (various clients)	4.99
Franklin Templeton Fund Management Limited	4.99
Prudential plc	4.98
Aberforth Partners	4.96
Neptune Investment Management Ltd	4.87
Artemis Investment Management Limited	4.77
Schroders plc	4.41
PrimeStone Capital LLP	4.29
Teleoic Capital Partners LLC	4.03
Sun Life Assurance Company of Canada (UK) Ltd	3.82
Norges Bank	3.07
Kames Capital (fka Global AEGON Asset Management Group)	3.03

\*\*At 4 August 2020 Spirent has been notified of the following significant interests in its Ordinary Shares pursuant to Disclosure and Transparency Rule 5.

## Spirent share price\*

Share price	230.50
52-week closing price range	151.6-266.0p
Shares in issue with voting rights	611.7m
Market cap	£1,410m

\*At 30 June 2020

## Strategic pillars

### Customer Centricity

#### What we achieved

In 2019, we expanded the key account management programme initiated in 2018 into more of our important global accounts and continued to ramp the programme's account-based marketing element. We expanded channel coverage in the eastern Asia, Middle East and Central/South America regions, grew our government business and established new direct channels to enhance our coverage of the enterprise market.

#### Priorities for 2020

- Grow share of wallet with our existing customers through further expansion of our key account management and account-based marketing programme.
- Broaden our reach and relevance in new segments such as cloud service providers, enterprises and government, and into new geographies.
- Deliver even more value to customers through the evolution of our sales and marketing organisation and by offering more solutions/services.

### Innovation for Growth

#### What we achieved

Our research and development investment included enhancing features, functionality and automation to expand our addressable customer base. We invested in strategic partnerships, including 5G with National Instruments and in growing recurring revenue streams with more software. We also invested in our people, adding senior leadership with additional capabilities and experience and initiating a "Leader. Assured." development programme.

#### Priorities for 2020

- Invest in infrastructure and talent to further expand our key account and account-based marketing programme.
- Invest in growing recurring revenue through our services delivery capability and increased software content in our solutions.
- Invest to make our products even easier for customers to use, improving their efficiency and reducing their time to revenue.

### Operational Excellence

#### What we achieved

2019 saw continued focus on cash generation and a strong balance sheet, with \$183.2 million of cash. We improved our adjusted operating margin by 2.2 percentage points to 18.4 per cent. We began a new initiative to improve the overall efficiency and effectiveness of our sales and marketing organisations. We also began our evolution to a more agile, collaborative organisation, adding new talent and more change agents.

#### Priorities for 2020

- Fully implement our efficiency and effectiveness initiatives for our sales and marketing organisations.
- Continue to review our portfolio, with a view to growing it both organically and inorganically to align with our strategic objectives and our markets.
- Drive towards our objective of being an agile, collaborative organisation, capable of moving quickly to capture the full range of opportunities.

For full details on the Spirent Strategy go to our corporate website <https://corporate.spirent.com>

## Key financials

	HY 2020	HY 2019	FY 2019
\$ million			
Reported revenue	233.7	217.4	503.6
Reported operating profit	35.6	18.1	88.6
Adjusted operating profit <sup>1</sup>	39.5	20.7	92.9
Adjusted basic earnings per share <sup>1, 2</sup> (cents)	5.70	3.03	13.40
Interim dividend per share <sup>3</sup> (cents)	2.17	1.94	5.39
Free cash flow <sup>4</sup>	65.5	44.6	100.1

#### Notes

1. Before charging exceptional items, acquisition related costs, acquired intangible asset amortisation and share-based payment amounting to \$3.9 million in total (first half 2019: \$2.6 million, full year 2019: \$4.3m).
2. Before tax effect of items in 1 and prior year taxes.
3. Dividends are determined in US dollars and paid in sterling at the exchange rate prevailing when the dividend is proposed or declared.
4. Operating cash flow after tax, net interest and net capital expenditure.

## Management

### Eric Updyke, Chief Executive Officer

Appointed: CEO in May 2019

#### Skills and experience:

Most recently, Eric was on the Executive Management team of Amdocs reporting directly to the CEO. In his capacity as Group President, Services at Amdocs Ltd he had global responsibility for the entire Managed Services, Testing and SI businesses. This business encompassed 10,000 employees and roughly \$2 billion in revenue. Prior to that role, Eric was Division President for North America at Amdocs where he managed a \$1 billion P&L and was responsible for the relationship with North American communications service providers. Prior to his time at Amdocs, he held executive roles at Nokia Siemens Networks and AT&T. Eric has a great track record of success, has functional expertise in every facet of the business and has excelled in multi-cultural global companies.

Eric has an MBA in Finance and a Bachelor's degree in Electrical Engineering from Cornell University.

### Paula Bell, Chief Financial & Operations Officer

Appointed: Chief Financial Officer in September 2016

#### Skills and experience

Paula has extensive FTSE 250 board experience and, in particular, working with global technology and engineering businesses. Paula has demonstrable experience of effective commercial, financial and operational management leading to increased earnings whilst driving a strategic agenda. Paula was previously CFO at John Menzies Plc from 2013 and CFO at Ricardo Plc from 2006 to 2013. Paula has held senior management roles at BAA plc, AWG plc and Rolls-Royce Plc, leading business development for international growth underpinned by extensive M&A activity.

Paula is a Fellow of the Chartered Institute of Management Accountants and a Chartered Global Management Accountant.

#### Other roles

Since September 2018, Non-executive Director and, since January 2019, Chairman of Audit Committee at Keller Group Plc; Non-executive Director and Chairman of Audit Committee of Laird plc between 2012 and June 2018.