

Ericsson Fourth quarter 2021

Jan 25, 2022



Fourth quarter 2021



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



2021 Highlights



Delivering on our strategy:

- **Expanding the core & Growing in Enterprise**
 - R&D investment for strong portfolio and global leadership in 5G, including Cloud RAN and Massive MIMO – growing market share
 - Organic growth in existing enterprise investments – including Cradlepoint and creating new value segments from innovation on top of the 5G network – Vonage ambition
- **A responsible business** with sharp focus on safety, sustainability and a culture of integrity

Robust FY financial performance

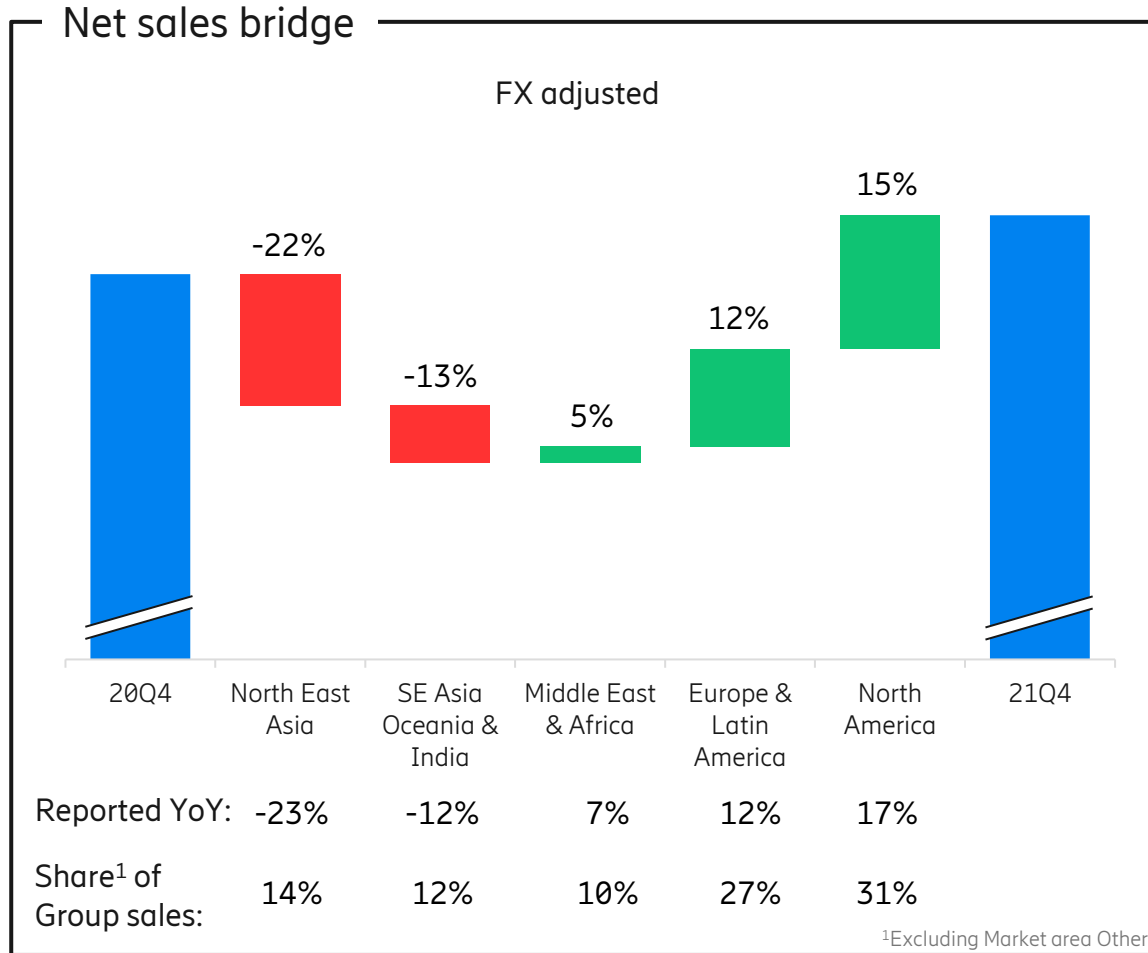
- **+8% organic growth** – excluding the sales decline in Mainland China
- **Reached 2022 targets in 2021** – EBIT margin¹ of 13.9%.
- **Strong free cashflow** – SEK 32.1 b.

The Board will propose a dividend of SEK 2.50 (2.00) per share to the AGM

¹Excluding 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

Q421: Market Area Development



North East Asia: Sales SEK 9.8 (12.8) b.

- Market share loss in Mainland China

SE Asia, Oceania & India: Sales SEK 8.6 (9.7) b.

- Declined due to timing of orders and project milestones

Middle East & Africa: Sales SEK 6.9 (6.5) b.

- Sales grew in African markets

Europe & Latin America: Sales SEK 19.2 (17.1) b.

- Europe: Organic growth 11% driven by market share gains
- Latin America: Organic growth 17% after a period of decline

North America: Sales SEK 22.3 (19.1) b.

- Strong demand for 5G solutions

Organic growth despite a large impact from market share reduction in Mainland China

Segment summary



Sales and gross margin

Excluding restructuring charges

Group and segments	21Q4	20Q4	YoY	Organic
Ericsson Group	71.3	69.6	3%	2%
Gross margin	43.5%	40.6%		
Networks	51.1	49.4	4%	3%
Gross margin	46.4%	43.5%		
Digital Services	12.7	12.7	1%	0%
Gross margin	43.4%	41.0%		
Managed Services	5.4	5.8	-8%	-8%
Gross margin	18.9%	17.7%		
Emerging Business & Other	2.1	1.7	23%	16%
Gross margin	35.2%	33.8%		

Gross margin² rolling 4Q: 43.5%, improved YoY and QoQ

Networks

- Organic sales adjusted for Mainland China: +6%
- Gross margin 46.4%² – improved operational leverage

Digital Services

- Organic sales adjusted for Mainland China: +3%
- Gross margin increased with growing software sales

Managed Services

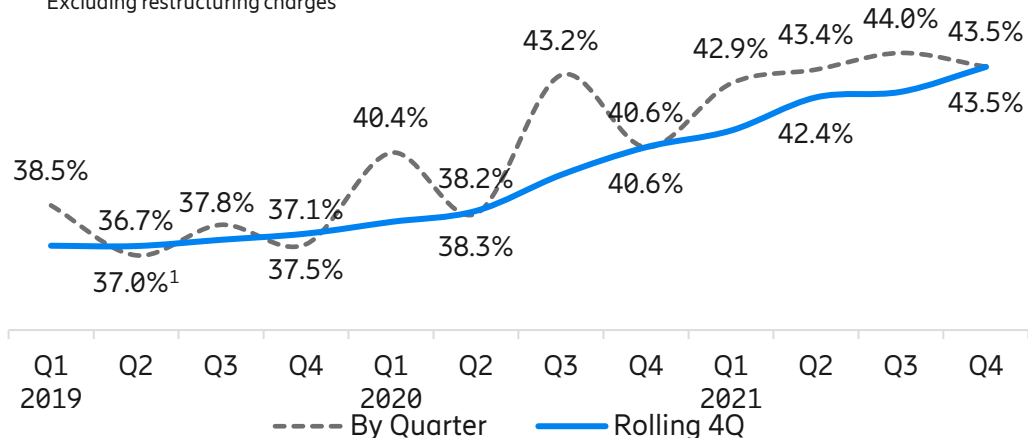
- Sales declined YoY – lower demand under certain contracts and contract rescoping

Emerging Business & Other

- Sales growth and gross margin improvements driven by Cradlepoint

Group gross margin

Excluding restructuring charges



¹Excluding costs for revised BSS strategy

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

Financial overview

Carl Mellander
Chief Financial Officer



Q4 2021 in numbers



Financial Performance

Excluding restructuring charges

SEK b.	21Q4	20Q4	YoY	21Q3
Net sales	71.3	69.6	3%	56.3
Organic and FX adj. growth			2%	
Gross margin	43.5%	40.6%		44.0%
R&D expenses	-11.7	-10.5	12%	-10.2
SG&A expenses	-7.5	-7.4	1%	-6.2
EBIT	12.3	11.0	12%	8.8
EBIT margin	17.3%	15.8%		15.7%
Net income ¹	10.1	7.2	41%	5.8
Free cash flow b. M&A	13.5	12.8	6%	13.0

- Organic and FX adjusted sales: +2% YoY
 - Driven by 5G deployments in North America and Europe & Latin America
- IPR Revenues SEK 2.4 (2.6) b. incl retroactive payment
 - Q1 2022 estimate: SEK 1.0-1.5 b.
- Gross margin 43.5% (40.6%)²
 - Networks: improved operational leverage
 - Digital Services: growing software share
- R&D investments in the 5G portfolio
- EBIT: SEK 12.3 (11.0)² b. driven by Networks
- Net income improved by 41%¹ YoY

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

FY 2021 in numbers



Financial Performance

Excluding restructuring charges

SEK b.	2020	2021	Target 2022	Target long term
Net sales	232.4	232.3		
Gross margin	40.6%	43.5%		
R&D and SG&A	-65.8	-68.8		
EBITA	30.3	33.8		
EBITA margin	13.1%	14.6%		15-18%
EBIT	29.1	32.3		
EBIT margin	12.5%	13.9%	12-14%	
Financial net	-0.6	-2.5		
Taxes	-9.6	-6.3		
Net income ¹	17.6	23.0		
Free cash flow b. M&A	22.3	32.1	Strong	9-12% of sales

- Organic and FX adjusted sales: 4% YoY
 - Adjusted for Mainland China: +8% YoY
- Gross margin 43.5% (40.6%)²
 - Operational leverage in Networks
- R&D increased by 7%² YoY – investments in 5G portfolios across segments
- EBITA²: FY21 14.6% vs long-term target of 15-18%
- EBIT: SEK 32.3 (29.1)² b. – gross income in Networks
- Effective tax rate 21% in 2021, 25% excl. one-off from utilizing impaired withholding tax assets
- EPS¹ diluted increased by 29% YoY to SEK 6.81
- ROCE¹ improved to 18.4% (17.0%) – improved EBIT

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

Free cash flow and financial position



Financial Performance

SEK b.	Q4		FY	
	2021	2020	2021	2020
EBIT excluding restructuring charges	12.3	11.0	32.3	29.1
Depreciation, amortization & impairment losses	2.6	2.3	9.0	8.7
Restructuring charges	-0.5	0.0	-0.5	-1.3
Changes in operating net assets	2.7	1.3	4.0	-3.6
Interest paid & received, taxes paid and other	-1.9	-0.7	-5.7	-3.9
Cash flow from operating activities	15.2	13.9	39.1	28.9
Capex net and other investing activities	-1.1	-0.5	-4.6	-4.3
Repayment of lease liabilities	-0.6	-0.6	-2.4	-2.4
Free cash flow before M&A	13.5	12.8	32.1	22.3
<i>Net cash end of period</i>	<i>65.8</i>	<i>41.9</i>		
<i>Gross cash end of period</i>	<i>97.6</i>	<i>72.0</i>		

- Free cash flow before M&A of SEK 13.5 (12.8) b.
 - Improved EBIT and decrease in operating net assets
- Continued focus on capital efficiency
 - Cash flow supported by solid collections and an overall reduction of net operating assets
 - Inventory build-up for supply chain resilience largely offset by increase in accounts payable
- Net cash grew by SEK 10.1 b. QoQ to SEK 65.8 b.
 - Positive cash flow, partly offset by dividends paid
- Gross cash increased SEK 25.6 b. YoY to SEK 97.6 b.
 - Majority driven by cash flow, smaller part from loan with EIB
- Vonage expected to close during Q1/Q2 – USD 6.2 b.

All time high gross and net cash and strongest Free cash flow before M&A in a year

Summary



Börje Ekholm
President and CEO



In closing

Delivering on Strategy

- Incremental growth in core – continued leadership in mobile networks
- Focused expansion into enterprise
- Vonage close expected in Q1/Q2 – creating new markets on top of the 5G network

Financial Performance

- Strong cash generation from core business
- Well-positioned to conclude outstanding IP/patent renewals
- Increasing pace towards long-term EBITA target of 15-18% – ambition to reach the target no later than in 2-3 years





Q&A



Forward-looking statements



This presentation includes forward-looking statements, including statements reflecting management's current views relating to the growth of the market, future market conditions, future events, financial condition, and expected operational and financial performance, including, in particular the following:

- 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.

The words "believe," "expect," "foresee," "anticipate," "assume," "intend," "likely," "projects," "may," "could," "plan," "estimate," "forecast," "will," "should," "would," "predict," "aim," "ambition," "seek," "potential," "target," "might," "continue," or, in each case, their negative or variations, and similar words or expressions are used to identify forward-looking statements. Any statement that refers to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements.

We caution investors that these statements are subject to risks and uncertainties many of which are difficult to predict and generally beyond our control that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements.

Important factors that could affect whether and to what extent any of our forward-looking statements materialize include, but are not limited to, the factors described in the section Risk factors in the most recent Annual Report and in our quarterly reports.

These forward-looking statements also represent our estimates and assumptions only as of the date that they were made. 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 presentation, to reflect events or changes in circumstances or changes in expectations or the occurrence of anticipated events, whether as a result of new information, future events or otherwise, except as required by applicable law or stock exchange regulation.

This presentation does not constitute an offer to sell, or the solicitation of an offer to buy, any of our securities. It does not constitute a prospectus or prospectus equivalent document and investors should not make any investment decision in relation to any shares referred to in this presentation. No offer of securities shall be made except by means of a prospectus meeting the requirements of the Securities Act and applicable European rules and regulations.