



Ericsson First quarter 2022

Apr 14, 2022

First quarter 2022



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Business overview

Börje Ekholm
President and CEO

Q1 in brief



- Invasion of Ukraine represents massive setback for the world
- Strong business momentum
- Organic sales driven by Networks and Cradlepoint
- Deliver on customer commitments
- Gross margin impacted by proactive investments in supply chain resilience and timing of software sales
- Technology leadership driving competitiveness: R&D increased SEK 1.1 b. YoY
- Engaging with the DOJ regarding the breach notices related to the DPA

Organic sales:

3%

Gross margin:

42.3%

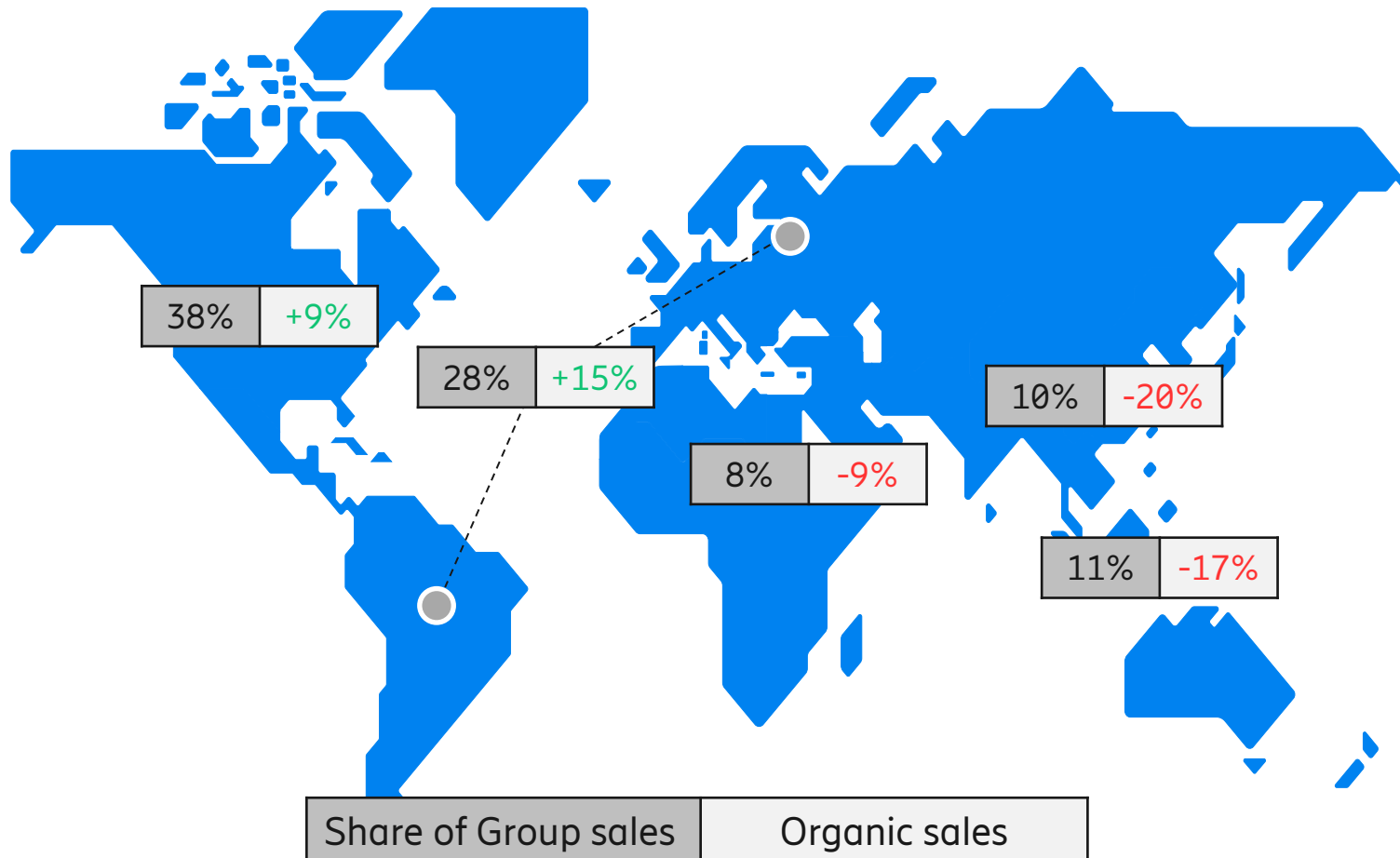
-50 bps YoY

EBITA margin¹:

11.0%

-10 bps YoY

Customer and market



- Continued good momentum in North America
- Market share gains in Europe
 - Russia sales in 2021: SEK 4.1 b.
- Sales decline in Japan due to project timing
- Sales growth in Africa
- Timing of orders and project milestones in South East Asia, Oceania and India

Strategy execution



Mobile networks / Core business

- Continue to expand mobile network leadership with strong portfolio
- New RAN products and solutions consume 25 percent less power compared to current products
- 5G core execution – 16 out of the 20 largest operators globally use Ericsson
- Ericsson Intelligent Automation Platform launched

Enterprise

- Cradlepoint strong growth YoY – launched global SIM management
- Dedicated Networks – Private Networks

Global network platform

- Strong customer traction to build Global Network Platform. Accelerated execution
- Announced End user Boost with strong interest with >150 million unique visitors
- Continue to work towards closing the Vonage acquisition during H1 2022

Financial overview

Carl Mellander
Chief Financial Officer

Q1 2022 in numbers



Financial Performance

Excluding restructuring charges

SEK b.	22Q1	21Q1	YoY	21Q4
Net sales	55.1	49.8	11%	71.3
Organic and FX adj. growth			3%	
Gross margin	42.3%	42.9%		43.5%
R&D expenses	-10.7	-9.6		-11.7
SG&A expenses	-6.6	-6.2		-7.5
Other op. income & expenses	-1.1	0.0		0.4
EBIT	4.8	5.3	-10%	12.3
EBIT margin	8.7%	10.7%		17.3%
Net income ¹	2.9	3.2	-8%	10.1
Free cash flow b. M&A	-1.7	1.6		13.5

- Organic and FX adjusted sales: +3% YoY
 - Driven by North America and Europe & Latin America
- IPR revenues SEK 1.4 (0.8) b. – Renewal of agreements
 - Q2 2022 estimate: SEK 1.0-1.5 b.
- Gross margin² decreased 60 bps YoY
- R&D investments increased YoY: Networks and FX
- Other operating income and expenses SEK -1.1 (0.0) b.
 - Russia (SEK -0.9 b.) & Ericsson Ventures (SEK -0.3 b.)
- EBIT²: SEK 4.8 (5.3) b. due to provision related to Russia and increased R&D investments
- Free cash flow b. M&A impacted by inventory build-up for supply chain resilience
- EBITA² rolling 4Q: 14.0% vs long-term target of 15%-18%

¹Including restructuring charges

²Excluding restructuring charges

This slide contains forward-looking statements. Actual result may be materially different.

See the last page in this presentation for further information about forward-looking statements

Segment summary

Excluding restructuring charges



Networks

SEK b.	22Q1	21Q1	YoY	21Q4
Sales	40.7	36.3	12%	51.1
Organic			4%	
Gross margin	44.8%	46.0%		46.4%
EBIT	6.8	7.2	-6%	12.0
EBIT %	16.6%	19.9%		23.6%



- GM was negatively impacted by timing of software sales in a large contract
- Operational leverage impacted by proactive measures across the supply chain, negatively affected gross margin
- Provision related to Russia impacted EBIT margin by -2.1% points

Managed Services

SEK b.	22Q1	21Q1	YoY	21Q4
Sales	4.9	4.9	2%	5.4
Organic			-5%	
Gross margin	23.0%	21.0%		18.9%
EBIT	0.6	0.4	49%	0.4
EBIT %	11.8%	8.1%		7.4%



- Sales declined YoY mainly due to reduced variable sales
- EBIT margin increased to 12%

Digital Services

SEK b.	22Q1	21Q1	YoY	21Q4
Sales	7.2	6.9	5%	12.7
Organic			-2%	
Gross margin	42.9%	43.6%		43.4%
EBIT	-1.4	-1.5		0.4
EBIT %	-19.2%	-21.9%		3.3%



- Double digit sales growth in BSS and Cloud Native 5G Core products
- Continuous investment in Cloud Native 5G portfolio and service orchestration

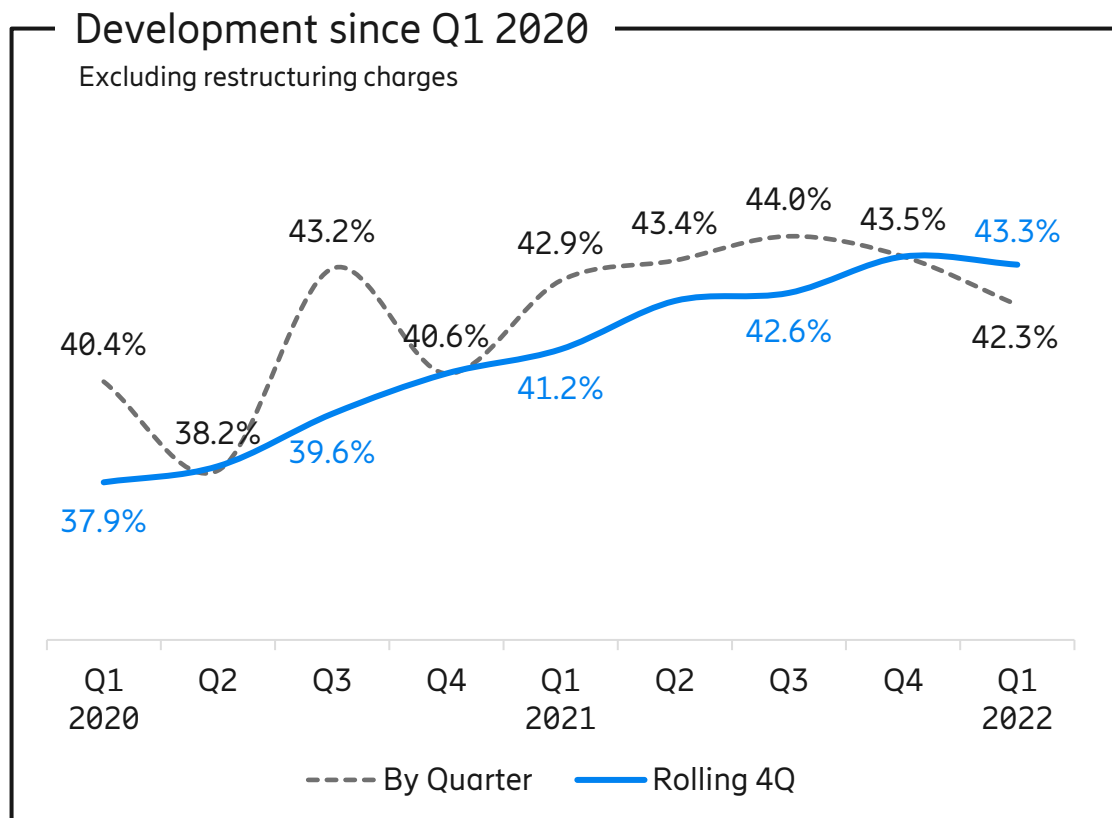
Emerging Business & Other

SEK b.	22Q1	21Q1	YoY	21Q4
Sales	2.2	1.7	26%	2.1
Organic			15%	
Gross margin	38.1%	36.8%		35.2%
EBIT	-1.2	-0.8		-0.5
EBIT %	-53.5%	-43.7%		-24.5%



- Sales growth and gross margin driven by Cradlepoint
- Negative EBIT impact of SEK -0.3 b. related to fair market revaluation of Ericsson Ventures investments

Gross margin



- Rolling 4Q gross margin¹ 43.3%
- Q1 gross margin¹ 42.3% (42.9%)
 - Networks: Timing of software and investments in supply chain resilience
 - Digital Services: Initial deployment costs for 5G Core
 - Managed Services and Emerging Business & Other increased YoY
- Sequential decline to 42.3%¹ from 43.5%¹
 - Supply chain resilience in Networks
 - Lower IPR licensing revenues

Free cash flow and financial position



Financial Performance

SEK b.	Q122	Q121
EBIT excluding restructuring charges	4.8	5.3
Depreciation, amortization & impairment losses	2.1	1.9
Restructuring charges	0.0	-0.1
Changes in operating net assets	-5.5	-3.9
Interest paid & received, taxes paid and other	-1.4	-0.1
Cash flow from operating activities	0.0	3.2
Capex net and other investing activities	-1.1	-1.1
Repayment of lease liabilities	-0.6	-0.5
Free cash flow before M&A	-1.7	1.6
Free cash flow before M&A rolling 4Q	28.8	21.5
<i>Net cash end of period</i>	<i>65.2</i>	<i>43.0</i>
<i>Gross cash end of period</i>	<i>104.2</i>	<i>68.6</i>

- Free cash flow before M&A of SEK -1.7 (1.6) b.
- Inventory build-up for supply chain resilience to meet customer demand
- Continued high cash collection
- Net cash stable at SEK 65.2 b. QoQ
 - Up from SEK 43.0 b. YoY
- Average maturity of long-term borrowings: 3.6 years
 - 5-year EUR 750 m. bond issued

Free cash flow before M&A rolling four quarters: 12.1% of net sales (long-term target 9-12%)

Summary

Börje Ekholm
President and CEO

Closing remarks



- Continued to execute on our strategy to extend leadership in mobile networks and expand into enterprise
- Good core business growth in North America and Europe & Latin America and in enterprise business in Cradlepoint
- Well positioned to conclude outstanding IPR renewals
- Working towards closing the Vonage acquisition during H1 2022



New products: Radio 4490 & Massive MIMO AIR 6428



Q&A



Forward-looking statements



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- Our goals, strategies, planning assumptions and operational or financial performance expectations;
- Industry trends, future characteristics and development of the markets in which we operate;
- Our future liquidity, capital resources, capital expenditures, cost savings and profitability;
- The expected demand for our existing and new products and services as well as plans to launch new products and services including R&D expenditures;
- The ability to deliver on future plans and to realize potential for future growth;
- The expected operational or financial performance of strategic cooperation activities and joint ventures;
- The time until acquired entities and businesses will be integrated and accretive to income; and
- Technology and industry trends including the regulatory and standardization environment in which we operate, competition and our customer structure.

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