



ERICSSON

# NETWORKS

## INVESTOR UPDATE 2016

NOVEMBER 10, 2016 NEW YORK



ARUN BANSAL

Head of Business Unit  
Network Products

FREDRIK JEJDLING

Head of Business Unit  
Network Services

# ERICSSON NETWORKS BUSINESS



## Ericsson product related business

Radio and Site Solutions  
software and hardware

Network  
Rollout



Network  
Design



Transport  
software and hardware

Network  
Tuning



Customer  
Support



## Product vendor agnostic services business

Managed  
Services



Network Optimization





# MARKET REALITIES

## Developed markets

- › Flat operator revenues
- › Operator focus on costs
- › Video drives data: monetization challenges
- › Need for app coverage
- › More use cases and additional non-operator opportunities
- › 5G high on operator agenda

## Emerging markets

- › Operator capex impacted by negative macro-economic environment
- › 2-3% operator revenue growth
- › Coverage needs and traffic growth – only 40% of world population have access to LTE
- › Alternative solutions for rural coverage and backhaul

Addressable market\* 2016  
USD ~100 b.

-2-0% CAGR 2016-2018  
in Networks market

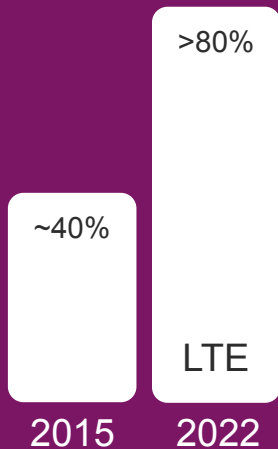
\*Addressable market includes RAN equipment, selected site equipment, transport equipment (excl Opto) and support, Network Design & Optimization and Network Rollout services (excl Fiber Network Rollout)

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



# BUSINESS CYCLES MOBILE INFRASTRUCTURE

## Population coverage



## 11X Video traffic



## Capacity

- › Upgrade, densification, capacity increase
- › Shorter order cycles
- › Accretive to company gross margin
- › More software, support and optimization services

## Coverage

- › Break-in and green field
- › Open bidding
- › More hardware and rollout services
- › Dilutive to company gross margin
- › Higher capital tied-up
- › Network Rollout lag Network sales ~2-3 quarters

Coverage driven by LTE rollout – Capacity driven by traffic increase

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

# COVERAGE & CAPACITY REALITIES



## Coverage

- › In between technologies in developed markets
- › Lower consumer spending in emerging markets
- › Unsatisfactory Network Rollout margins
- › LTE coverage build-out far from done

## Capacity

- › Works well in markets where end-users are willing to pay for data usage and quality
- › Slow/no take-up of small cell indoor business
- › Growing discrepancy between user expectation and network performance due to lower investment levels

Need for better app coverage will drive change in business mix

# IMPROVED MOBILE BROADBAND BUSINESS



## Service efficiency

- › Continued cost efficiency gains through resource pyramid optimization and global delivery (target 60% of total hours from global centers 2018)
- › Increased productivity through industrialization (including industrialized work packages) & automation
- › Initial results indicate significant lead time reductions in Network Rollout



## Scale Ericsson Radio System

- › 20% less RAN Total Cost of Ownership (TCO)
- › High flexibility and 5G ready
- › Cost-base improvement
- › Serviceability

10% of total deliveries of radio units year-to-date  50% of total deliveries of radio units full-year 2017 estimate

## R&D transformation

- › Improvements in R&D lead time and cost
- › Acquisition of Ericpol
- › R&D capital and resource re-allocation to LTE/5G



## Supply

- › Site strategy in execution
- › Increased production outsourcing to >50% in 2017 (33% 2015)

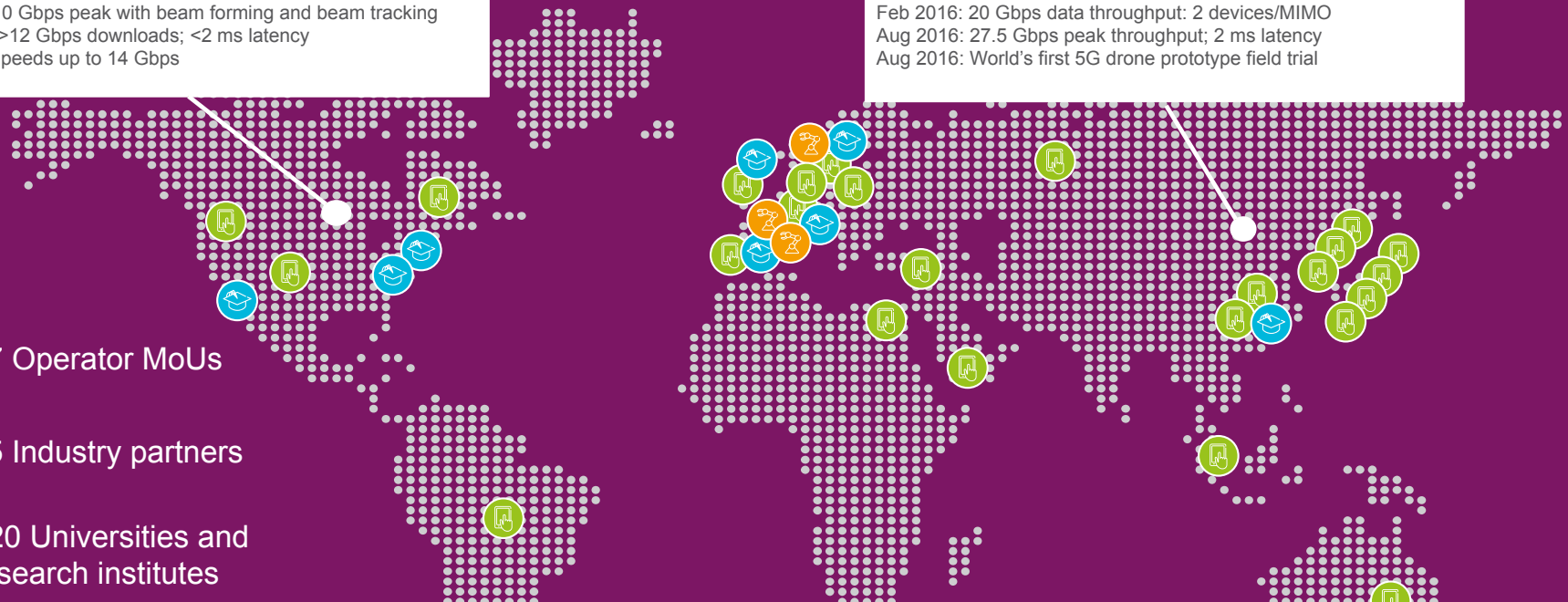
This slide contains forward-looking statements. Actual result may be materially different.

# ERICSSON 5G MOMENTUM



**North America:**  
Feb 2016: 10 Gbps peak with beam forming and beam tracking  
Sept 2016: >12 Gbps downloads; <2 ms latency  
Oct 2016: Speeds up to 14 Gbps

**Asia:**  
Feb 2016: 20 Gbps data throughput: 2 devices/MIMO  
Aug 2016: 27.5 Gbps peak throughput; 2 ms latency  
Aug 2016: World's first 5G drone prototype field trial



 27 Operator MoUs

 15 Industry partners

 ~20 Universities and research institutes

**Academia examples**  
UK - King's College  
US - NY University, Stanford, Berkeley, Carnegie Mellon and MIT.

**Industry partner examples**  
Automotive and transport: Scania, Volvo,  
Manufacturing: ABB, SKF, Saab, Zucchetti Centro Sistemi  
Process industry, safety/security: Boliden

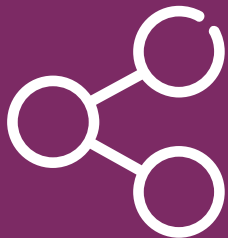
This slide contains forward-looking statements. Actual result may be materially different.



# MID-TERM JOINT PRIORITIES



Commercial  
excellence



Innovation

PRODUCTS & SERVICES

Monetize installed base & expand business horizon

- › Grow Managed Services by addressing customer experience and network evolution
- › Expand customer support to address customer experience through predictive analytics and preemptive actions
- › Grow capacity sales and leverage new spectrum
- › Ericsson Radio System introduction

Drive competitive portfolio with best TCO and e2e cost

- › Leverage Service delivery efficiency
- › Next step of tools and processes enabled by industrialization and automation
- › Improve R&D efficiency
- › Continued execution of Supply strategy

Undisputed leadership in evolution to 5G

- › Front-end capabilities to consult and integrate solutions for 5G & IoT
- › Collaborative solutions development between services and products, including 5G and IoT
- › Leverage recently launched 5G software plug-ins and the world's first commercial 5G NR radio
- › Drive 5G ecosystem through collaboration and partnerships

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