

# Ericsson Capital Markets Day 2018



November 8, 2018  
New York



# Segment targets



Carl Mellander  
CFO



# Segment targets 2020 and 2022



## Networks



### 2020 target

Net sales	Operating margin <sup>2</sup>
SEK 141-145 b. (128-134) <sup>1</sup>	15-17% (15-17%) <sup>1</sup>

- Increased net sales ambition
- Invest in technology and cost leadership
- Improve competitiveness for selected market expansion
- Acceleration of 5G with lead customers

15% to 17%

## Digital Services



### 2020 target

Net sales	Operating margin <sup>2</sup>
SEK 41-43 b. (42-44) <sup>1</sup>	Low single digit (Low single digit) <sup>1</sup>

- Transferred business to Managed Services – changed sales target
- Focused portfolio and increased efficiency
- Increased usage of industrialized solutions
- Selective approach to large and complex projects

10% to 12%

## Managed Services



### 2020 target

Net sales	Operating margin <sup>2</sup>
SEK 23-25 b. (20-22) <sup>1</sup>	5-8% (4-6%) <sup>1</sup>

- Increased margin target
- Transferred business from Digital Services – changed sales target
- Capture new business
- Launch new AI offerings
- Drive Service delivery efficiency

8% to 10%

## Emerging Business & Other



### 2020 target

Net sales	Operating margin <sup>2</sup>
SEK 5-7 b. (3-5) <sup>1</sup>	Break-even (Break-even) <sup>1</sup>

- Sales target changed – Red Bee Media kept inhouse
- MediaKind divestment around year-end 2018
- iconectiv – continued profitable growth
- Scale investments in Emerging Business

-

### Operating margin<sup>2</sup> targets 2022

<sup>1</sup> Numbers within brackets refer to CMD 2017 targets

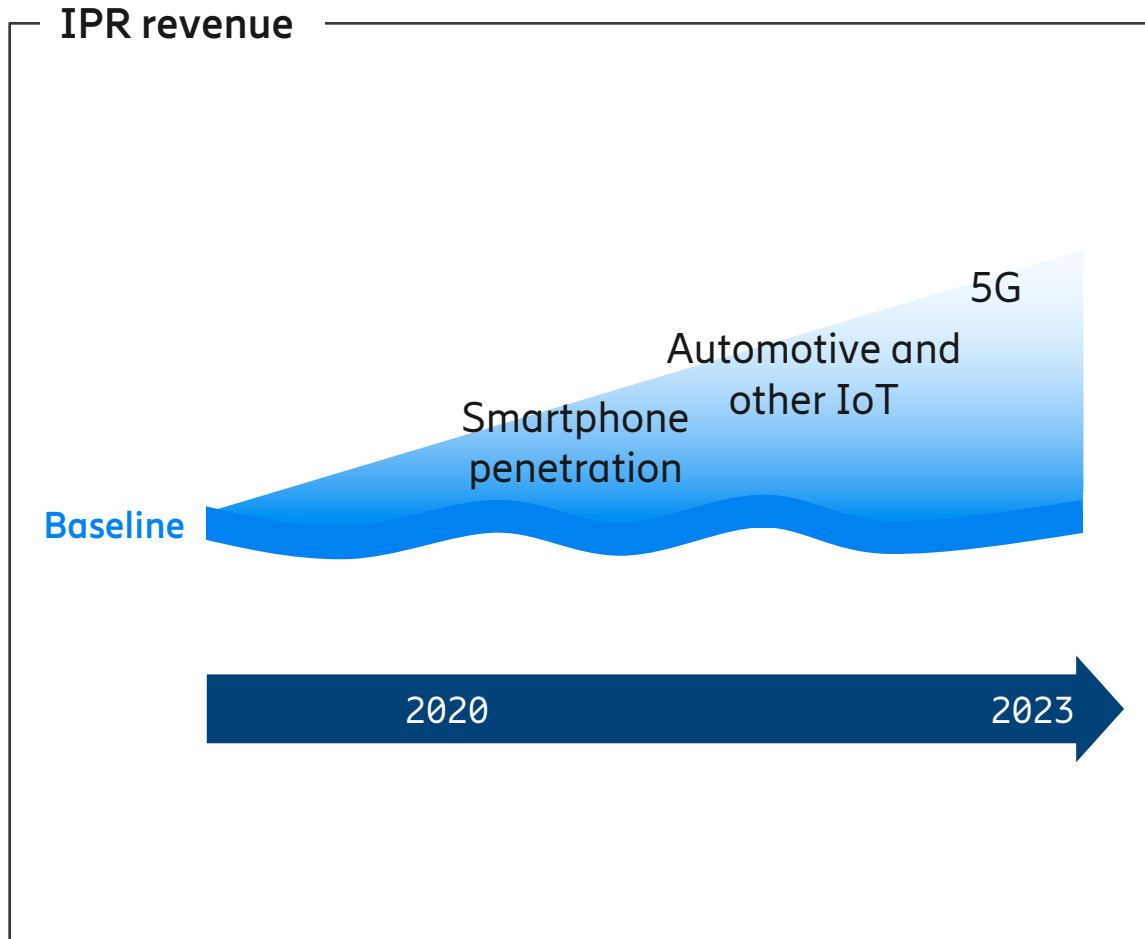
<sup>2</sup> Operating margin target excludes restructuring charges

We will manage emerging business initiatives for growth, based on positive NPV case-by-case and within 2022 Group targets.

# Stable IPR licensing revenue with long-term upside



Illustrative



- Our 2020 planning is based on stable IPR licensing revenue (current run-rate SEK 7.5 b.)
- Revenues may temporarily fluctuate over time due to contract renegotiations
- Growth ambition includes new contracts with unlicensed smartphone OEMs, licensing Automotive and other IoT, and 5G

# Path to operating margin targets



Illustrative

## Contribution per segment to operating margin<sup>1</sup> target

	Operating margin <sup>1</sup> 2018 09 YTD		Share of operating income improvement to reach 2020 operating margin <sup>1</sup> target	Operating margin <sup>1</sup> target 2020	Operating margin <sup>1</sup> target 2022
Networks	14.4%	▶		15% to 17%	15% to 17%
Digital Services	-19.7%	▶		Low single digit	10% to 12%
Managed Services	5.4%	▶		5% to 8%	8% to 10%
Emerging business and other	-53.8%	▶		Break-even	-
<b>Total</b>	<b>4.6%</b>	▶	<b>100%</b>	<b>&gt;10%</b>	<b>&gt;12%</b>

We will manage emerging business initiatives for growth, based on positive NPV case-by-case and within 2022 Group targets.  
<sup>1</sup>Operating margin targets excludes restructuring charges.



# Networks

Fredrik Jejdling,  
Executive Vice President and Head of Networks



# Agenda



Performance and ambition to 2020

Meeting changing operator needs

# Strategic priorities and achievements



Invest in technology and cost leadership

Selective market expansion based on technology and cost competitiveness

Acceleration of 5G with lead customers



Talent transformation

- 2 500 R&D engineers hired
- 3 000 employees left



Technology leadership

- 100+ radios planned for 2019
- World 1st 5G commercial end-to-end call
- RAN Compute & spectrum sharing



Market share

- From 27% Q217 to 30% Q218
- Key deals: Verizon, Deutsche Telekom, China Mobile, Sprint, T-Mobile, Swisscom



Q3 results YoY

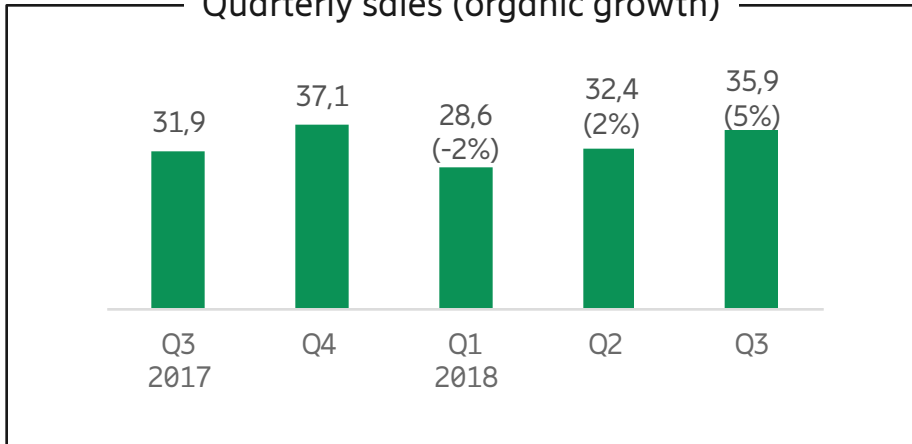
- Net sales +5pp
- Gross margin +7pp



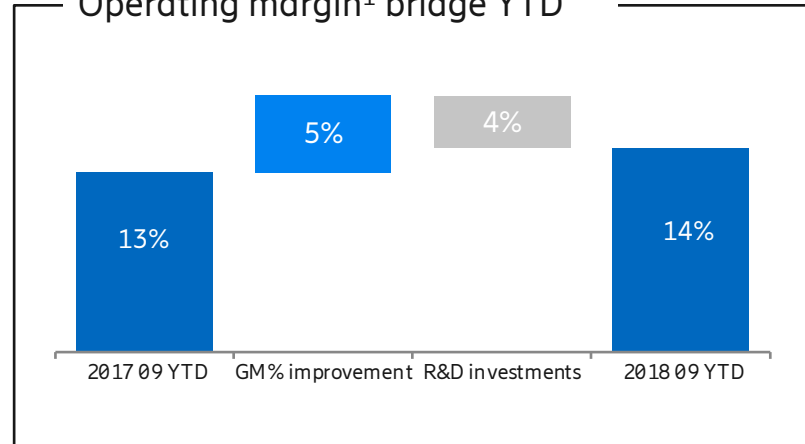
# Financial performance Q317-Q318



Quarterly sales (organic growth)



Operating margin<sup>1</sup> bridge YTD



Observations YTD

## Net sales

- Growth mainly due to strong growth in North America, Europe and Latin America, driven by investments in 5G readiness and LTE networks
- Market share increase

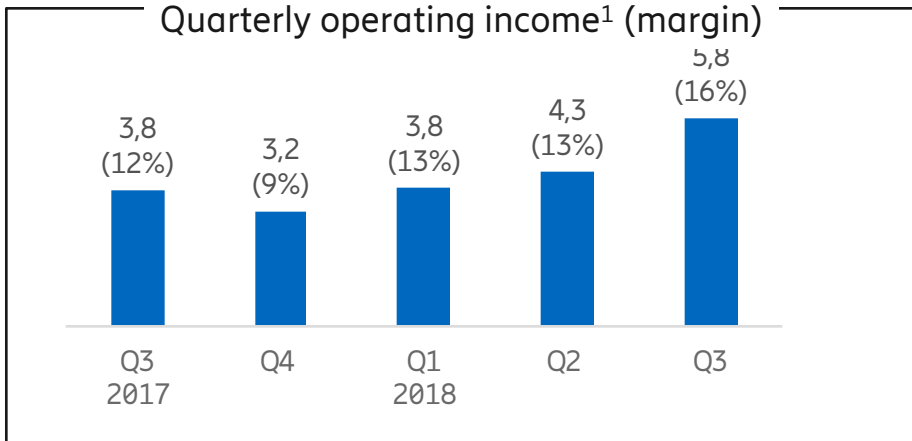
## Gross margin

- Gross margin 41%
- Improved margins cross all offerings driven by cost reductions and successful shift towards attractive radio platform ERS (86% YTD) and favorable market mix.

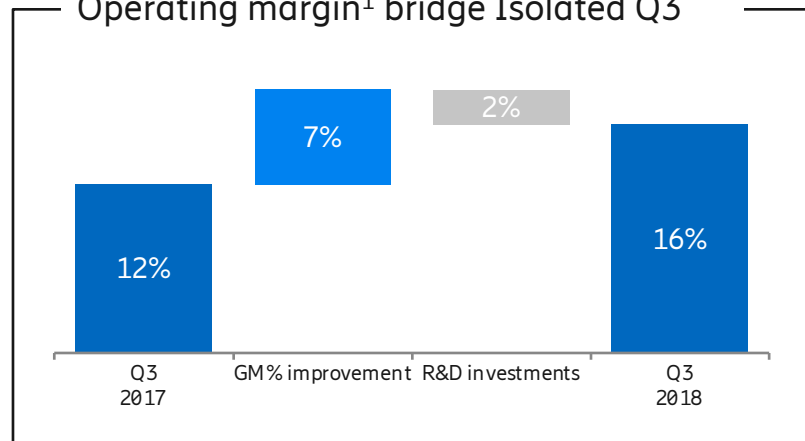
## Operating margin

- Operating margin up 1 pp YTD driven by gross margin improvements partly offset by increased R&D investment

Quarterly operating income<sup>1</sup> (margin)



Operating margin<sup>1</sup> bridge Isolated Q3



<sup>1</sup>Operating income and margin exclude restructuring charges

# Key levers for reaching 2020 objectives



1

## Secure our profitability

### Key drivers of gross margin

- R&D for cost leadership
- Increased platform substitution
- Service delivery efficiency
- Continued commercial discipline

### Key drivers of operating margin

- R&D efficiency
- Supply efficiency

2

## Fund investments for cost competitiveness and network agility

- R&D for differentiating features
- ERS 5G ready, 5G transport
- RAN Compute
- Ericsson Spectrum Sharing
- Serviceability and automation

3

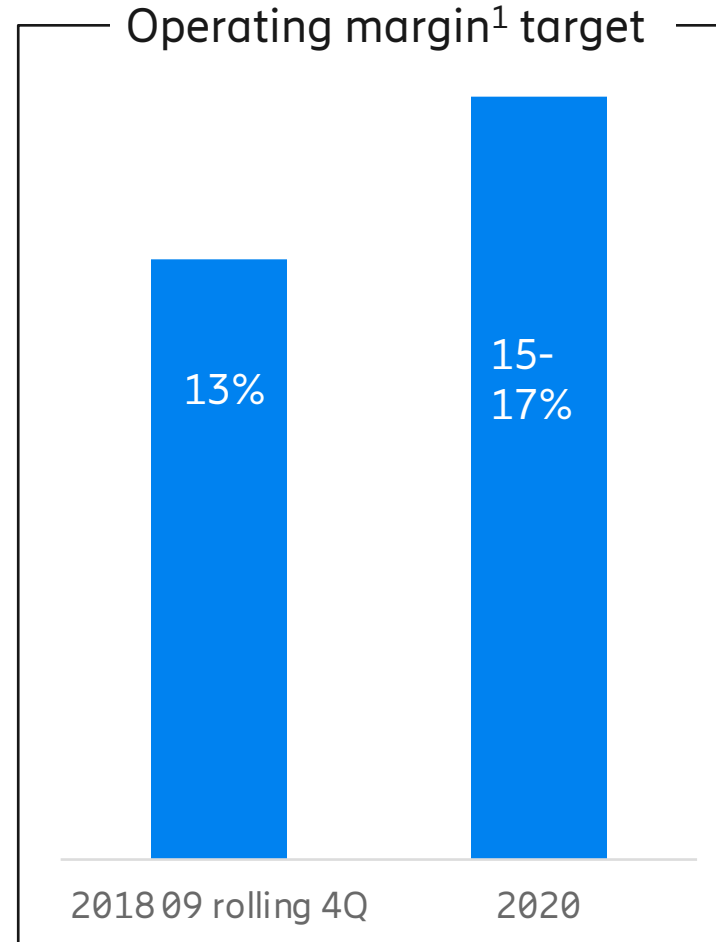
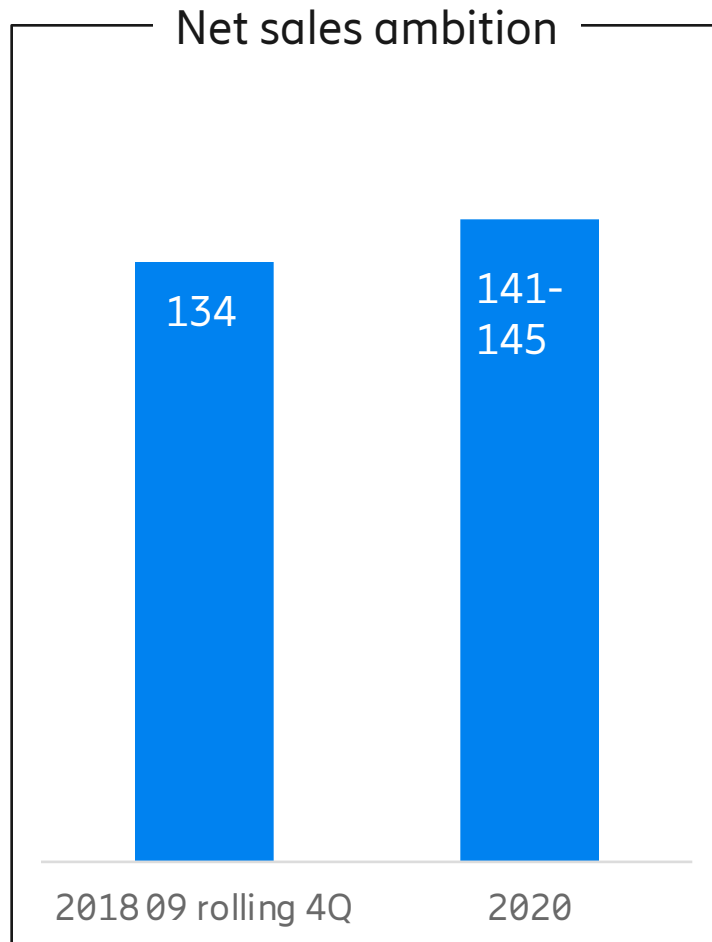
## Selective market share expansion

- Leverage our ERS installed base
- Future-proof customer networks

## Objectives

- Secure our financial 2020 ambition
- Build our foundation for 5G leadership

# Our 2020 ambition



### What will take us there

- Invest in technology and cost leadership
- Selective market expansion based on technology and cost competitiveness
- Acceleration of 5G with lead customers

<sup>1</sup>Operating income and margin exclude restructuring charges

# Agenda



Performance and ambition to 2020

Meeting changing operator needs

# 2018: A pivotal year for the industry



## 5G 2018

The first commercial launches of 5G in 2018

## 20%

of mobile data traffic will be carried by 5G networks in 2023

## 3.5 billion

Cellular IoT connections in 2023





# New business reality drives our strategy



## New business reality

- 5G market driven by consumer, enterprise and industry needs
- 4G and 5G coexistence, new spectrum bands
- Virtualization, openness, and network e2e orchestration
- Digitalization of customer interaction and delivery
- Diverse market requirements

## Operator needs

### Relentless efficiency

- Add capacity and new technology to meet the ever growing traffic demand
- Manage network evolution to 5G while protecting existing investments

### New revenue streams

- Network capabilities to create new use cases while minimizing TCO<sup>1</sup>

## Investment strategy

Invest for cost competitiveness

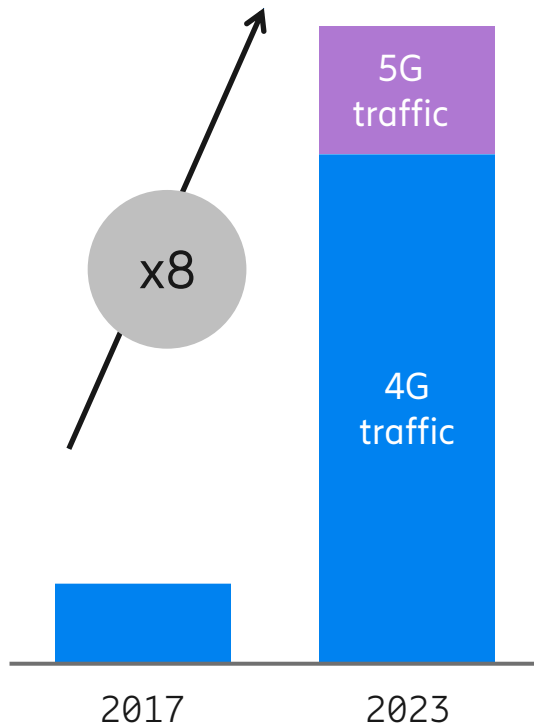
Invest for network agility

<sup>1</sup>TCO=Total cost of ownership

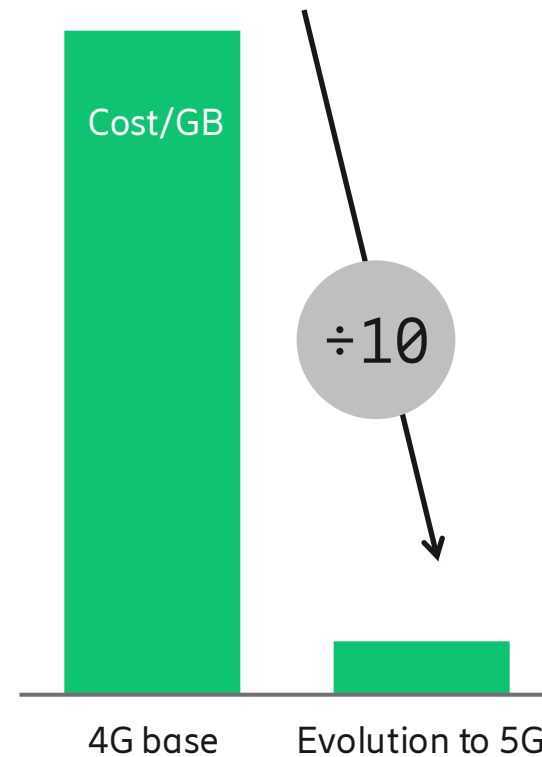
# Meeting traffic increase with cost efficiency measures on 4G and 5G



Global mobile data forecast



Relative cost-efficiency<sup>1</sup> for capacity expansions on a site



- Improved cost-efficiency as cost/GB reduced faster than traffic grows
- New value created as mobile broadband performance and quality increases

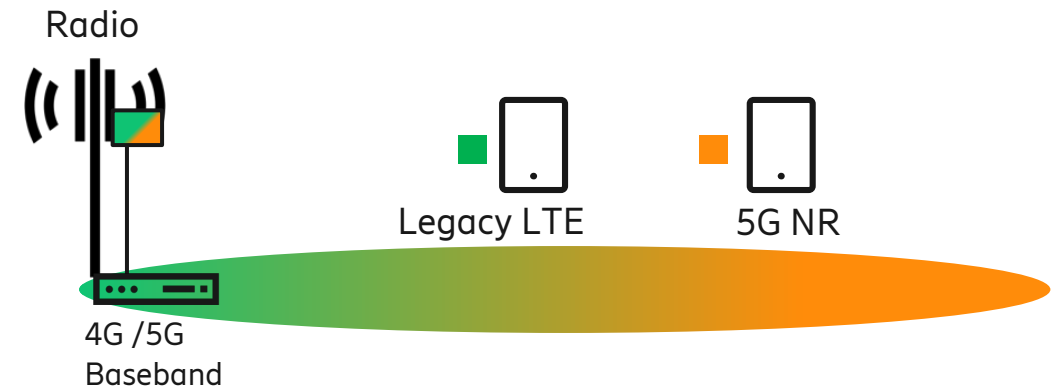
<sup>1</sup>Efficiency steps include additional spectrum for 4G and 5G, Massive MIMO and 5G NR

# Network evolution – leveraging existing investments



Creating customer value

- Leveraging 5G ready ERS since 2015
- Ericsson Spectrum Sharing
- RAN Compute for flexible deployment
- Smooth and fast network migration
- Capacity where it is needed – Massive MIMO, mmWave



Excellent connectivity



Service diversity



Easy network operations



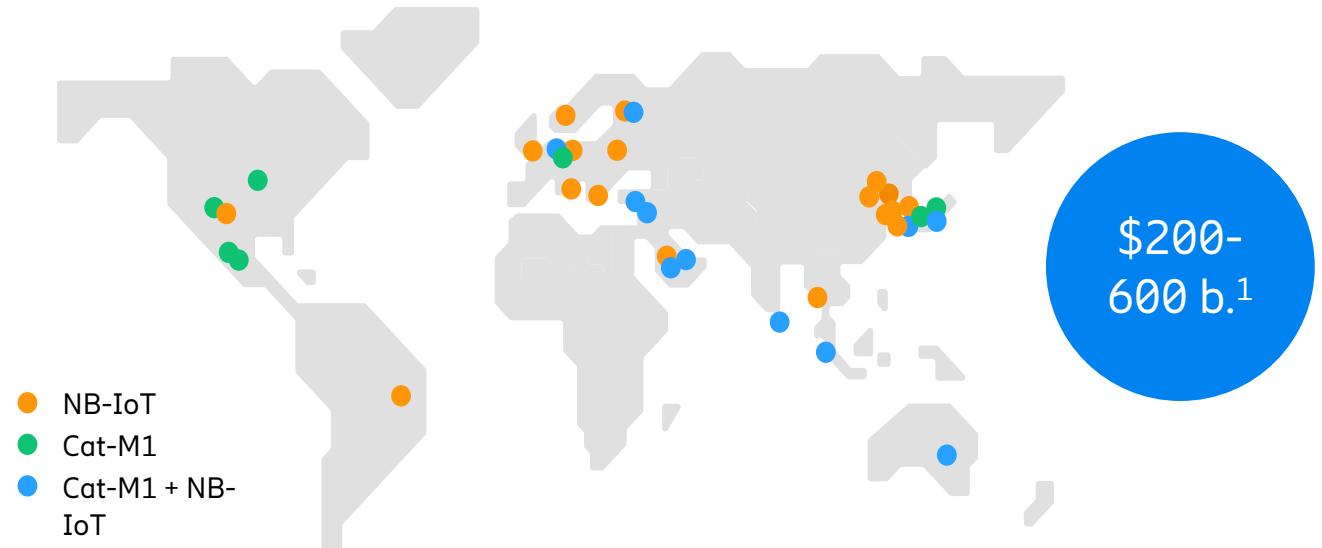
Future-proof networks

# New revenue streams emerging with IoT and Fixed Wireless Access (FWA)



- Massive IoT – happening now on 4G
  - Driven by large scale deployments in China
  - 1 billion Cellular IoT end of 2018
  - 3.5 billion Cellular IoT by 2023
- Critical IoT – potential to address new use cases
  - >10 million industrial and manufacturing sites
  - >3 million warehouses
  - 5G modules for industrial applications expected 2019/2020

Ericsson is enabling more than half of the launched IoT networks

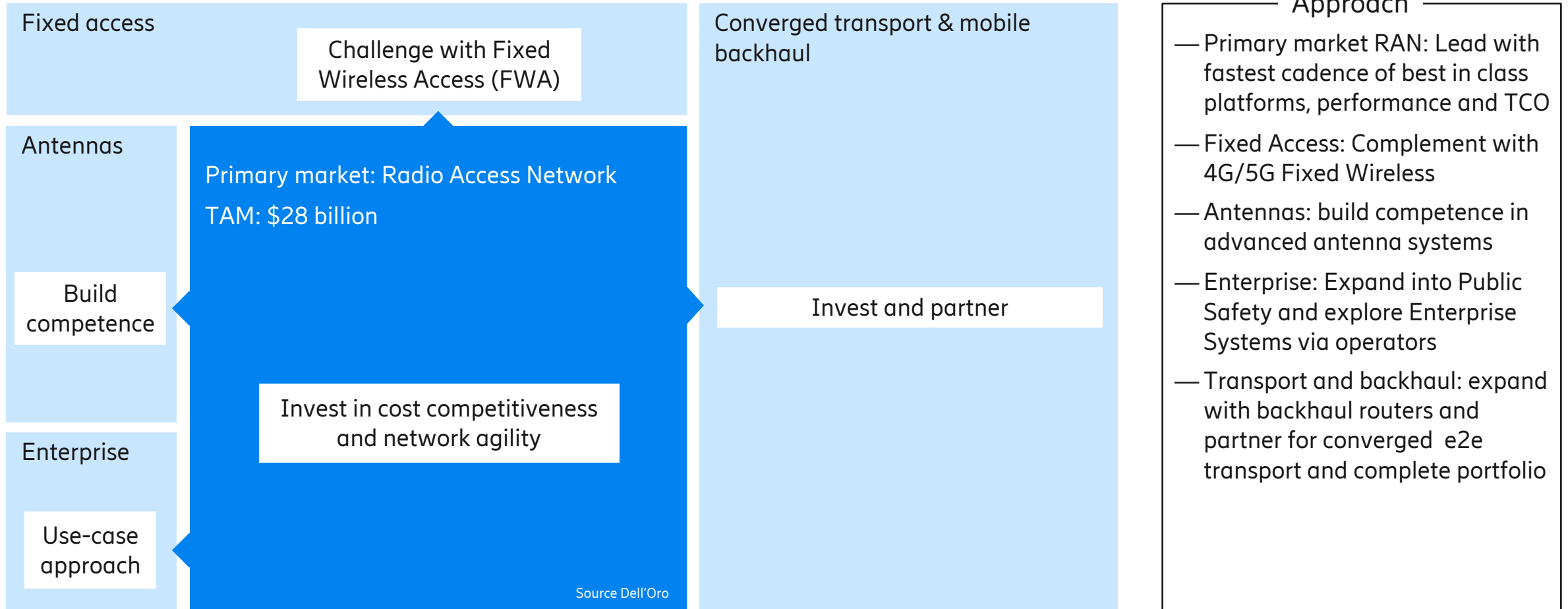


- FWA - 1 billion households without fixed broadband
  - FWA as extended service on mobile broadband network
  - Targeting unserved and underserved market segments and to complement/extend fixed offering
  - FWA - first use case launched on 5G



<sup>1</sup> Operator potential revenues in 2026

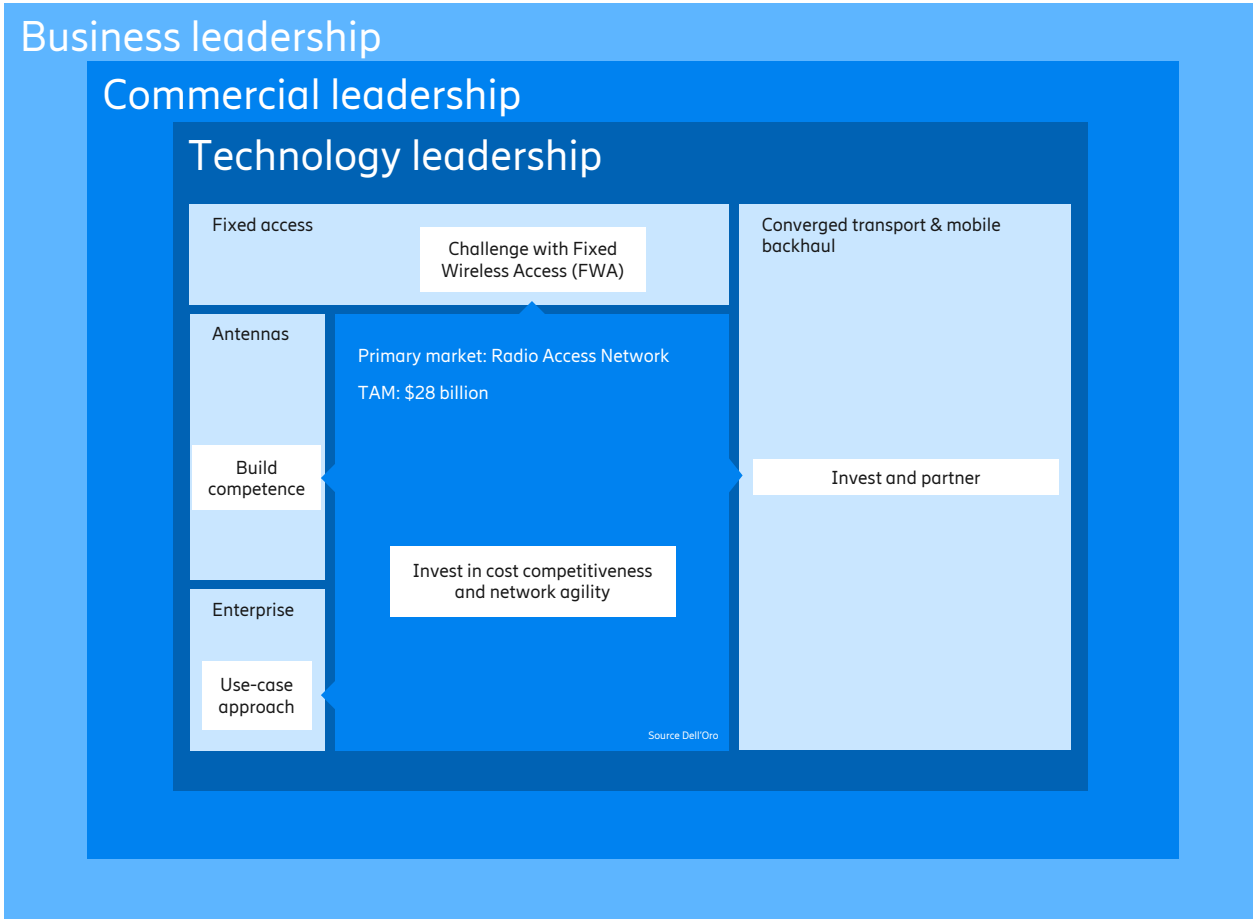
# Networks portfolio strategy



TAM = Total Addressable Market



# Market leadership requires excellence beyond technology



Fastest cadence of platforms with best in class cost/performance and first to introduce new features

Capture the value of our technology & business advantage

Best in class customer experience from pre-sales to delivery

Market leadership

Operating margin<sup>1</sup> no later than 2022: 15-17%

<sup>1</sup>Operating margin exclude restructuring charges

# Key takeaways



Focused strategy execution generating results

Tracking well towards financial targets 2020, with revised financial ambition

R&D strategy focus on cost competitiveness and network agility for operators

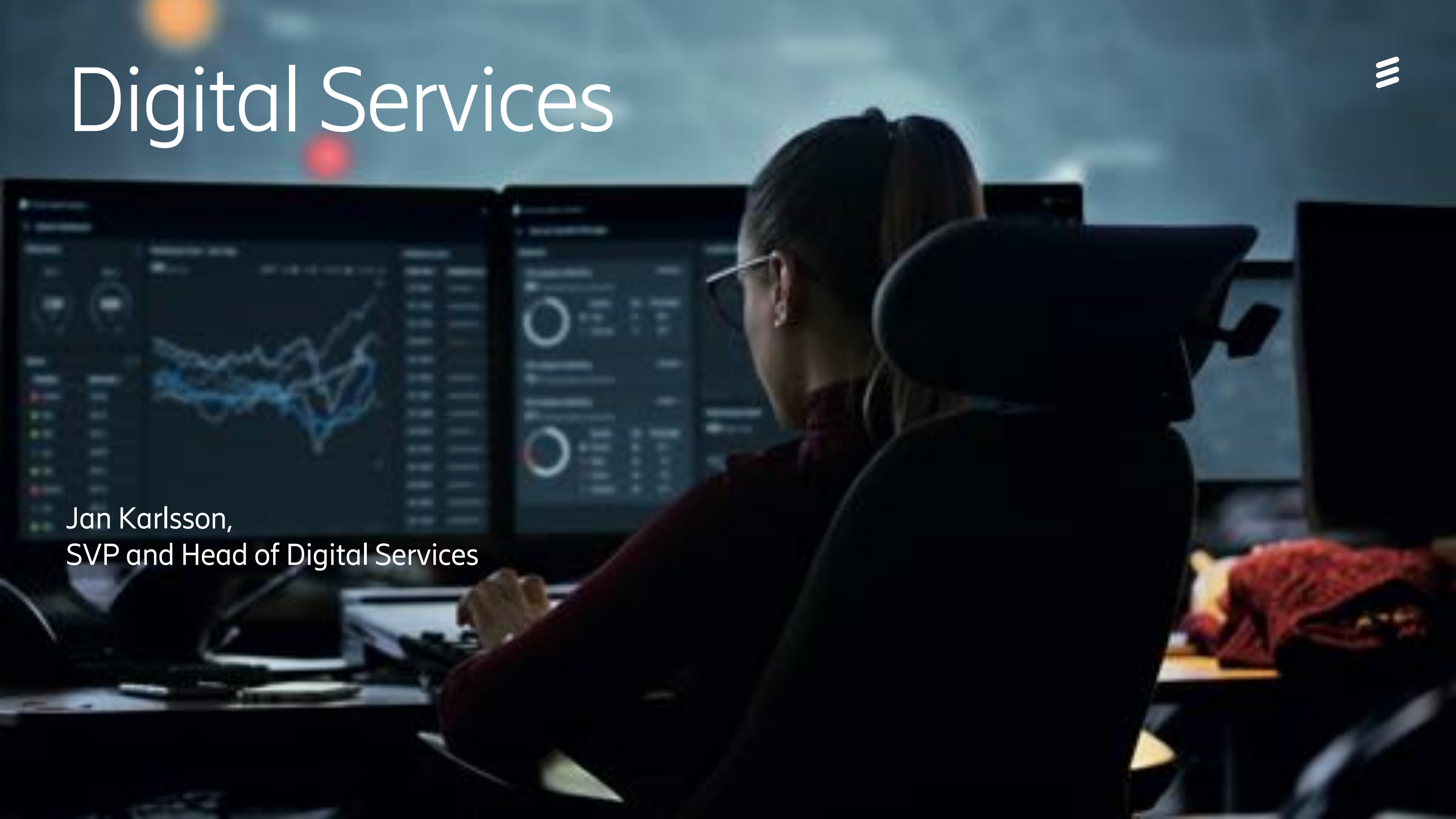
Our portfolio strategy is to lead in RAN and grow into adjacent markets

Market leadership requires technology, commercial, and business leadership

# Digital Services



Jan Karlsson,  
SVP and Head of Digital Services





All periods excluding restructuring charges, FY 2017 excludes restructuring charges and SEK -14.5 b. in impairments, write downs and other xo items

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

# Agenda

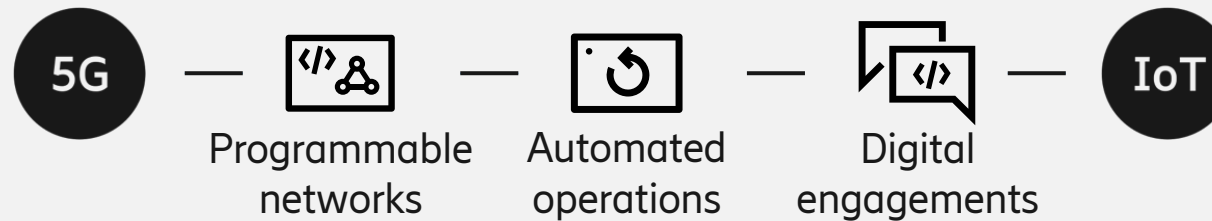


Digital Services overview, execution and market outlook

Strategy, priorities, actions and targets



# Digital Services – customers' ambitions in focus



## Ambitions and objectives

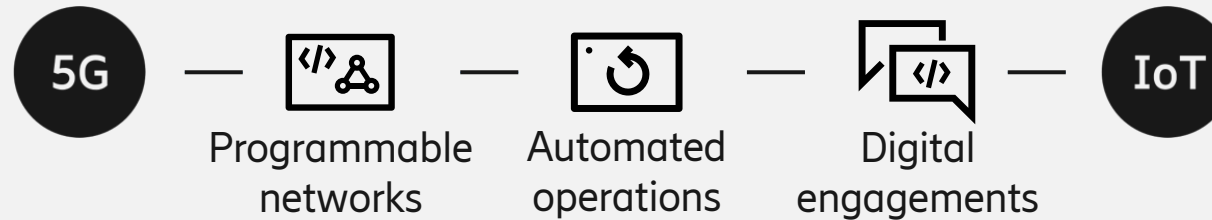
Time to market:  
>50% shorter

Manual order  
interventions:  
>40% less

Digital  
interactions:  
>70%

Impacted  
opex:  
>30% cut

# Digital Services portfolio – addressing customers' ambitions



Digital Business Support Systems (BSS) – rating, charging, billing and digital customer engagement (~25%)

Management and orchestration (OSS) – assurance, analytics, orchestration (~20%)

Cloud Communication – VoLTE, 5G voice and IoT communication (~20%)

Cloud Core – evolved packet core, unified data management, policy (~20%)

Cloud Infrastructure – NFV infrastructure, distributed cloud (edge computing) (~10%)

Consulting, learning and testing services (~5%)

( x%) = Q3 2018 revenue share

# Strategy execution – progress



## Strategy communicated at CMD 2017

### Software-led

- Focused portfolio
- Software-centric – own software core of solution

### Industrialized services

- Centralized service delivery
- Automation of service delivery

### Profitability focused

- Communication Services Providers
- High margin driven
- Joint software and services P&L

## Achievements YTD 2018

- Focused portfolio investments: >35% phase-out
- Service delivery focused on own products

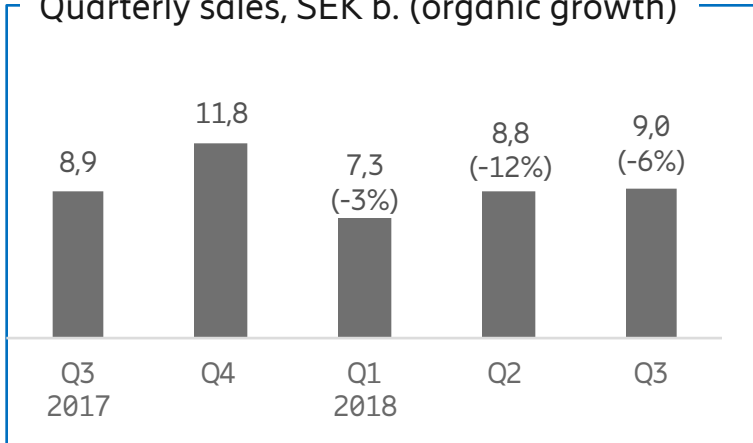
- Increased off-shoring ratio from 39% to 50%
- Increased level of industrialization and automation, partly due to service delivery centralization

- 19 of 45 critical and non-strategic projects addressed
- Solution-focused operating model and governance
- R&D and S&GA cost-out activities on target

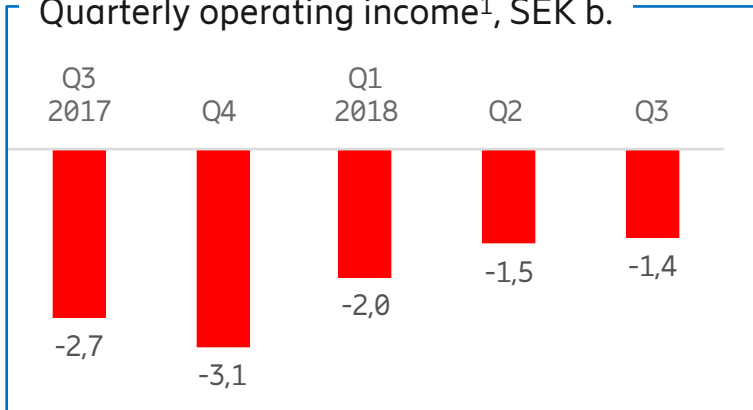
# Financial performance 2018 Q3 vs 2017 Q3



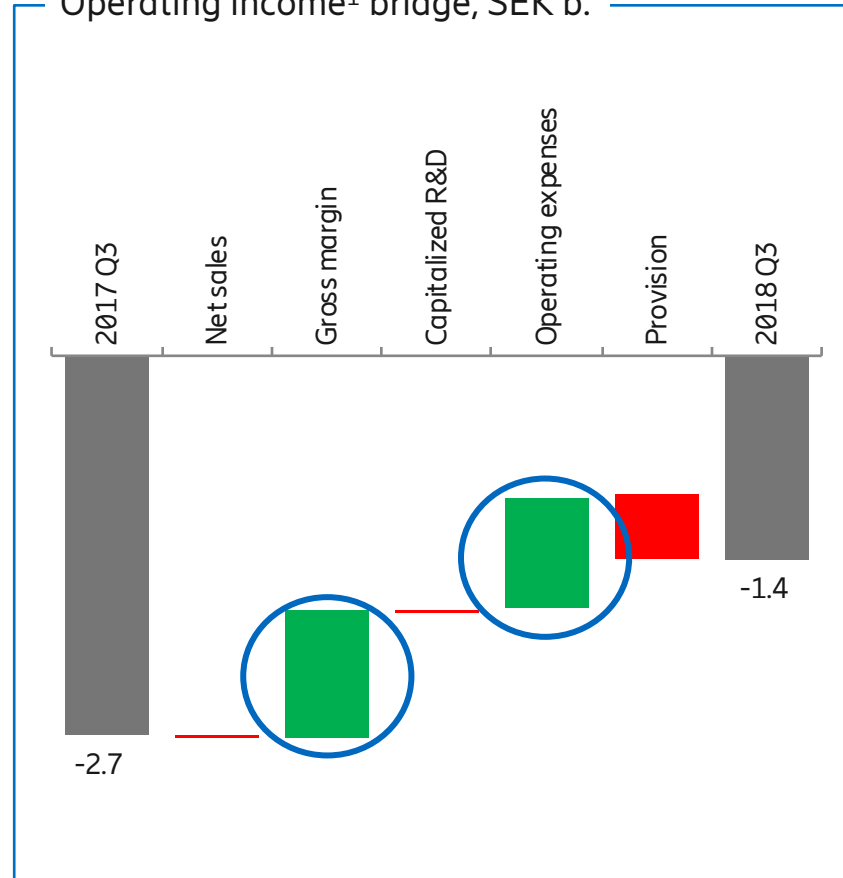
Quarterly sales, SEK b. (organic growth)



Quarterly operating income<sup>1</sup>, SEK b.



Operating income<sup>1</sup> bridge, SEK b.



## Sales

- Legacy products in decline
- Good progress in virtualization and 5G acceleration
- Delay of major contract in North East Asia

## Operating income<sup>1</sup>

- Positive trend while still loss making
- Additional provisions led to sequential gross margin drop in Q3
- Operating income impacted by amortization of capitalized R&D: SEK -0.4 b. per quarter
- Gross margin significantly improved from service delivery cost reductions and efficiencies
- Cost savings in both R&D and SG&A on target

<sup>1</sup>Operating income and margin excluding restructuring charges. Q417 excluding restructuring and SEK 8.5 b. in impairments and write downs

# Market situation



## Market outlook – Market position<sup>1</sup>

### Per area

#### Digital BSS

CAGR | # 1-4  
~0% | 350+ customers

#### OSS

CAGR | # 1-3  
~5% | 300+ customers

#### Cloud Communication

CAGR | # 1-3  
~4% | 170+ customers

#### Cloud Core

CAGR | # 1-2  
~3% | 300+ customers

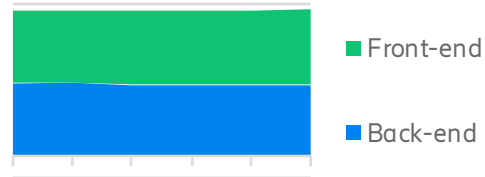
#### Cloud Infrastructure

CAGR | # 1  
~20% | 110+ customers

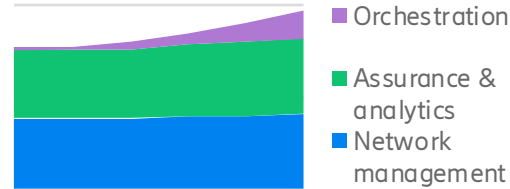
**Overall addressable market  
CAGR 2017 – 2022** **1-4 %**

### CAGR within areas

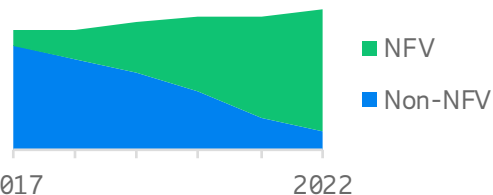
#### BSS



#### OSS



#### Virtualization, example Packet Core, incl 5G Core

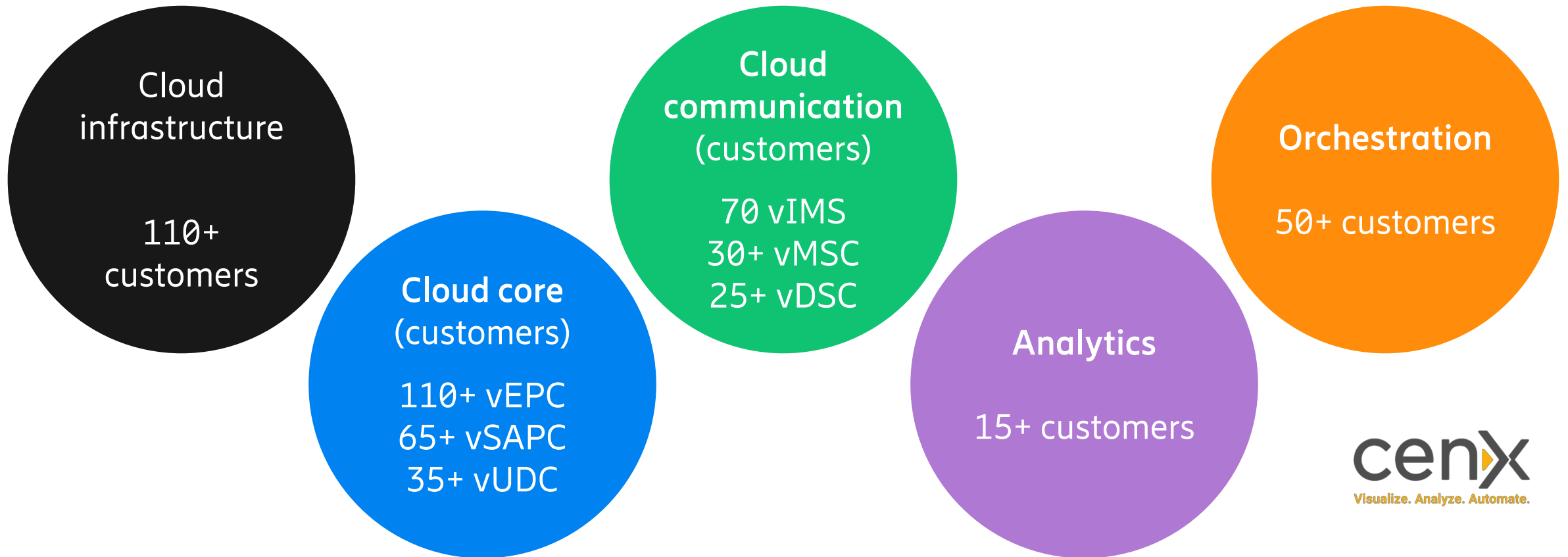


## Market trends

- Accelerating shift to cloud and NFV already with 4G
- 5G investments kicking off
- Increasing need of automation and real-time orchestration
- Continued digitalization initiatives in stable BSS market
- Increasing demand for TCO efficient solutions

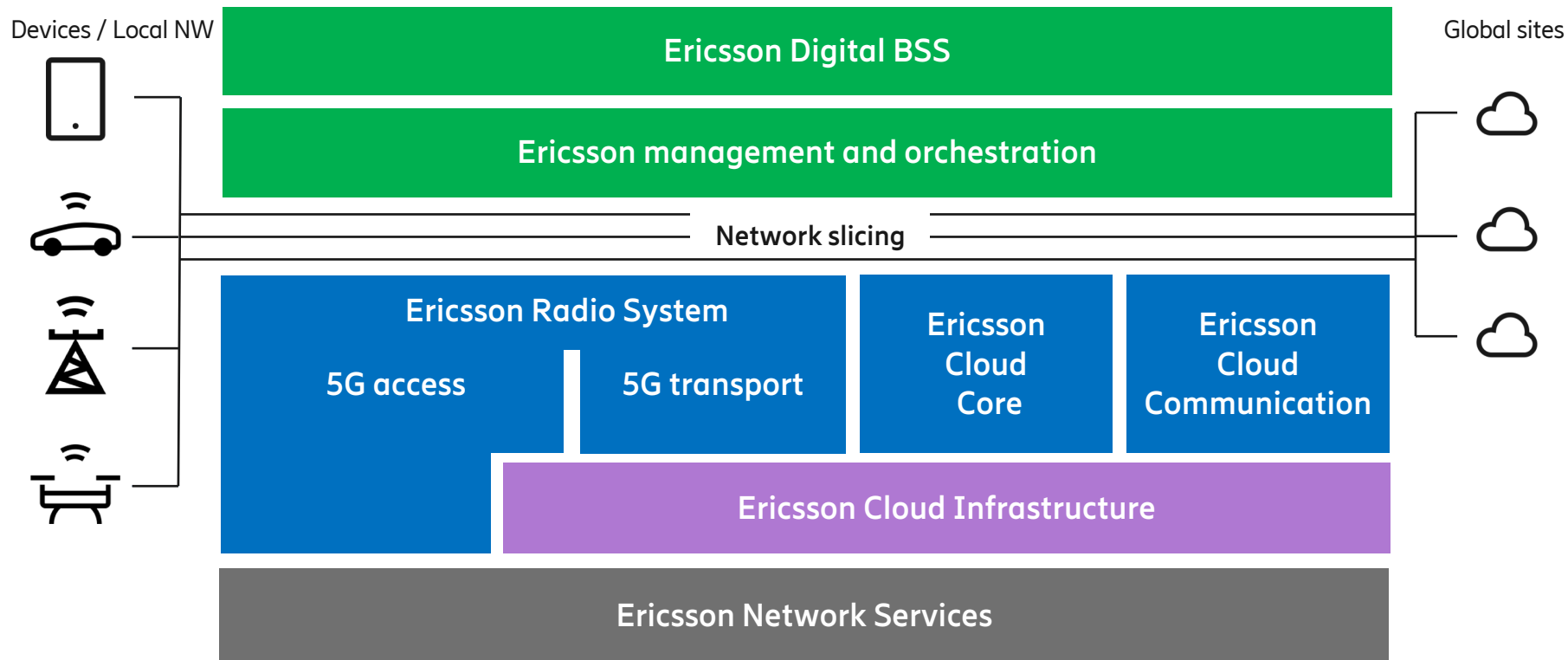
<sup>1</sup>Source: Dell'Oro IHS, Analysys Mason, MarketsandMarkets, GlobalData, Ericsson. BSS, OSS and Cloud Infrastructure market outlook covers products and services. Cloud Communication and Cloud Core, products only

# Our virtualization and orchestration business traction

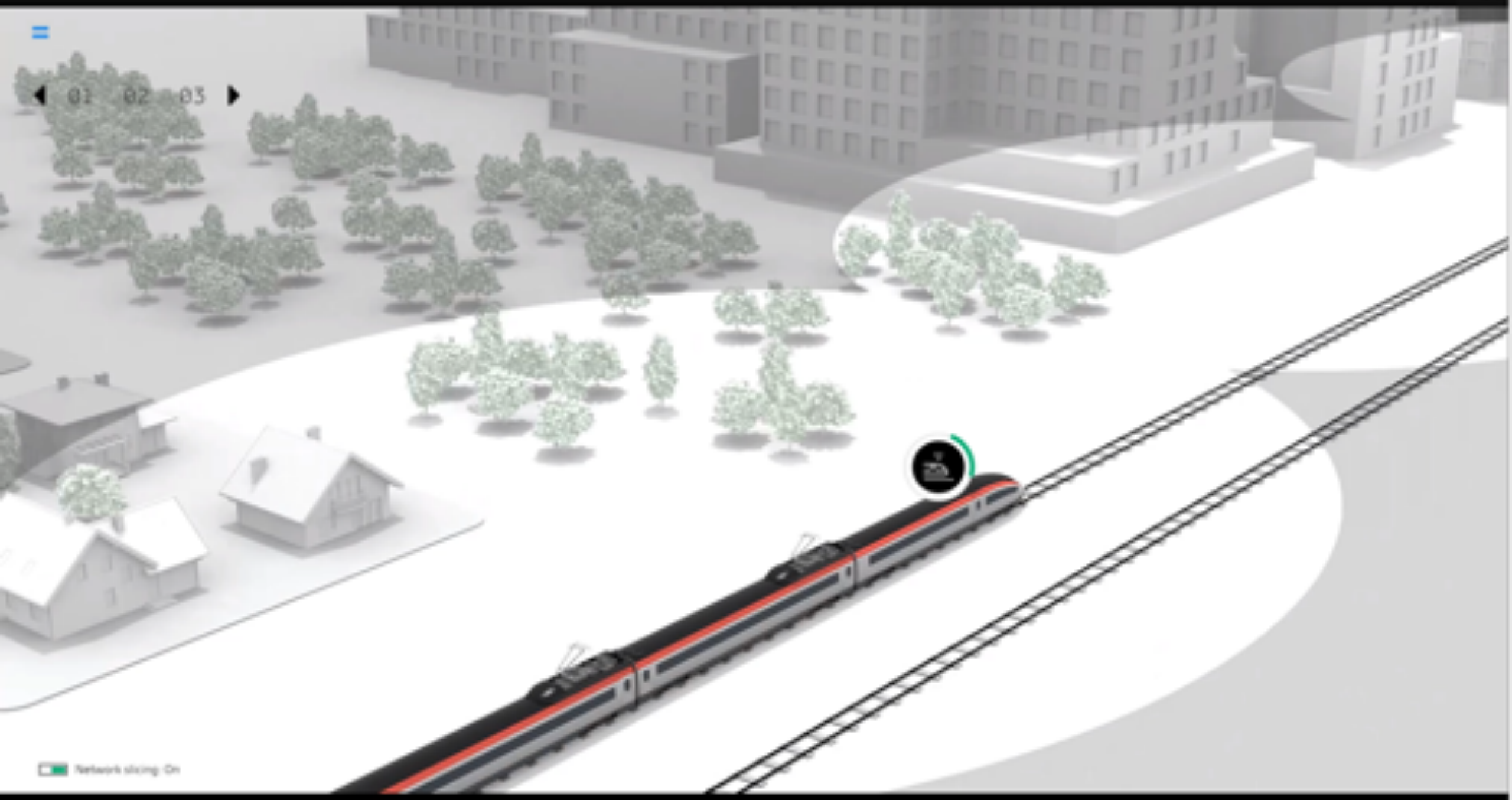


Total number of customers per solution

# Digital Services portfolio integrated in the end-to-end 5G network offering



- **Digital BSS**  
 Real-time charging and billing, digital customer engagement
- **Management and Orchestration**  
 Network Management, Automation and Orchestration of Nodes, Networks and Capabilities
- **5G Access**  
 RAN Compute and baseband, radio, and site
- **5G Transport**  
 Fronthaul, backhaul, edge, core
- **Cloud Core**  
 Packet Core, Unified Data Management and Policy
- **Cloud Communication**  
 Communication Services such as voice, video and messaging
- **Cloud Infrastructure**  
 NFV Infrastructure for Distributed Cloud Environments
- **Network Services**  
 Network Design, Network Build and Customer Support

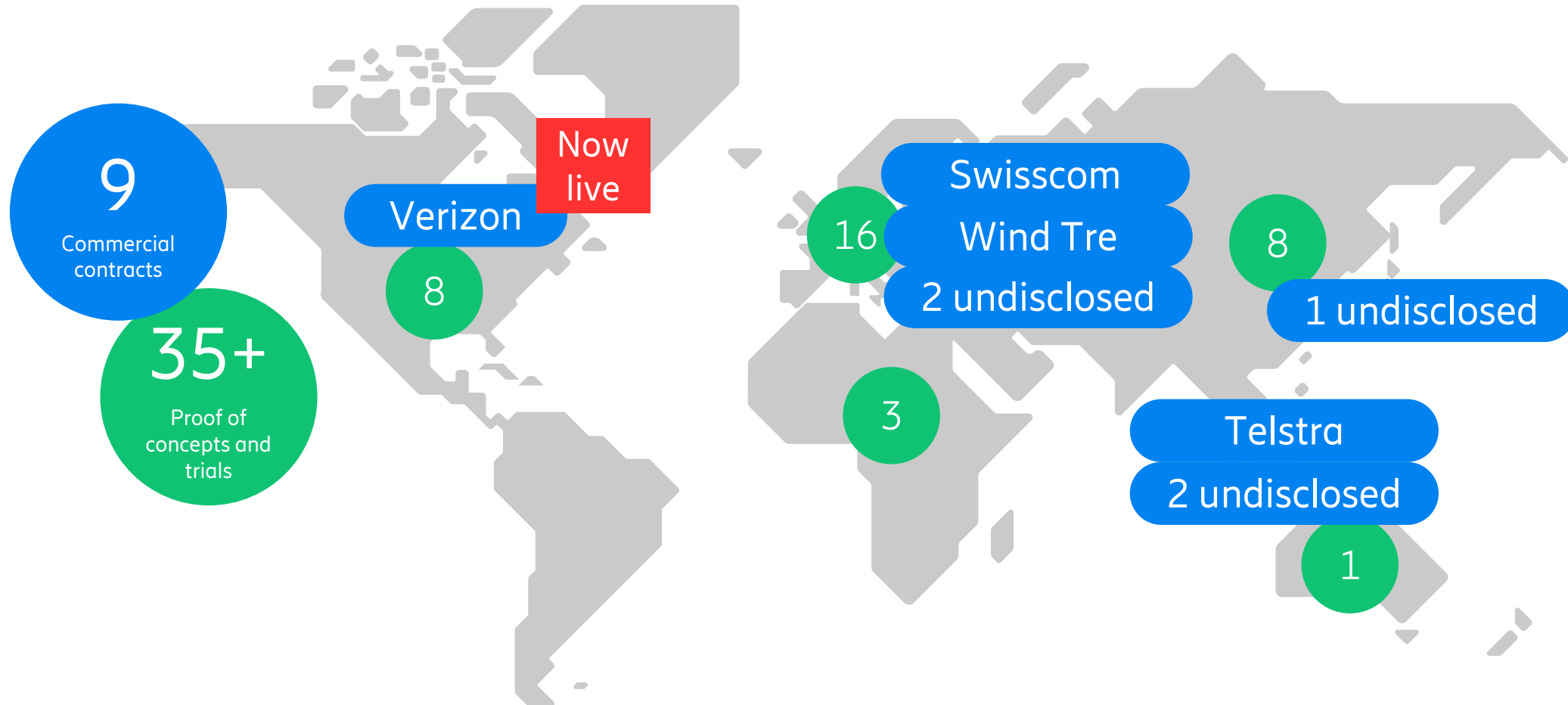


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Network slicing: On



# Business momentum in 5G Core



# Agenda



Digital Services overview, execution and market outlook

Strategy, priorities, actions and targets

# Strategic choices made



Profitability over growth

Operating margin<sup>1</sup> target 2020: low single digit

## Customers

- Telecom operators
- 5G engagements with tier 1 key priority

## Portfolio

- A few selected customers drive our roadmap
- Industrialized solutions – own software and high value services
- Disciplined portfolio management
- Focused on cloud native and automated solutions

## Commercial

- Maximize software value
- Growth of recurring revenue
- Selective approach to large and complex projects

<sup>1</sup>Exclude restructuring charges

# Profitability over growth: 12-18 months actions



## Customers

- Addressing the 45 critical and non-strategic projects
- Targeted virtualization and orchestration sales activities
- 5G program together with Networks

## Portfolio

- Further portfolio optimization including 3PP cost reductions
- Increase cloud native and automation investments for competitive and opex efficient portfolio

## Commercial

- Program to farm installed base
- Enforce software license control discipline
- Improved sales governance and sales delegation model
  - Capture support value and revenues

## Efficient operations

- Evolved operating model:
  - DevOps/continuous integration and delivery flows
  - R&D and service delivery efficiencies
- Site consolidation
- Continued S&GA optimization
- Cost-out with mitigated performance risks

# Addressing the 45 critical and non-strategic projects



## 34 critical projects refer to:

- Telecom operator solutions that are large, multi-year projects.
- Majority based on new products with dependencies on roadmap development & larger transformation program

## 11 non-strategic projects refer to:

- Non-telecom operator customers, with very high degree of 3PP-based systems integration.
- Those remaining are multi-year projects where costs for exit are greater than benefits

## Addressing means:

- Completing the delivery rather than exit with penalty
  - additional approximately 25% of 45 to be completed in 2019
- Strong central governance and project support to reduce commercial risks and diluted margins

- Limited negative impact on net sales expected from addressing non-strategic projects
- By completing the critical projects we secure future revenue from those customer engagements

# BSS strategy update



350+ customers with established charging and billing products

Established BSS portfolio brings ~25% of Digital Services revenue

A strategy to better serve the BSS customers and grow the business

R&D for full stack Revenue Manager to fulfill only existing customer commitments

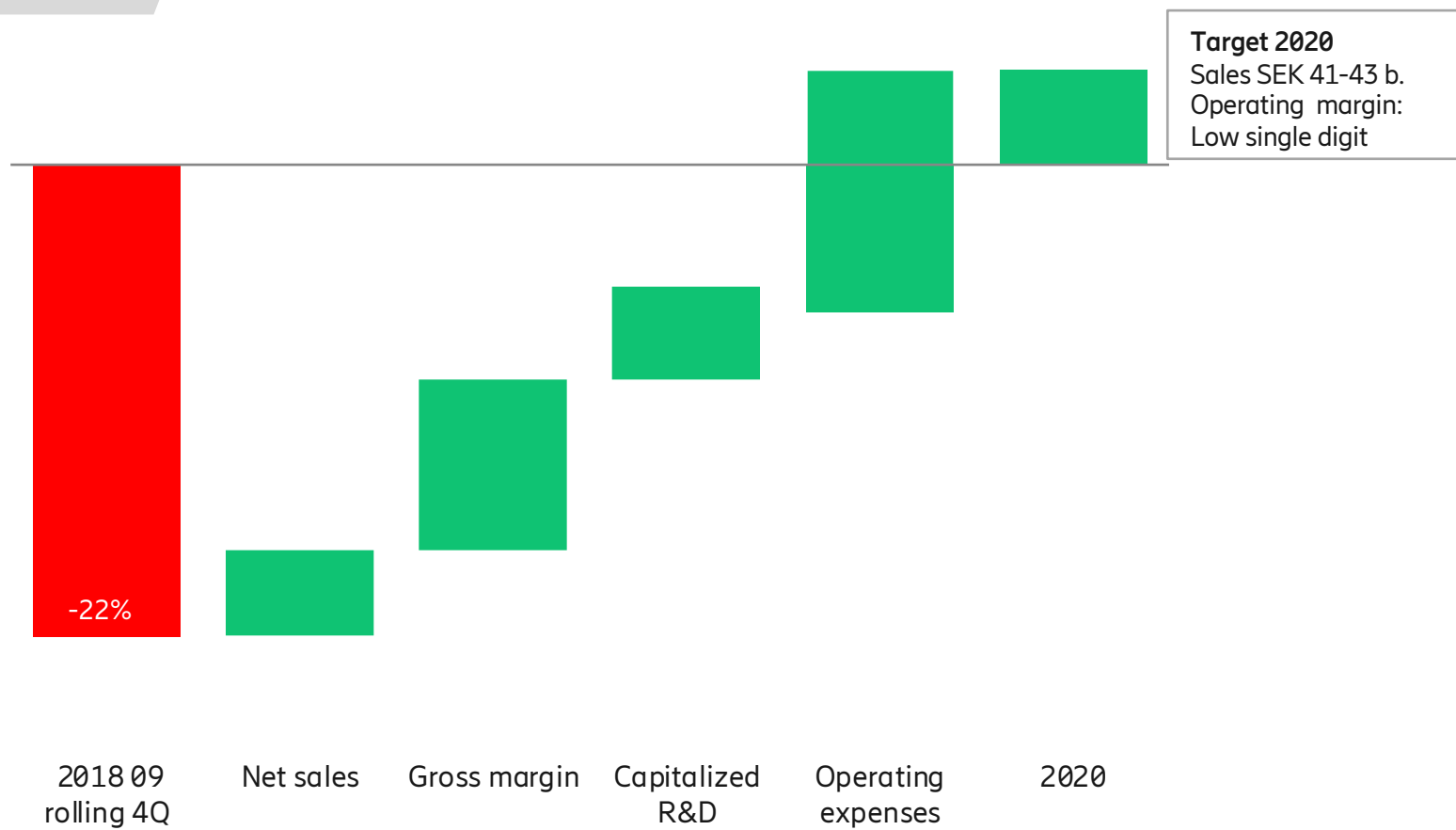
Developed capabilities will be added to the established portfolio

Increase investments in the established portfolio to enable customers to efficiently monetize 5G and IoT opportunities

# Operating margin<sup>1</sup> target 2020



Illustrative



**Net sales**

- Driven by 5G Core, virtualization, orchestration and assurance
- Balanced shift from services to software

**Gross margin**

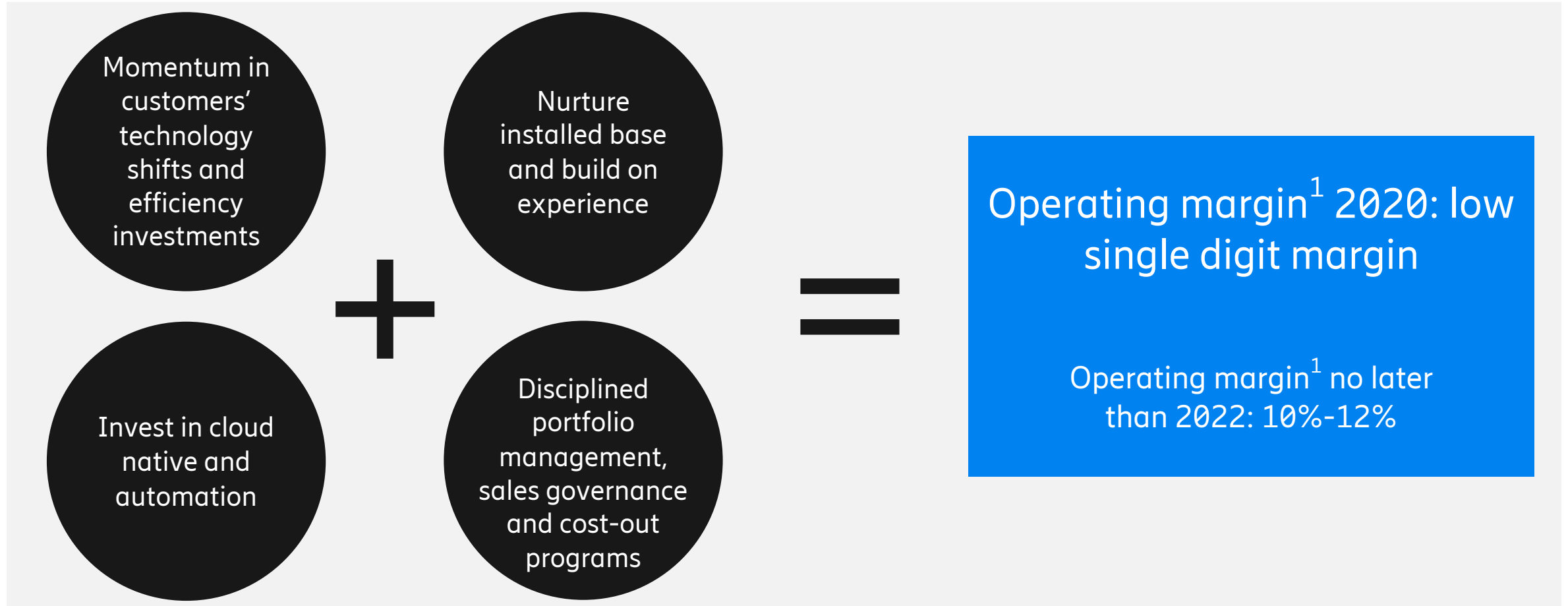
- Increased usage of industrialized solutions
- 45 projects contributes significantly
- Selective approach to large and complex projects

**Operating expenses**

- Portfolio focused on cloud native and automated solutions
- Continued R&D and SG&A cost reductions and increased efficiency

<sup>1</sup>Operating income and margin excluding restructuring charges. Q417 excluding restructuring charges and SEK 8.5 b. in impairments and write downs

# Key takeaway



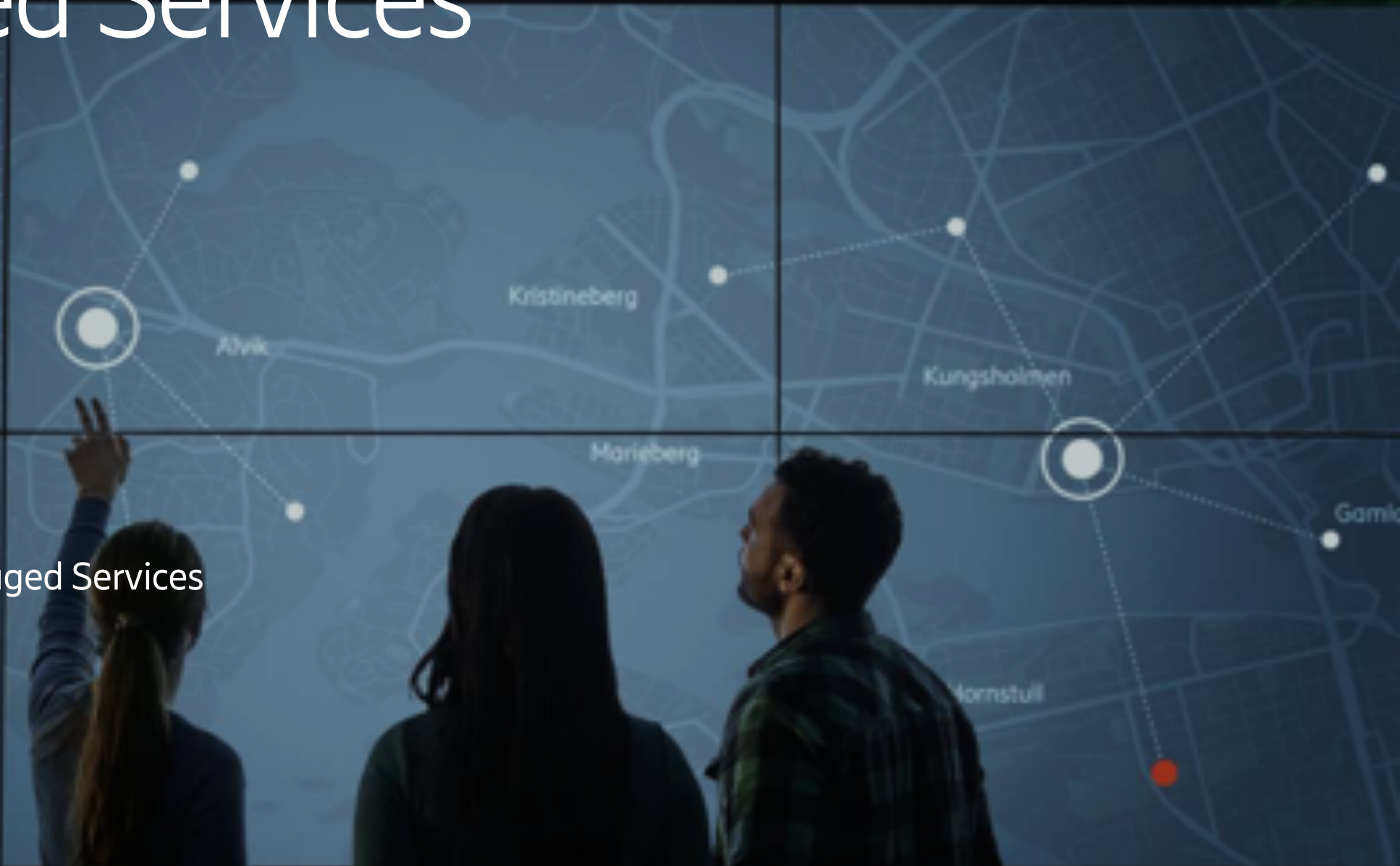
<sup>1</sup>Operating margin exclude restructuring charges



# Managed Services



Number of users	...	...
10,000	...	...
20,000	...	...
30,000	...	...
40,000	...	...
50,000	...	...
60,000	...	...
70,000	...	...
80,000	...	...
90,000	...	...
1,000,000	...	...



Peter Laurin,  
SVP and Head of Managed Services



# Agenda



Segment overview and strategy execution update

Strategy, priorities and targets

Key takeaways

# This is Managed Services



## Network Managed Services

- Managing network operations and field services



SEK ~26.5 b. net sales<sup>1</sup>

>28,000 professionals  
(incl. external workforce)

~300 contracts in >100 countries

## IT Managed Services & ADM

- Operating & developing applications and data centers



## Network Design & Optimization

- Optimizing networks, services and user experience



Ericsson is one of the leaders in a  
SEK 250-300 b. market  
growing CAGR 2-4% 2018-2022<sup>2</sup>

<sup>1</sup>Net sales 2017, restated for ADM transfer  
<sup>2</sup>External sources and Ericsson analysis

# Strategic Priorities



## Communicated at CMD 2017

1 Refocus offerings and business

2 Contract review

3 Execute cost-efficiency initiatives

4 Build world leadership  
in automation and analytics

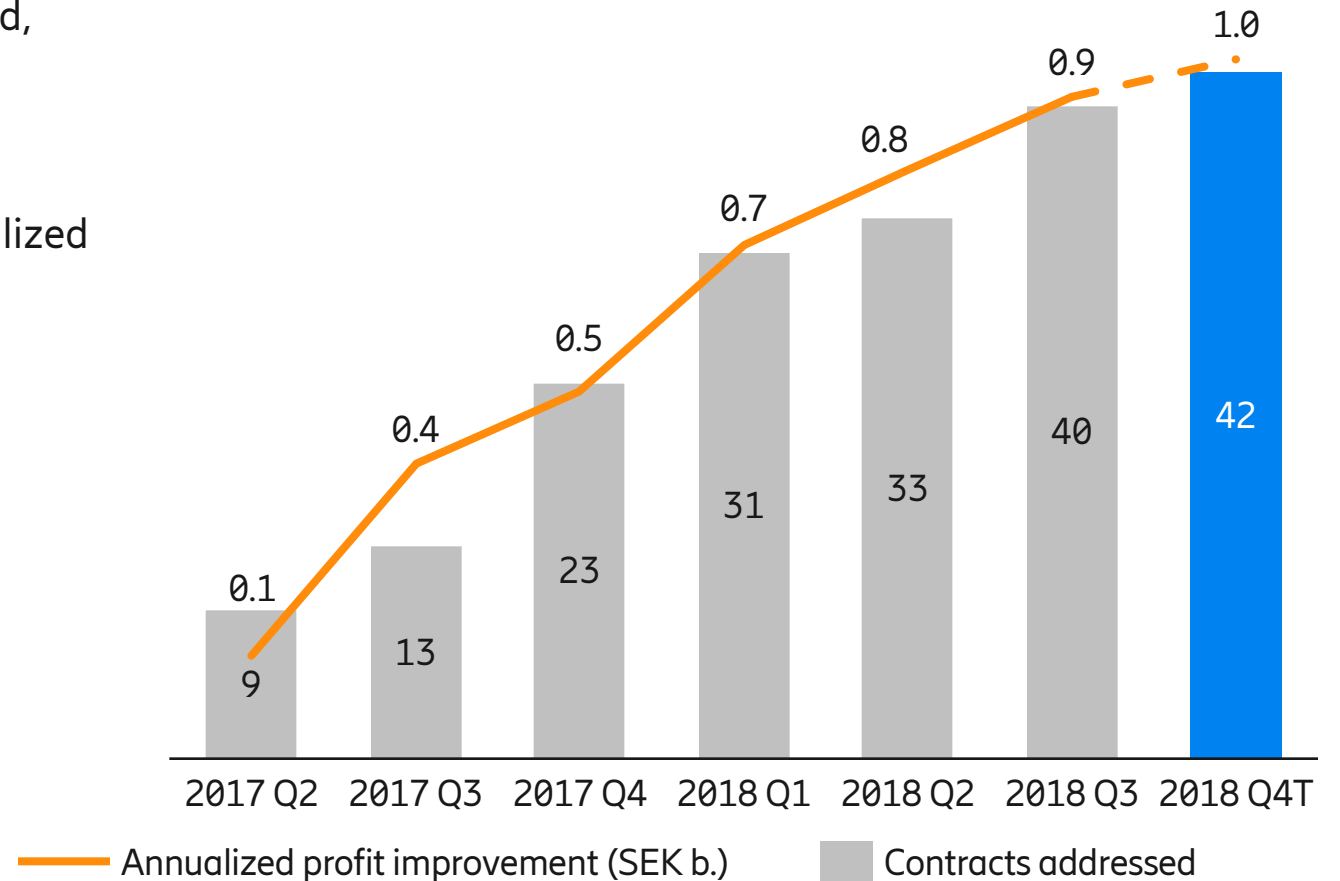
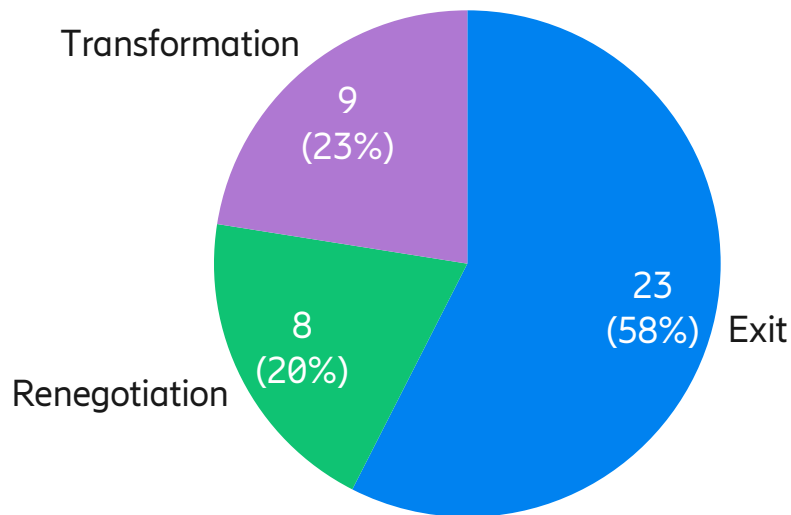
## Execution 2018

- Prioritized markets and offered no stand-alone field services
- Strict financial governance for new contracts
- Addressed 40 of 42 contracts, maintained customer relationships
- Industrialized automation and optimized organization
- Reduced headcount by ~9,000 since 2017
- Invested in R&D in automation, generated multiple AI patents
- Secured the first commercial deals with new AI capabilities

# Contract review



- 42 contracts to be exited, renegotiated or transformed, ambition to complete by 2019
- 40 contracts addressed end of Q3 with SEK 0.9 b. annualized profit improvement and SEK 3.5 b. annualized net sales impact from contract exits<sup>1</sup>

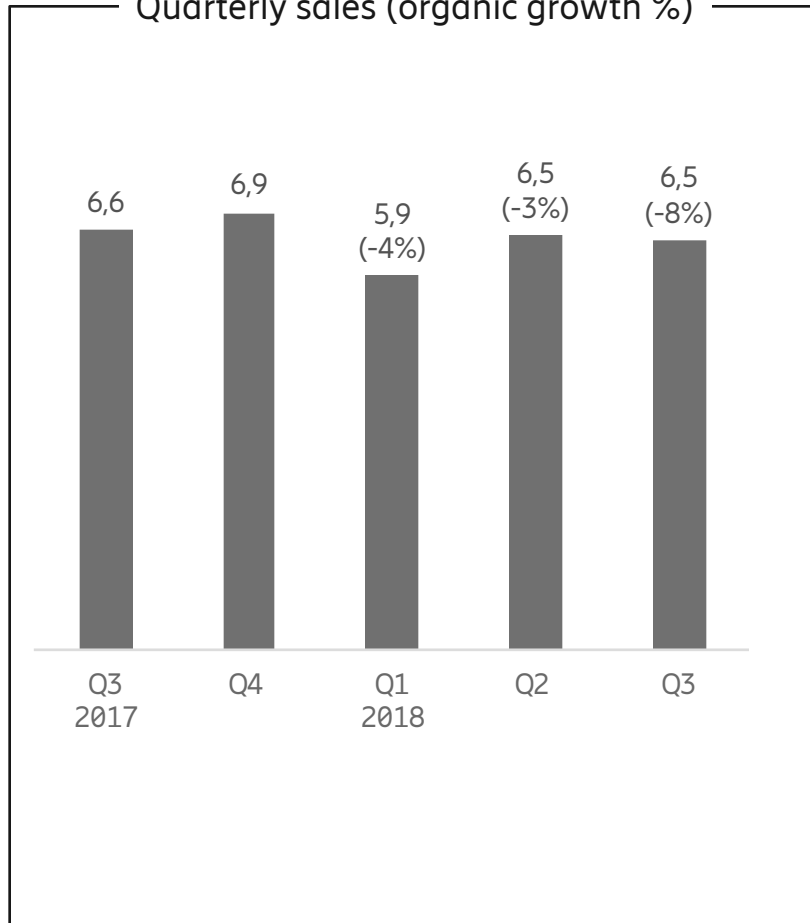


<sup>1</sup>From 2016 baseline

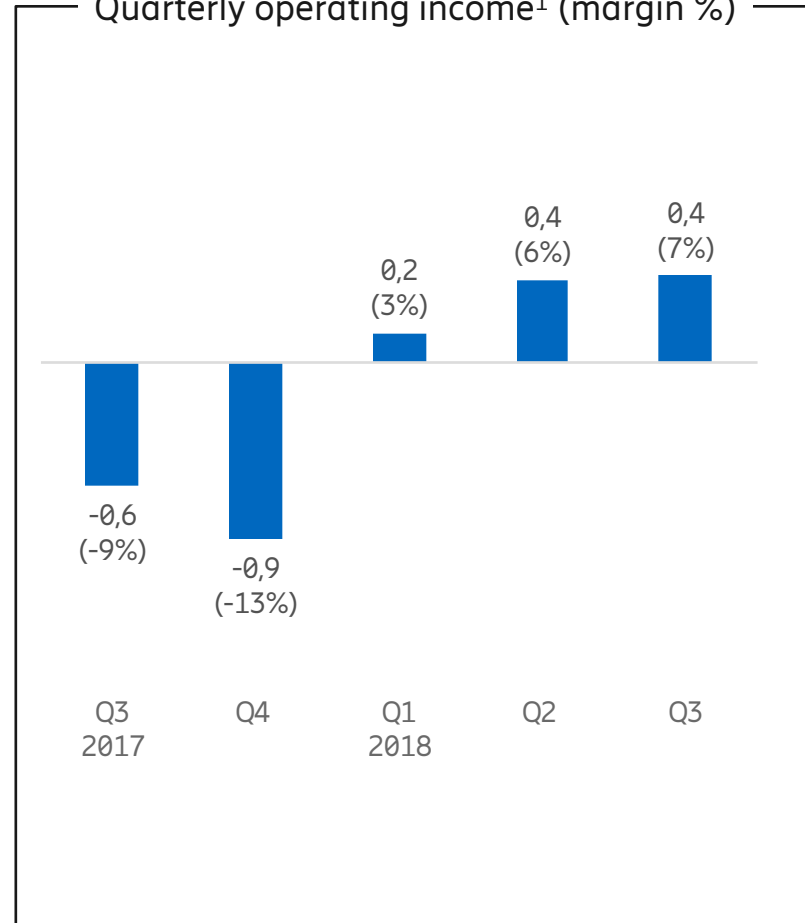
# Financial performance Q317-Q318



Quarterly sales (organic growth %)



Quarterly operating income<sup>1</sup> (margin %)



## Net sales

- Profitability over growth strategy
- Contract renewal rate >90%
- Growth in Managed Services IT & NDO
- Decline from exiting unprofitable and non-strategic contracts

## Operating margin<sup>1</sup>

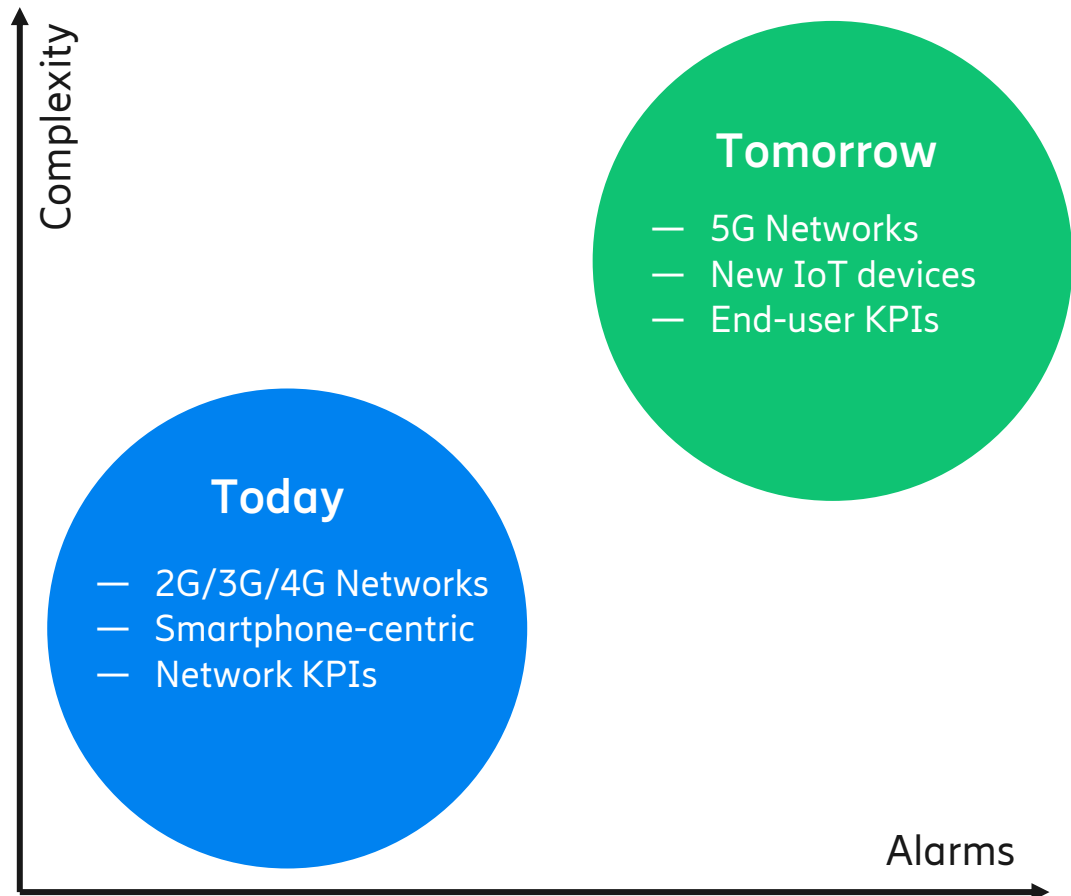
- Three consecutive quarters with improving positive operating margin
- Progressing well towards 2020 commitment from CMD last year

## Return on Capital

- Return on capital significantly above the cost of capital in 2018
- Capital turnover ratio several times higher than Group average

<sup>1</sup>Operating income and margin exclude restructuring charges

# Future customer challenges will be more complex



1. Increased complexity

2. New opportunities

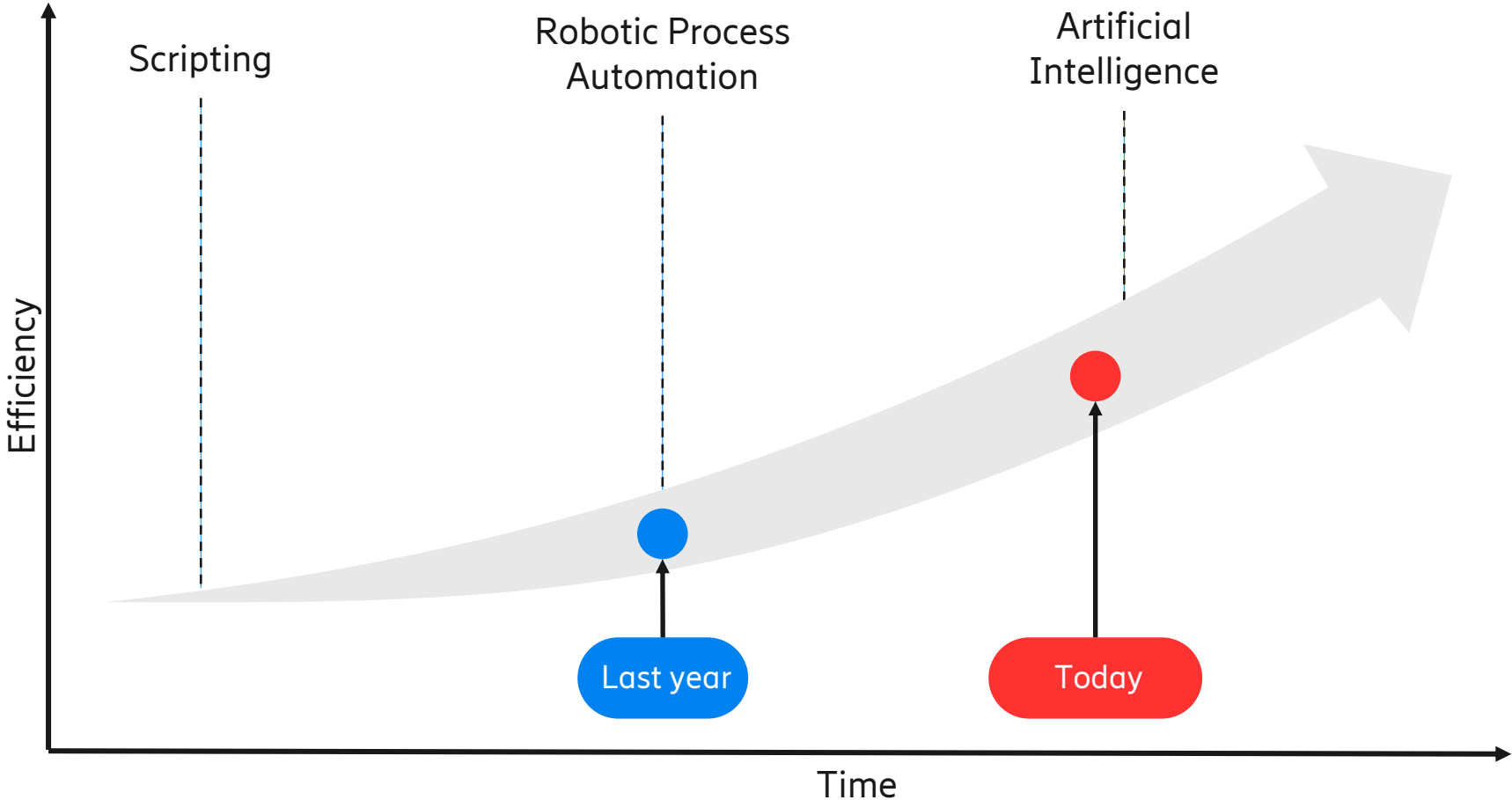


Automation



Artificial  
Intelligence

# Journey to AI in Managed Services



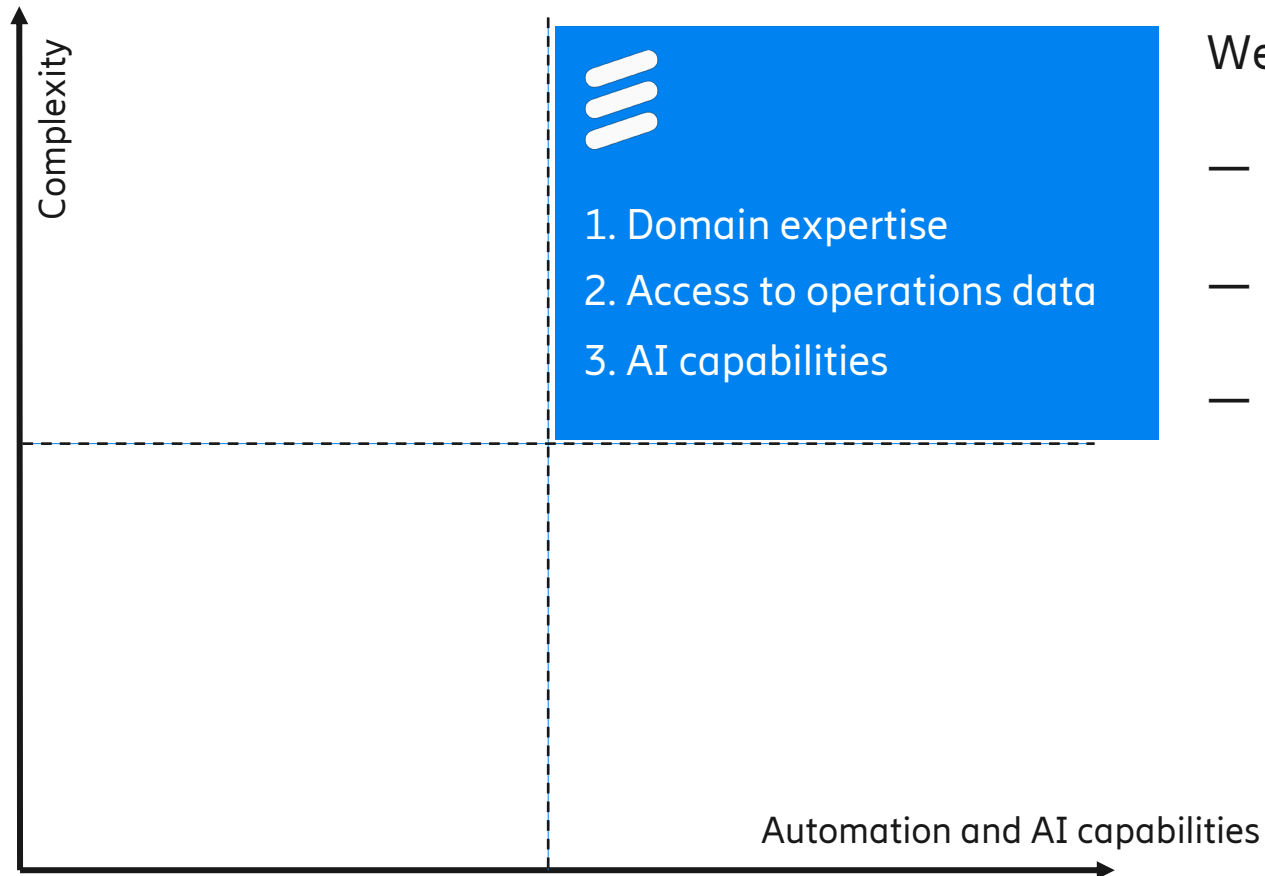
Today

~6,000 Automations implemented

77% are reused in multiple contracts



# We are well positioned to deliver more value for our customers



We will :

- Launch new AI-driven offerings
- Shift from cost-plus to value-based commercial model
- Use software as integral part of our service offerings

# Future of Managed Services





# Strategic priorities



## 1 Capture new business

- New business and high contract renewal rates with strict financial governance
- Higher share of AI offering

## 2 Launch new AI driven offerings

- Next generation AI offerings to support 5G, IoT and Cloud
- R&D investments in AI focused on customer use cases

## 3 Drive service delivery efficiency

- Cost efficiencies driven by industrialized automation

Operating margin<sup>1</sup>  
2020: 5%-8%

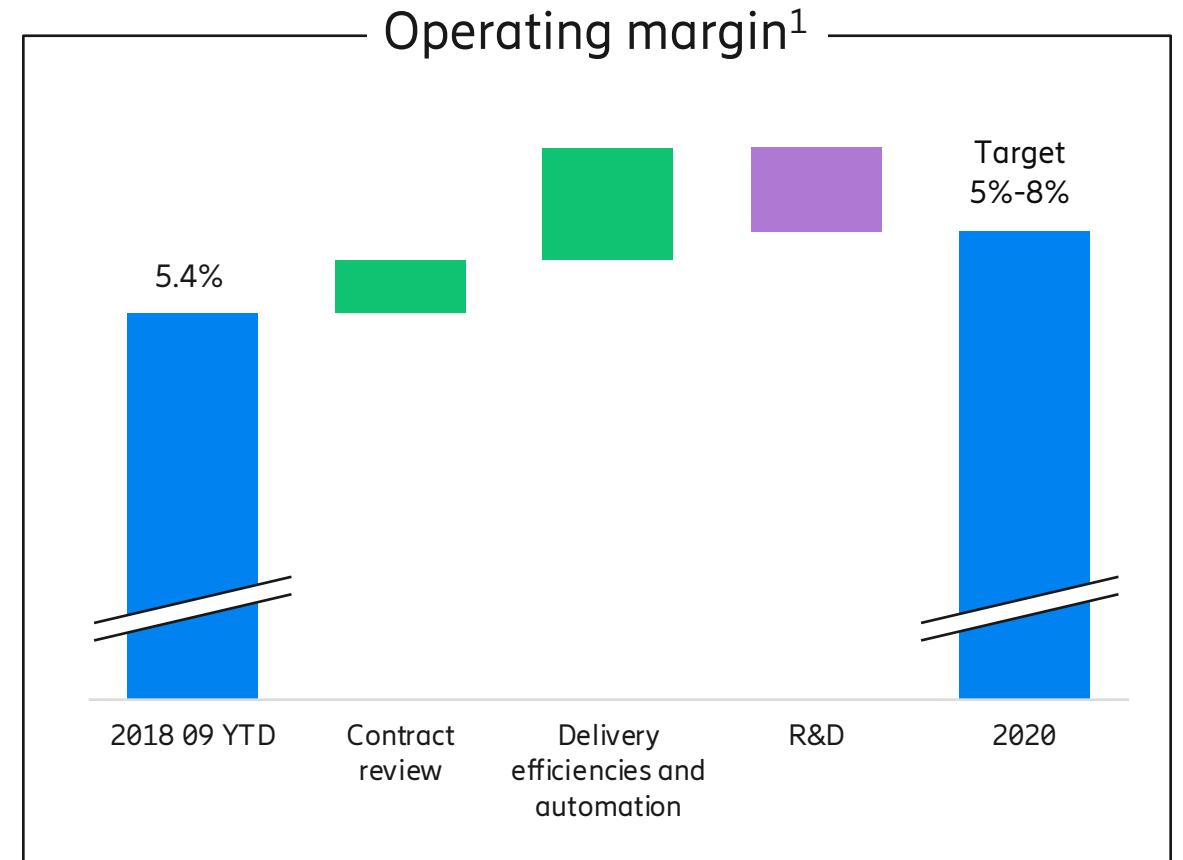
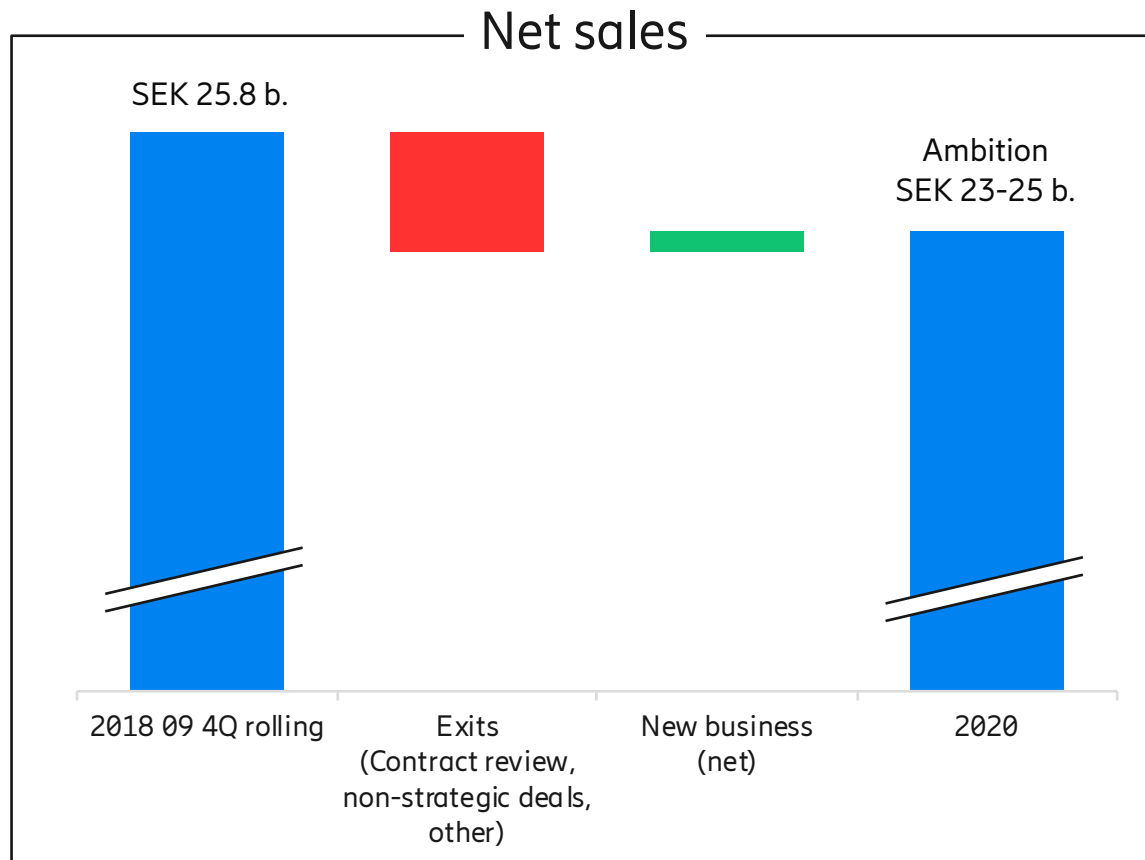
Operating margin<sup>1</sup>  
no later than 2022:  
8%-10%

<sup>1</sup>Operating margin exclude restructuring charges

# Financial ambition 2020



Illustrative



Higher ambition: Net sales SEK 23-25 b. and operating margin 5-8%

<sup>1</sup>Operating margin exclude restructuring charges

# Key takeaways



Managed Services – profitable business, disciplined growth

Develop next generation AI offerings to support 5G, IoT and Cloud

Continue investments in AI technology and competence

# Emerging Business and Other



Åsa Tamsons,  
SVP and Head of Emerging Business and Other

# Agenda



Segment overview and financial update

Growth in Emerging Business

Disciplined and lean start-up approach

Emerging Business beyond 2020



# Agenda



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# Segment Emerging Business and Other



## Media business

### MediaKind

Media solutions

Partnering, retaining 49% ownership

Close transaction around year-end

### Red Bee Media

Broadcast services

Focus on a sustainable profitable business

Develop and manage as an independent entity

## iconectiv

Interconnection technology and clearinghouse solutions

Sales growth through multi-year number portability contract in the US

## Emerging Business

Invest in strategic future growth opportunities built on 5G and IoT

**Global connectivity management**

**Edge compute**

**Factory connectivity**

**Data and network insights**

## Net sales

2017 09  
rolling 4Q

SEK 5.2 b.

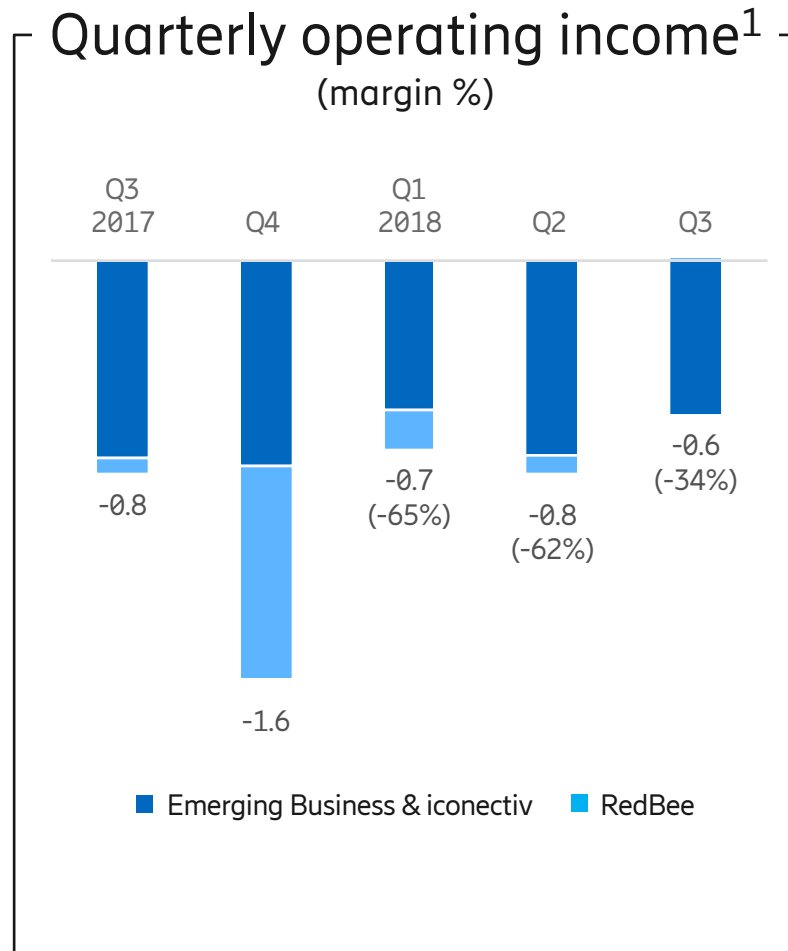
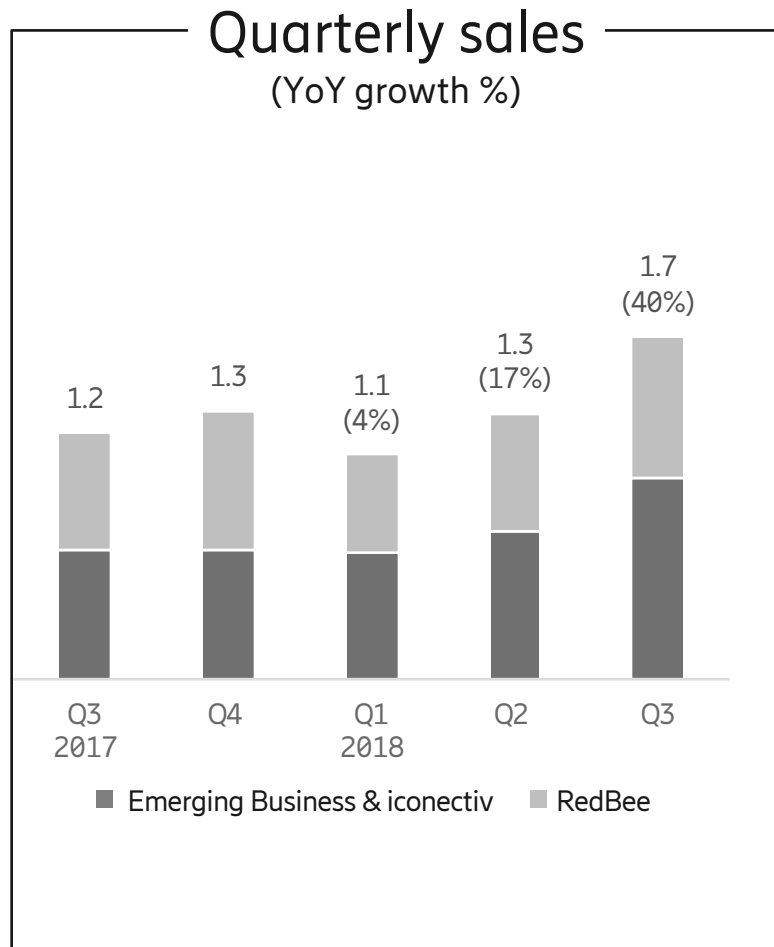
SEK 2.9 b.

Ambition  
2020

SEK 5-7 b.

# Financial performance 2018

Excluding MediaKind



## Net sales

Strong growth in iconectiv

Growth in Emerging Business driven by IoT

## Operating margin

Improvement from iconectiv and Red Bee

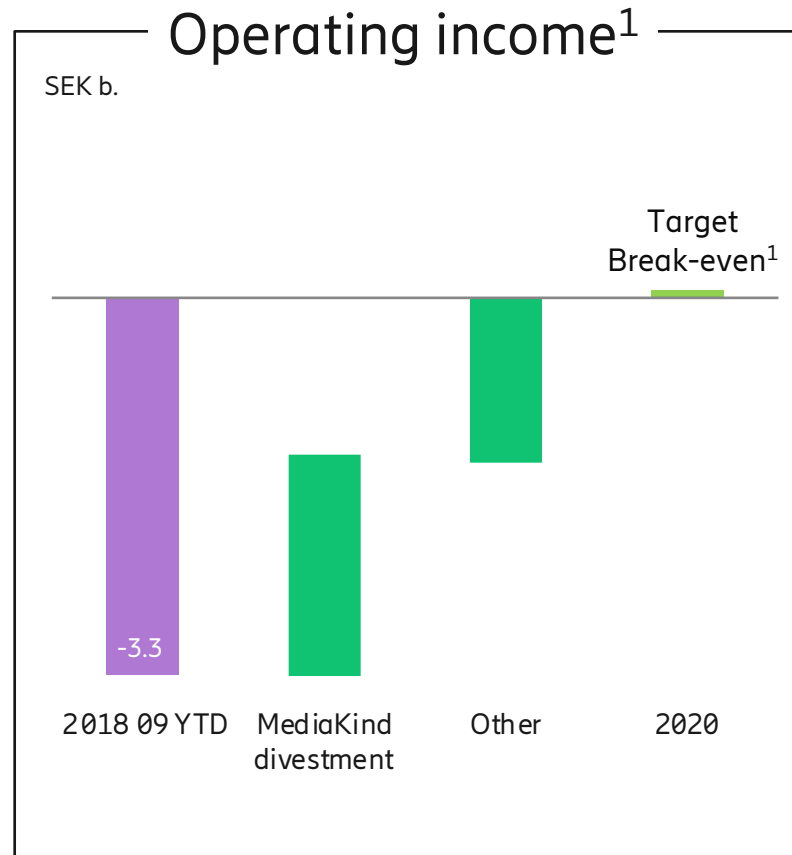
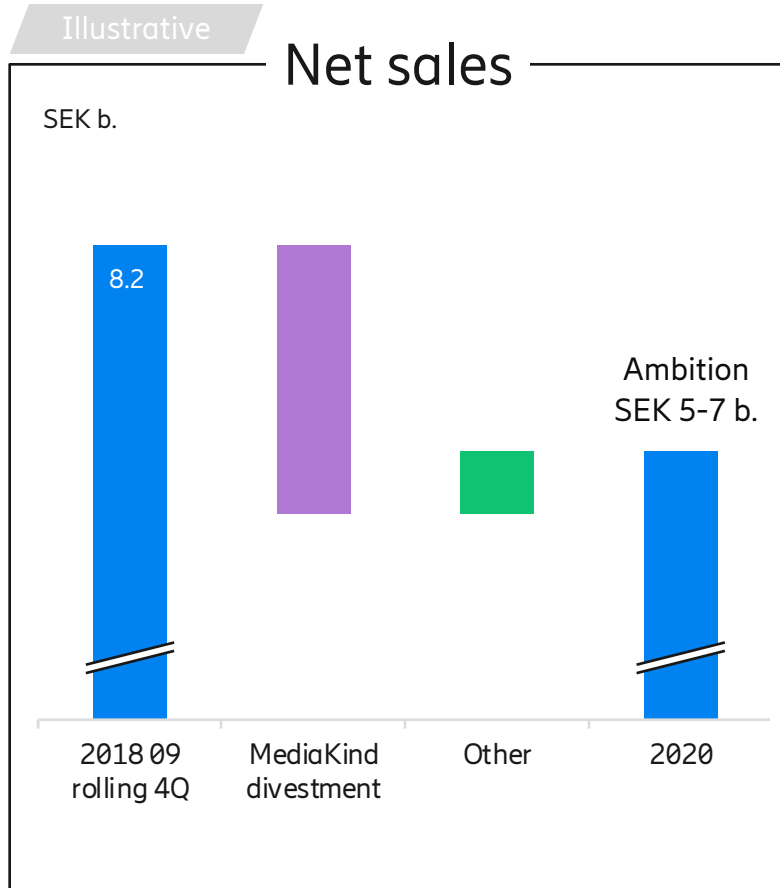
Investments in Emerging Business in line with strategy

Resetting UDN, now named EdgeGravity, to accelerate edge compute

- Partnership with Limelight – lean and efficient set up for content delivery
- Actions expected to generate savings of SEK 0.2 b. from 2019
- Negative impact in Q418 of SEK -0.5 b. of which restructuring charges and cash SEK -0.2 b.

<sup>1</sup>Operating income and margin exclude restructuring charges  
MediaKind excluded from historic numbers

# Financial ambition 2020



- MediaKind divestment will reduce net sales, and drive operating income improvement
- Improved operating income through higher sales in Emerging Business and iconectiv
- Red Bee – improving and managed to achieve sustainable profit
- Disciplined investments in Emerging Business – build position and grow sales
- 2020 target valid with current portfolio and scaling of opportunities

Net sales SEK 5-7 b. and break-even operating income

<sup>1</sup>Operating income and margin exclude restructuring charges

# Agenda



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# Emerging Business – agile model addressing new value pools



## Build on our strengths

- Address high growth markets
- Connectivity leadership
- Trusted partner position with communication providers
- Synergetic. Leverage R&D investments

## Lean start-up approach

- Limited upfront investments
- Agile management
- Scale rapidly upon market traction

## Manage for positive NPV

- 2020 break-even target across the segment based on current business portfolio
- Scale a small number of opportunities at any one time
- Capitalize on investments

Selective

Disciplined

Profitable

# Trends drive growth in new value pools



## VR/AR

150 million  
VR/AR headset  
shipments expected  
by 2023

## Big Data

163 ZB  
10x growth in  
global data until  
2025

## AI

4x  
Machine learning  
implementations  
from 2017 to  
2020

## Automation

>1.7 million  
new industrial  
robots will be  
installed by 2020

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Large markets, growing at 20-25% per year

## Smart Manufacturing

USD 113 b.  
network and  
connectivity  
revenue potential  
by 2026

## IoT

~20 billion  
connected IoT  
devices by 2023

## Edge computing

>5 billion devices  
using edge compute  
by 2023

# Exploring new growth opportunities



**Global Connectivity Management**

Connect and manage billions of IoT devices and connections

IoT Accelerator

**Factory Connectivity**

Enable industry 4.0 by bringing LTE and 5G to manufacturing industries

Smart Wireless Manufacturing

**Edge Compute**

Bring edge processing power closer to the data, leveraging service provider partnerships

Ericsson EdgeGravity

**Data and Network Insights**

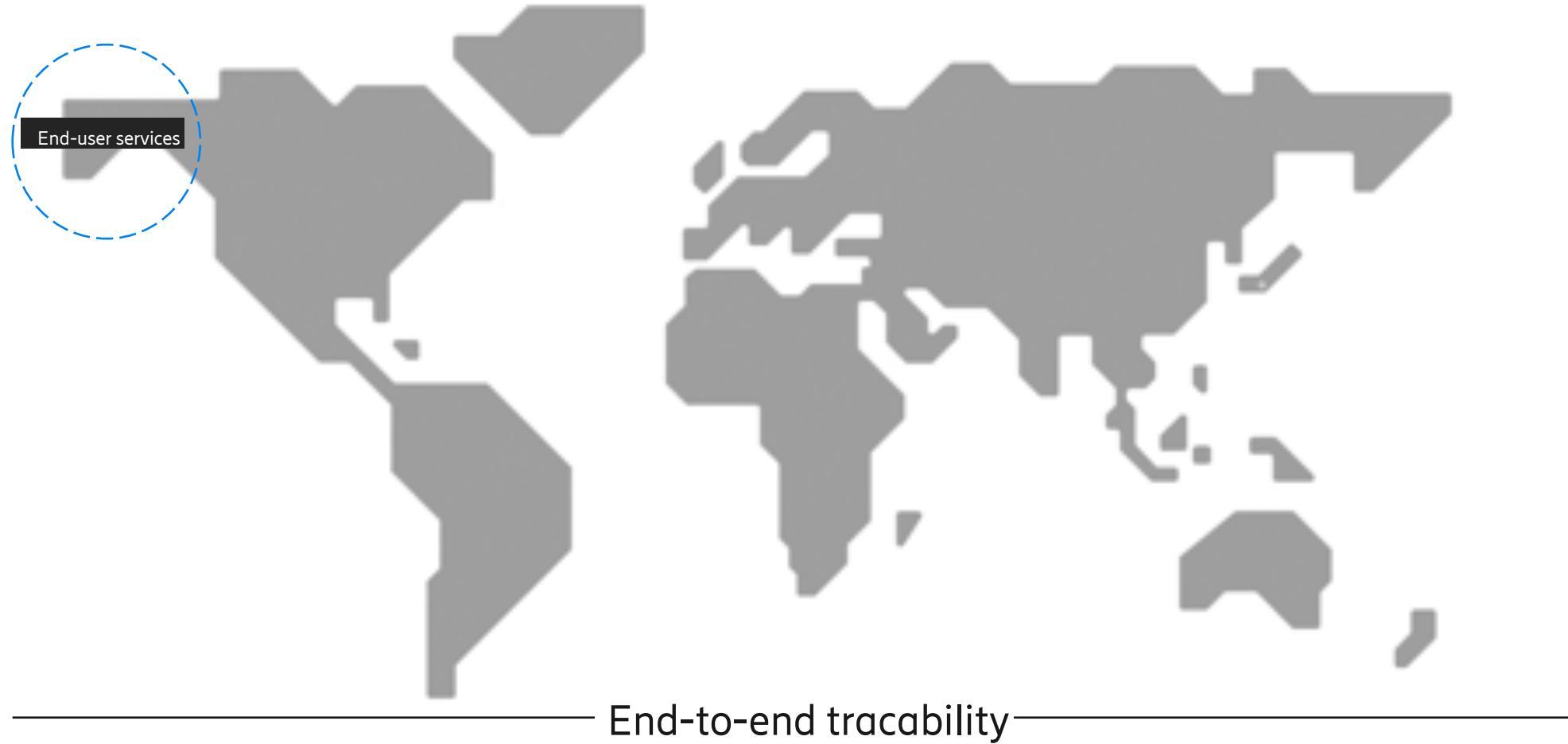
Explore opportunities to learn and profit from network insights

Ericsson Emodo

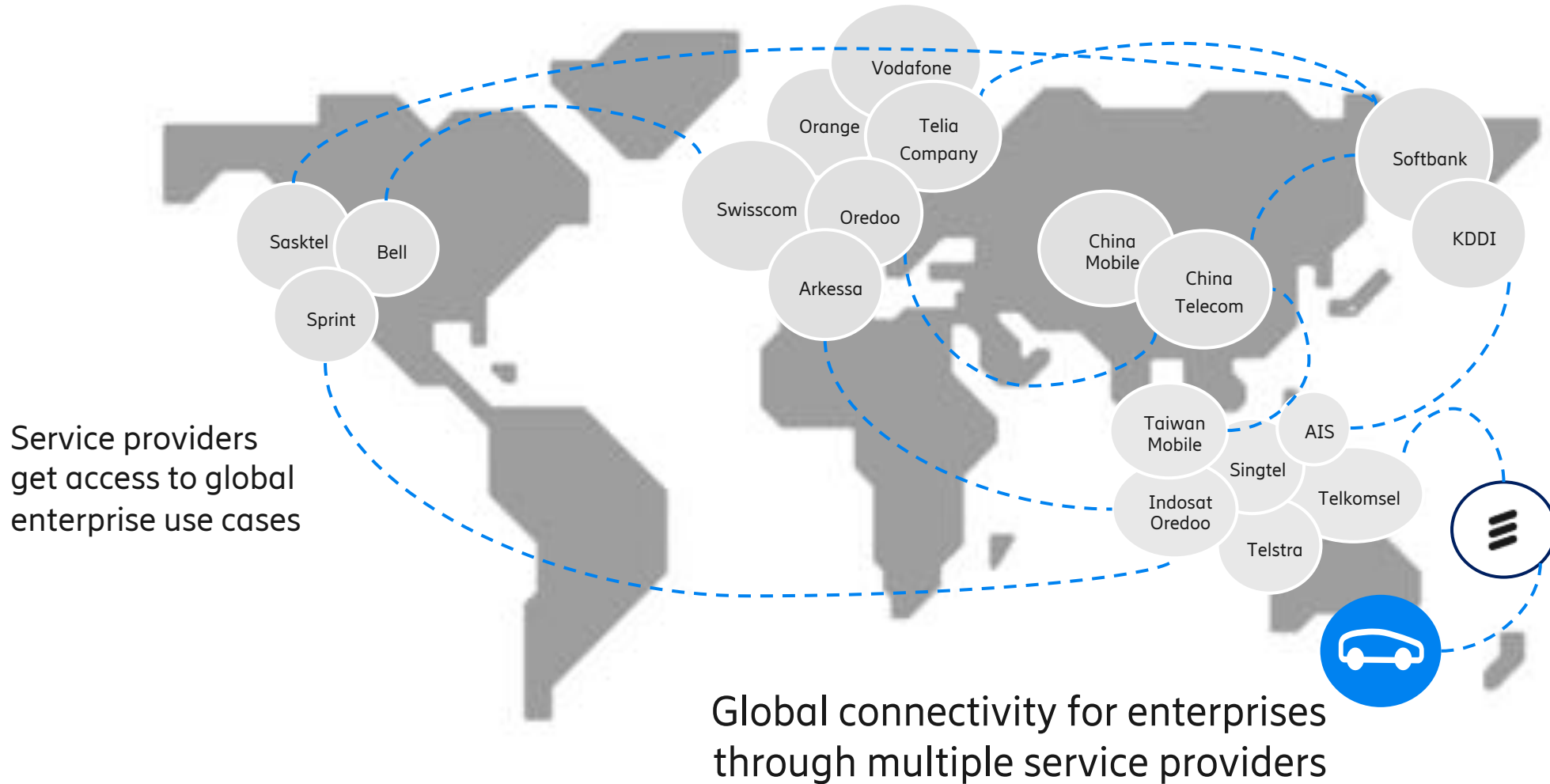
We build on our strengths – leveraging our connectivity leadership and R&D investments to date



# Global car manufacturers want global and secure connectivity



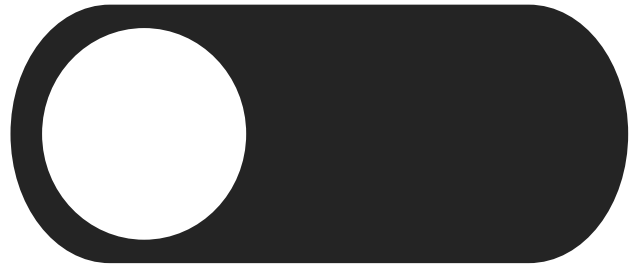
# One global IoT solution



Service providers  
get access to global  
enterprise use cases

Global connectivity for enterprises  
through multiple service providers

# Ease of use through one platform



Device management

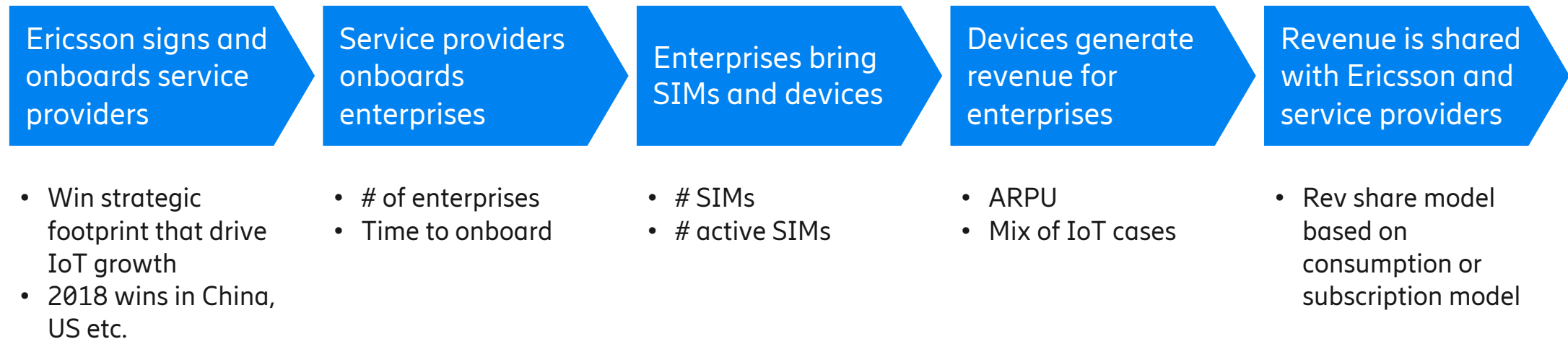


Subscriptions



Firmware

# Business model for connectivity platform business



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Generating recurring revenues through revenue share model between Ericsson, service providers and enterprises

# Agenda



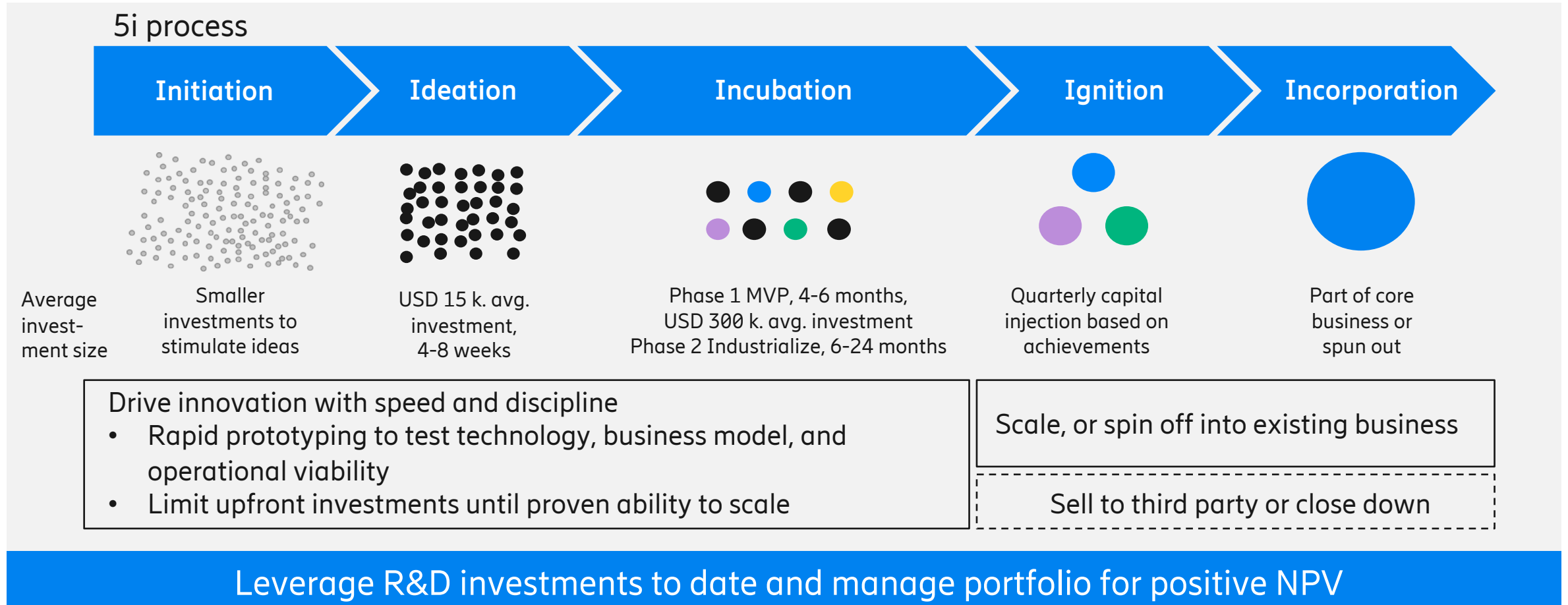
Segment overview and financial update

Growth in Emerging Business

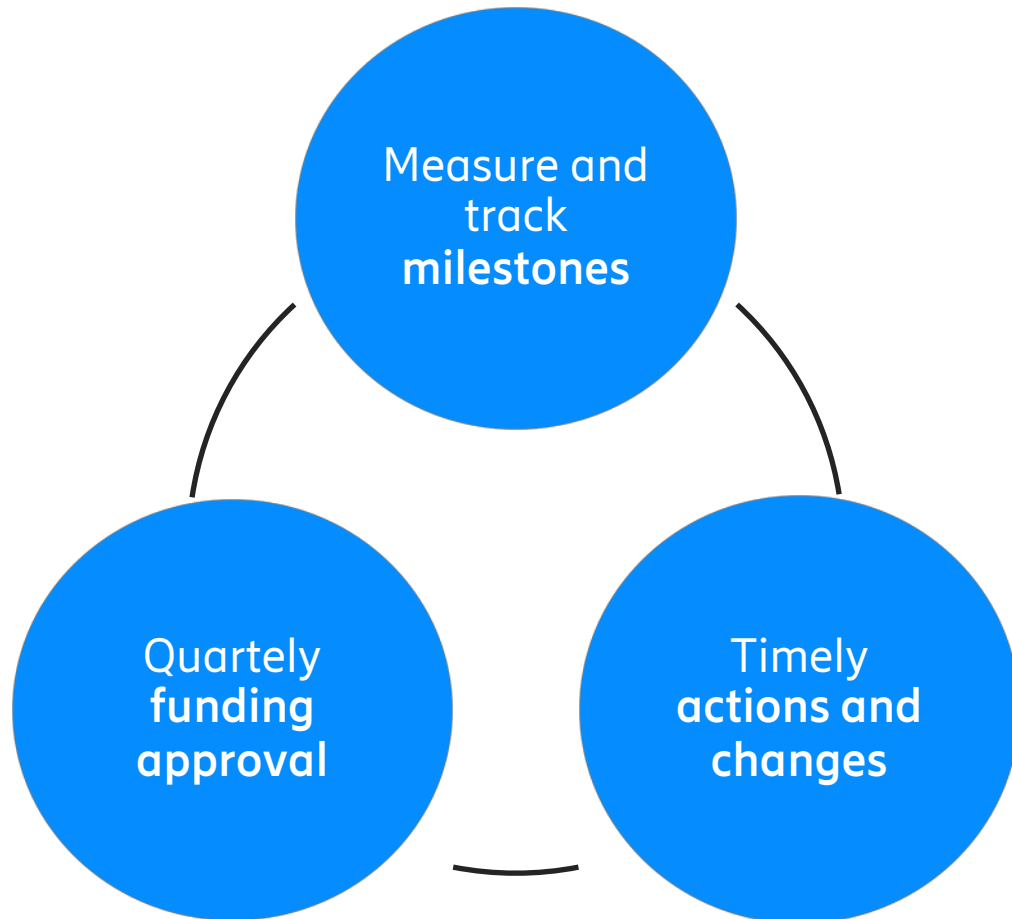
**Disciplined and lean start-up approach**

Emerging Business beyond 2020

# Disciplined and lean start-up approach



# Disciplined governance: quarterly investment decisions based on achievements and milestones



## Monthly Milestones

- Measure what matters – objectives and key results
- Leading indicators and financial performance
- Examples of leading indicators: Footprint expansion, # of enterprises, # of active SIMs, recurring revenue

## Actions and Changes

- Quarterly Unit Board, chaired by the CEO
- Investments decision, change setup or exit non-performing bets

## Funding Approval

- Based on achievements and its potential to scale
- Scale rapidly upon market traction

# Agenda



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Disciplined and lean start-up approach

**Emerging Business beyond 2020**



# Growth now and beyond 2020



## Now

- Tap into new value pools
- Build on our strengths, leverage synergies with core business
- Disciplined and lean start-up approach to validate ideas
- Limited investments upfront, scale when gaining traction, or exit
- Capitalize on investments before exit

## Beyond 2020

- Manage portfolio for positive NPV
- Potential upside beyond 2020

# Q&A



# Break

