

Ericsson Fourth quarter 2023

January 23, 2024



Fourth quarter 2023



This presentation contains forward-looking statements. Such statements are based on our current expectations and are subject to risks and uncertainties that could materially affect our business and results. Please read our earnings reports and our most recent annual report for a better understanding of these risks and uncertainties and please see the last page in this presentation for further information about forward-looking statements. Any forward-looking statements made during this presentation speaks only as of the date of this presentation and Ericsson expressly disclaim a duty to provide updates to these forward-looking statements, and the estimates and assumptions associated with them.

Business overview



Börje Ekholm
President and CEO



2023 – Key takeaways



- Solid results despite difficult market conditions and challenges
- Continued focus on strategy execution
 - Historic 5-year USD 14 b. contract in mobile networks
 - Cloud Software and Services delivered FY positive EBITA
 - Industry milestone through partnership with network API's.
- Achieved SEK 12 b. in gross cost run-rate savings
- Dividend unchanged - SEK 2,70 per share proposed to AGM

Organic sales YoY:

-10%

Gross margin¹:

39.6%

EBITA margin¹:

8.1%

Executing on strategy and taking actions to ensure competitive position

Ericsson strategy



Superior experience for consumers



Reliable & easy to use solutions for businesses



Capabilities for developers



Customer success

Best performance for differentiated networks, relentless efficiency and growth in an open world

Businesses

Leadership in mobile networks

- Technology leadership for performance, security, and sustainability at lowest TCO across RAN, Core & OSS/BSS
- Lead industry shift to programmable, automated cloud-native networks and operations, and advanced network services

Focused expansion into enterprise

Wireless networks

- Pre-packaged solutions
- Leading reliability, security, and operations

Communication platform

- Accelerate the world's ability to connect
- Global network platform

Be first in critical innovations, and capture strategic business opportunities

Foundation

Technology leadership

Cost efficiency

Data-driven operations

Global skill & scale

Financial overview



Carl Mellander
Chief Financial Officer



Financial update Q4 2023



Financial Performance

Excluding restructuring charges

SEK b.	23Q4	22Q4	YoY	23Q3
Net sales	71.9	86.0	-20%	64.5
Organic and FX adj. sales			-17%	
Gross income	29.6	35.7	-21%	25.3
<i>Gross margin</i>	<i>41.1%</i>	<i>41.5%</i>		<i>39.2%</i>
R&D expenses	-12.5	-13.2		-11.9
SG&A expenses	-9.8	-11.7		-9.5
Other op. income & expenses	-0.1	-2.8		-32.0
EBIT	7.4	8.1		-28.0
<i>EBIT margin</i>	<i>10.3%</i>	<i>9.4%</i>		<i>-43.5%</i>
EBITA	8.2	9.3	-11%	4.7
<i>EBITA margin</i>	<i>11.4%</i>	<i>10.8%</i>		<i>7.3%</i>
Net income ¹	3.4	6.2		-30.5
Free cash flow b. M&A	12.5	16.9		-0.5

- Organic and FX adjusted sales: -17% YoY
 - Networks -23% decline and Cloud Software and Services -4% decline slightly offset by 7% growth in Enterprise
- Gross margin: 41.1%
 - Decline due to sales mix in Networks – margin improved adjusted for retroactive IPR revenues in Q4 2022
- EBITA margin decline due to lower sales and changed business mix in Networks partly offset by lower YoY variable incentive accruals and cost reduction activities
- Free cash flow before M&A: SEK 12.5 b.

FY 2023 in numbers



Financial Performance

Excluding restructuring charges

SEK b.	2023	2022	Long-term target
Net sales	263.4	271.5	
Gross margin	39.6%	41.8%	
R&D and SG&A	-86.5	-82.8	
EBIT	-13.8	27.4	
<i>EBIT margin</i>	<i>-5.2%</i>	<i>10.1%</i>	
EBITA	21.4	29.5	
<i>EBITA margin</i>	<i>8.1%</i>	<i>10.9%</i>	<i>15-18%</i>
Financial net	-3.0	-2.4	
Taxes	-2.8	-5.5	
Net income ¹	-26.1	19.1	
FCF b. M&A	-1.1	22.2	
<i>FCF b. M&A / Sales</i>	<i>-0.4%</i>	<i>8.2%</i>	<i>9-12%</i>

- Organic and FX adjusted sales: -10% YoY
- Gross margin 39.6% (41.8%)²
 - Networks: decline in N. America, changed business mix
 - Cloud Software and Services: increase driven by improved delivery performance
 - Enterprise: decrease mainly due to dilutive effect of Vonage
- R&D² increased driven by Enterprise and FX impact.
- SG&A² increased mainly driven by consolidation of Vonage and FX impact
- EBITA impacted by decrease in Networks sales

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

Outlook¹



Sales

- Networks: Average seasonality between Q4 and Q1 last 3 years: -25%.
- Cloud Software and Services: Average seasonality between Q4 and Q1 last 3 years: -34%.

Gross margin

- Networks: Gross margin² expected to be in the range of 39-41% in Q1 2024.

Operating expenses

- Average seasonality expected to be less pronounced between Q4 and Q1 (last 3 years³: decrease of SEK 2.6 b.)

Amortization

- Amortization of intangible assets SEK -0.9 b. per quarter, of which SEK -0.8 b. in segment Enterprise.

Capital Allocation

- Dividend of SEK 2,70 per share will be proposed to the AGM

¹ See key data points, page 13, fourth quarter results

² Excluding restructuring charges

³ Excluding Vonage

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Closing remarks



Börje Ekholm
President and CEO



Summary



- Executing on strategy to put Ericsson on higher growth trajectory:
 - extending our leadership in mobile networks
 - growing our enterprise business
 - driving lasting cultural transformation
- Taking actions to navigate the near term, ensuring Ericsson continues to be well positioned
- Building platform business to capture the next wave of innovation



Committed to long-term EBITA¹ target of 15-18%



Q & A



Forward-looking statements



This report includes forward-looking statements. All statements other than statements of historical fact are forward-looking statements. The words “believe”, “expect”, “anticipate”, “intend”, “likely”, “may”, “could”, “plan”, “estimate”, “forecast”, “will”, “should”, “would”, “predict”, “aim”, “seek”, “potential”, “target”, “might”, “continue”, and similar words or expressions are used to identify forward-looking statements. These statements are subject to risks and uncertainties that could cause actual results to differ materially and adversely from those expressed in, or implied or projected by, the forward-looking statements, including, in particular the following:

- Potential material additional costs and liability resulting from our ongoing compliance with the terms of the Plea Agreement with the DOJ and extended monitorship
- Potential to become a target for public scrutiny as a result of entering into the Plea Agreement with the DOJ, which could damage our reputation and materially and adversely affect our business and prospects
- Risks resulting from entering into the Plea Agreement, including potential debarment from government contracting in the United States and elsewhere, reputational risk, as well as potential counterparty reluctance to continue business relationships
- Potential material additional liability resulting from past conduct, including allegations of past conduct that remains unresolved or unknown in multiple jurisdictions including Iraq, which remains the subject of ongoing investigations by Ericsson and US governmental authorities
- Risks related to internal controls and governance, including the potential to incur material liability in connection with internal controls surrounding payments made to third parties in connection with past conduct in multiple jurisdictions including Iraq which remains the subject of ongoing investigations by Ericsson and US governmental authorities
- The risk that the ongoing investigations by Ericsson and US governmental authorities result in a conclusion by Ericsson or US governmental authorities that the Company’s past conduct included making or having responsibility for making payments to a terrorist organization or other improper payments, which could lead to material additional liability
- Our goals, strategies, planning assumptions and operational or financial performance expectations
- Macroeconomic conditions, including inflationary pressures and effects on customer investments, market recovery and growth
- Ongoing geopolitical and trade uncertainty, including challenging global economic conditions, market trends and pandemics such as COVID-19
- Industry trends, future characteristics and development of the markets in which we operate
- Our ability to comply with legal and regulatory requirements internationally
- Risks related to cybersecurity and privacy
- 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 research and development expenditures
- Our ability to deliver on future plans and achieve future growth
- The expected operational or financial performance of strategic cooperation activities and joint ventures
- Risks related to acquisitions and divestments, including our ability to successfully consummate such transactions, protect the value of acquisitions during integration, or achieve the value anticipated with an acquisition
- Trends related to our industry, including our regulatory environment, competition and customer structure
- Other factors included in our filings with the U.S. Securities and Exchange Commission (the “SEC”), including the factors described throughout this report, included in the section Risk Factors, and in “Risk Factors” in the Annual Report 2022, as updated by subsequent reports filed with the SEC.

These forward-looking statements also represent our estimates, assumptions and expectations only as of the date that they were made, and to the extent they represent third-party data, we have not undertaken to independently verify such third-party data and do not intend to do so. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements and are urged to carefully review and consider the various disclosures made in this report and in other documents we file from time to time with our regulators that disclose risks and uncertainties that may affect our business. We expressly disclaim a duty to provide updates to these forward-looking statements, and the estimates and assumptions associated with them, after the date of this report, except as required by applicable law or stock exchange regulations.