

Ericsson Second quarter 2022

July 14, 2022



Second quarter 2022



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



Q2 in brief



- Strong business momentum – Rollout of 5G networks and market share gains
- Gross margin decreased YoY due to lower IPR and increased cost
- Continue to fulfil customer commitments and strengthen our competitive advantage
- Gross margin improved by SEK 2.4 b. YoY, to SEK 26.3 b. driven by sales growth
- Continue investments in supply chain resilience and R&D
- Engaging with the DOJ and the SEC in relation to the 2019 Iraq investigation report and the DPA breach notices
- Determined to reach our long-term target of an EBITA margin¹ of 15–18% no later than in 2-3 years

Organic sales:

5%

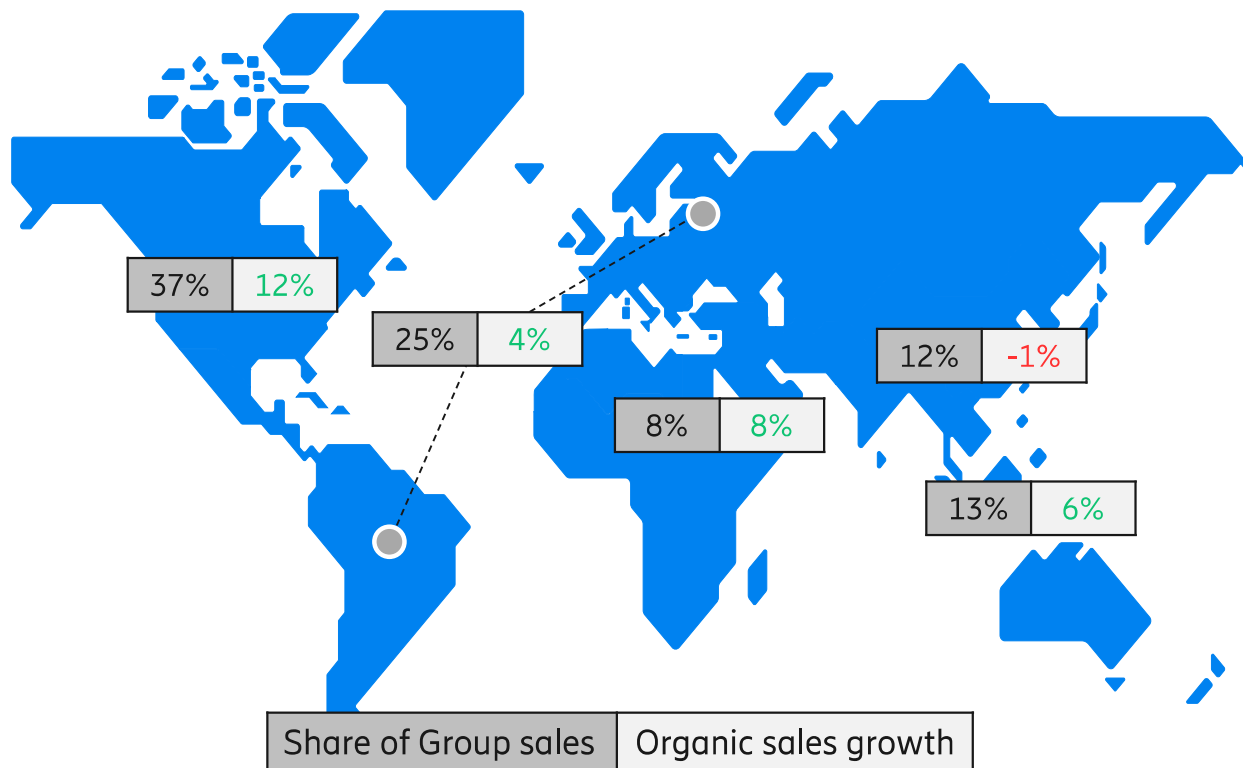
Gross margin:

42.1%

EBITA margin¹ rolling 4Q:

14%

Customer and market in Q2



- Continued momentum for 5G solutions in North America
- Market share gains in Europe
- Sales growth in Africa – 4G rollouts
- Project milestones in South East Asia, Oceania and India
- Limited Networks sales decline in North East Asia

Ericsson strategy



Superior experience for consumers



Reliable & easy to use solutions for businesses



Customer values

Leading network performance, relentless efficiency and revenue growth in an open world

Businesses

Leadership in mobile networks

- Invest in technology leadership for cost, performance and sustainability across RAN, telecom core and OSS/BSS
- End to end orchestration, automated deployments & operation and advanced network services

Focused expansion into enterprise

Wireless networks

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

Global network platform

- The power of the network at developers' fingertips
- Open innovation

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



Q2 2022 in numbers



Financial Performance

Excluding restructuring charges

SEK b.	22Q2	21Q2	YoY	22Q1
Net sales	62.5	54.9	14%	55.1
Organic and FX adj. sales			5%	
Gross margin	42.2%	43.4%		42.3%
R&D expenses	-11.5	-10.5		-10.7
SG&A expenses	-7.9	-7.0		-6.6
Other op. income & expenses	0.4	-0.6		-1.1
EBIT	7.4	5.8	26%	4.8
EBIT margin	11.8%	10.6%		8.7%
Net income ¹	4.7	3.9	19%	2.9
Free cash flow b. M&A	4.4	4.1	9%	-1.7

- Organic and FX adjusted sales: +5% YoY
 - Organic growth in four of the five market areas
 - IPR revenues SEK 1.4 (2.3) b.
- Gross margin² decreased 170 bps YoY
 - Lower IPR and increased cost
- Operating expenses increased YoY – FX SEK -0.7 b.
 - R&D: Investments in Networks
 - SG&A: Legal and compliance costs
- EBIT²: SEK 7.4 (5.8) b. – driven by higher gross income
- EBITA² rolling 4Q: 14% vs long-term target of 15%-18%

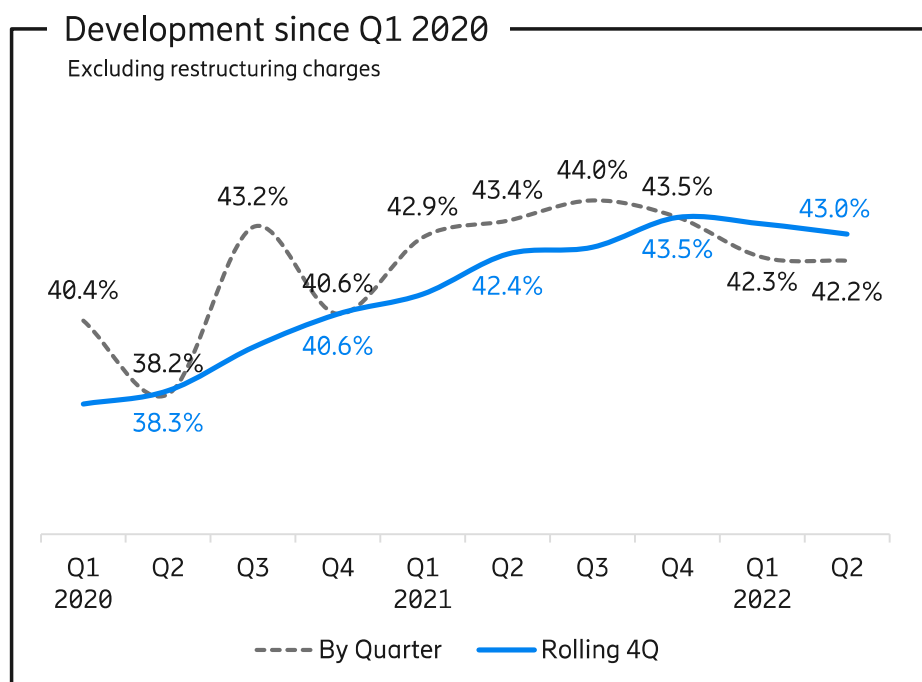
¹Including restructuring charges

²Excluding restructuring charges

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

Gross margin



- Gross margin¹ rolling 4Q: 43.0%
- Gross margin¹ 42.2% (43.4%) – Lower IPR and increased cost
- Networks – secure deliveries to customers
 - Positive impact from a large software sales contract and underlying improvements
 - Investments in supply chain and component/logistic costs
- Digital Services
 - Initial deployment costs for 5G Core
- Managed Services
 - Variable sales and increased Network optimization sales

¹Excluding restructuring charges

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Free cash flow and financial position



Financial Performance

SEK b.	Q222	Q221
EBIT excluding restructuring charges	7.4	5.8
Depreciation, amortization & impairment losses	2.2	2.1
Restructuring charges	0.0	0.0
Changes in operating net assets	-1.3	0.2
Interest paid & received, taxes paid and other	-1.9	-2.2
Cash flow from operating activities	6.3	5.9
Capex net and other investing activities	-1.3	-1.3
Repayment of lease liabilities	-0.6	-0.6
Free cash flow before M&A	4.4	4.1
Free cash flow before M&A rolling 4Q	29.2	22.3
<i>Net cash end of period</i>	<i>70.3</i>	<i>43.7</i>
<i>Gross cash end of period</i>	<i>100.4</i>	<i>77.1</i>

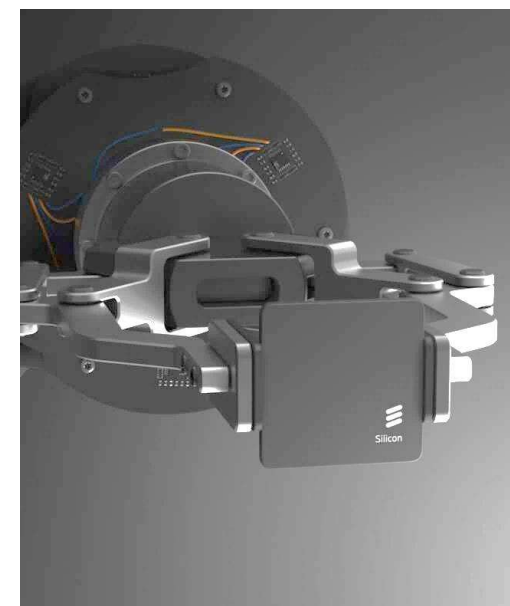
- Free cash flow before M&A of SEK 4.4 (4.1) b.
 - Driven by profit improvements
- Operating net assets (working capital)
 - Buffer inventory to secure customer deliveries, partly offset by trade receivables
- Gross cash decreased by SEK -3.8 b. QoQ
 - Repayment of bond (SEK -10.0 b.), dividends (SEK -4.2 b.) and FX effect on cash (SEK 3.0 b.)
- Net cash increased by SEK 5.2 b. QoQ to SEK 70.3 b.

Free cash flow before M&A rolling four quarters: SEK 29.2 b. or 12% of net sales (long-term target 9-12%)

Summary



- Mitigating inflationary pressure
- Business momentum continues – expect the global 5G build-out will be larger and continue for longer
- Intended acquisition of Vonage, working to secure approval and close the transaction before end of July
- Adjusted our structure to capture opportunities in digitalization for consumers, enterprises, and society through 5G
- Capital Markets Day planned for December 15, 2022



Ericsson Silicon depicted with a robot arm

EBITA margin rolling 4Q: 14% – determined to reach our long-term target no later than in 2-3 years



Q & A

Closing remarks



Börje Ekholm
President and CEO





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.

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