



MANAGED SERVICES

CAPITAL MARKETS DAY 2017

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PETER LAURIN

SVP & Head of Managed Services

KEY TAKEAWAYS



1

Strategic fit → An integral part of Ericsson's total offering that helps our customers to become more efficient and improve their performance

2

Turnaround → The ongoing contract review, new stricter sales directives and service delivery efficiency program will lead to a profitable business

3

Future → We will manage the operational opportunities and complexities created by technologies like 5G with automation and analytics capabilities

BUSINESS AREA MANAGED SERVICES



SEK ~25 B NET SALES¹

>24,000 EMPLOYEES

>100 COUNTRIES

Networks Managed Services

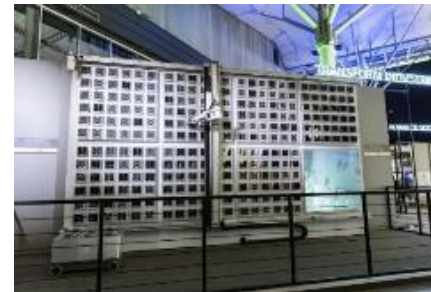


Field Services



Network Operations Centers

IT Managed Services



Applications and
Data Center Operations

Network Design & Optimization



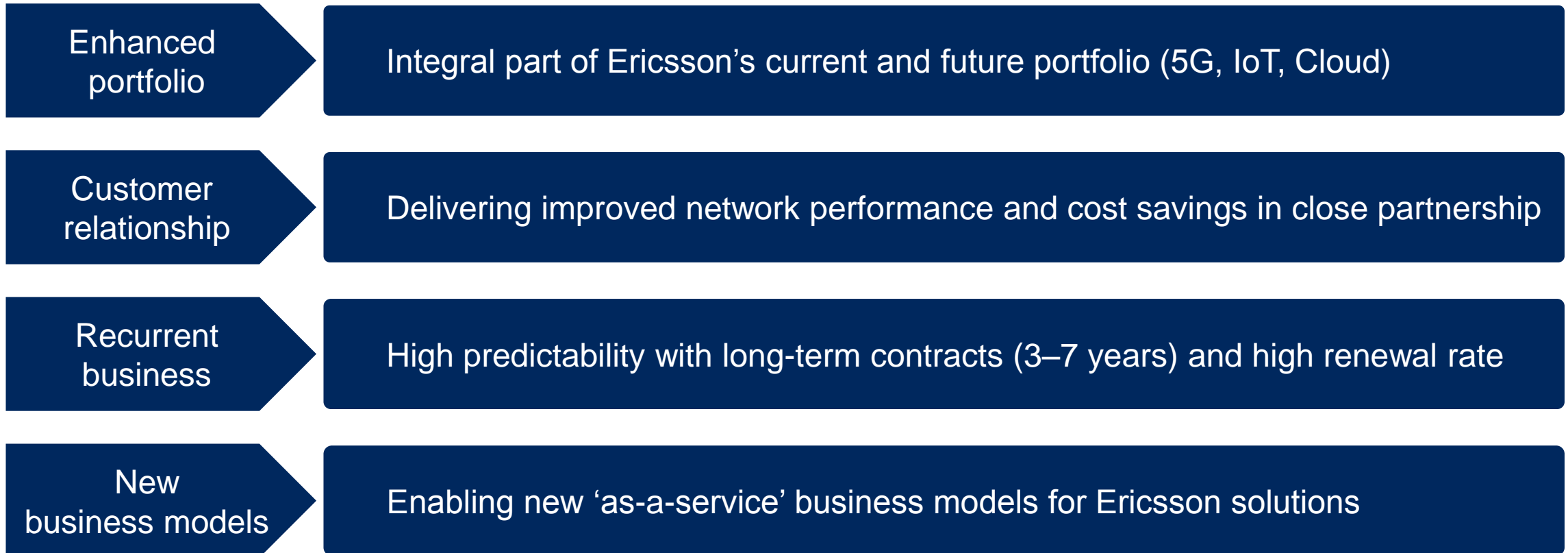
Optimizing networks, services
and user experience

¹2017 09 rolling 4Q. Unaudited and preliminary numbers

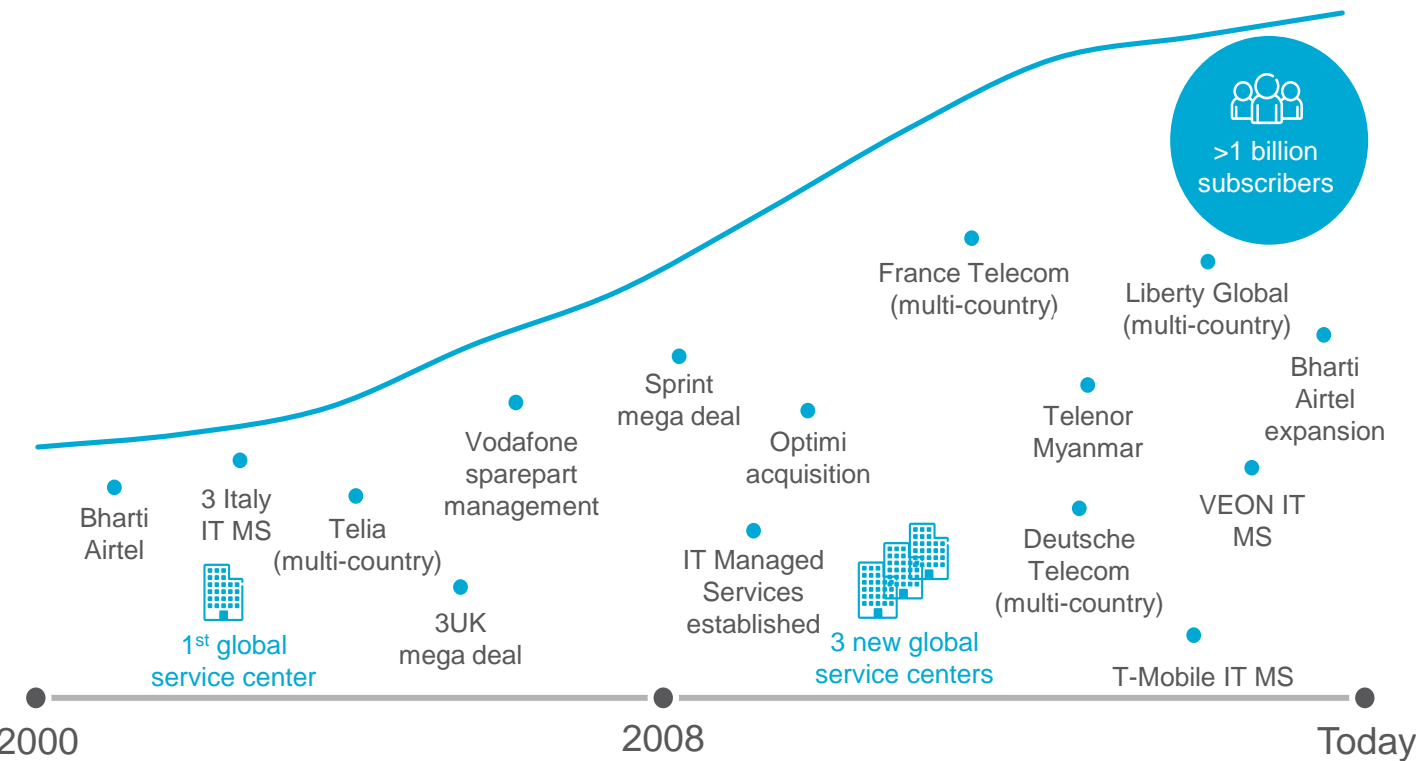
²External sources and Ericsson analysis

Market growth CAGR 2-4% (2016-2020)²

STRATEGIC FIT FOR ERICSSON



OUR JOURNEY AND CHALLENGE



Previous Strategy

- Growth focus
- Broad portfolio offered in most markets
- Developing capabilities in all geographies

Business Reality

- Market leadership
- Strong delivery capabilities
- High customer satisfaction
- Challenged profitability

STRATEGIC PRIORITIES



1

Refocus offerings
and business

2

Contract review

3

Execute cost-efficiency initiatives

4

Build world leadership
in automation and analytics

Profitability
over growth

STRATEGIC PRIORITIES



1

Refocus offerings
and business

- Limit certain markets and offer no stand-alone field services
- New stricter sales directives

2

Contract review

- 42 contracts (total >300) to either exit, renegotiate or transform

3

Execute cost-efficiency initiatives

- Streamline delivery and G&A organizations
- Continuously improve delivery process and sourcing

4

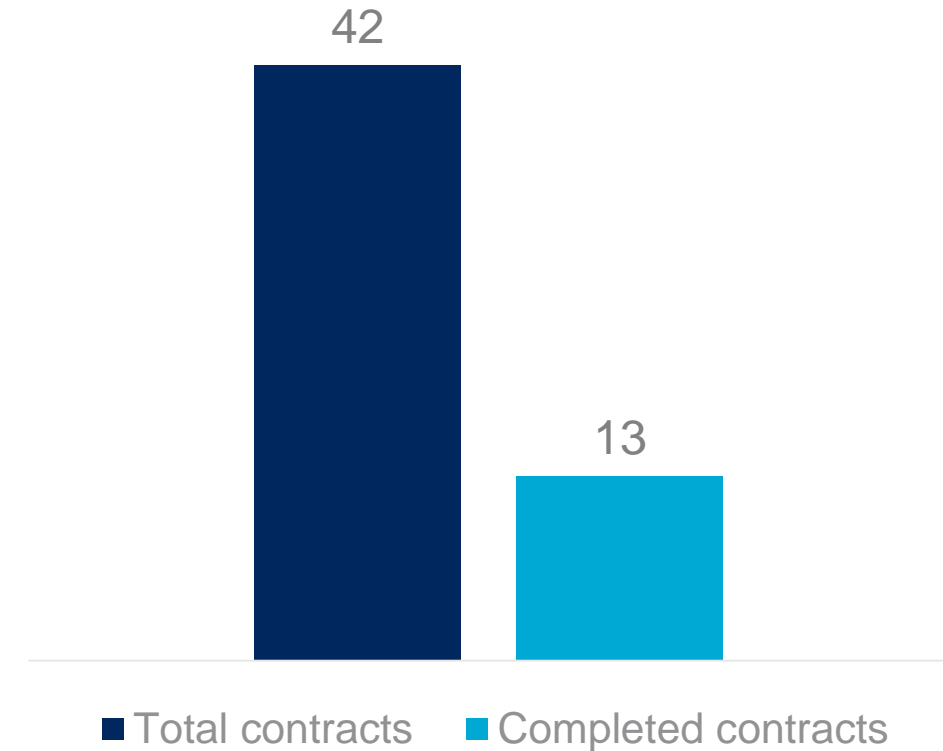
Build world leadership
in automation and analytics

- Increase focus on automation and analytics to enhance performance and cost-efficiency

CONTRACT REVIEW



- › 42 contracts to be exited, renegotiated or transformed, ambition to complete by 2019
- › Selection based on profitability and portfolio/market strategy
- › 13 contracts addressed to date with SEK 0.4 b. annualized profit improvement

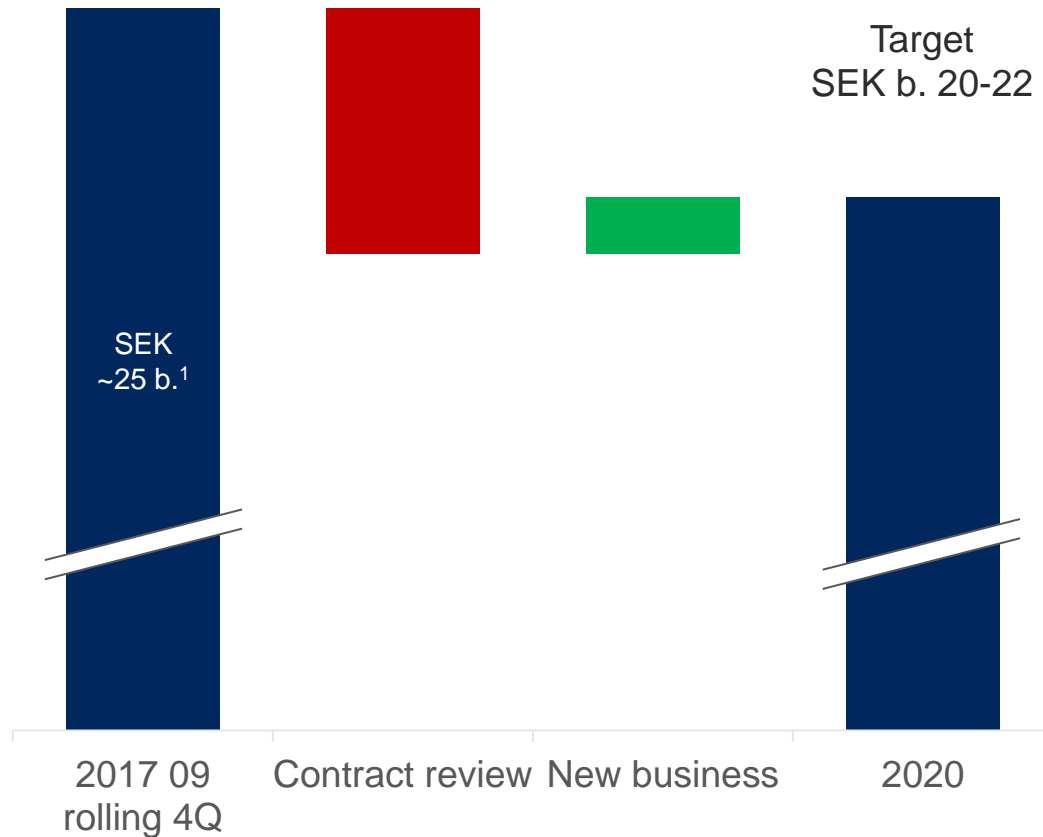


Each contract negotiation is unique – Customer relationship is key

SALES DEVELOPMENT



Illustrative



Contract review

- › Contract exits within the contract review program
- › Limit certain markets and offerings

New business

- › New stricter sales directives
- › Focus on full-scope Network Managed Services
- › Network Design & Optimization – growth globally
- › IT Managed Services – focus on IT transformations

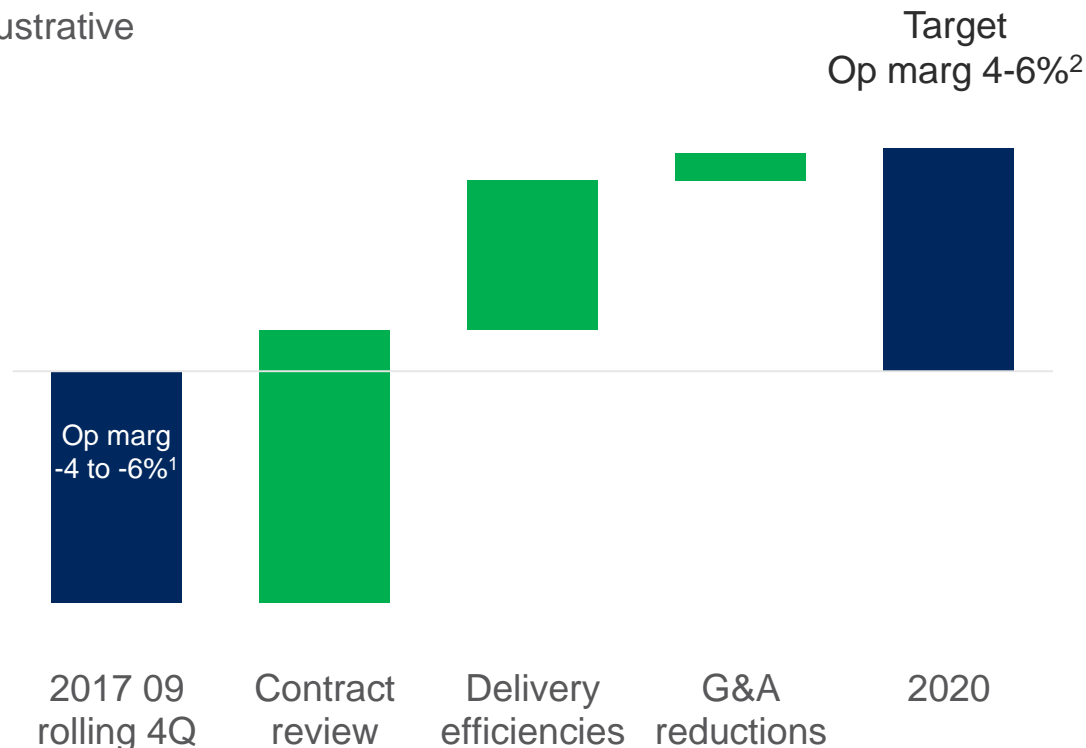
¹Unaudited and preliminary numbers

Underlying growth in line with market

FINANCIAL AMBITION



Illustrative



Part of SEK 10 b. cost program

Contract review

- › Addressing 42 contracts as part of ongoing review
- › Strictly monitor performance of all contracts

Delivery efficiencies and automation

- › Addressed inefficiencies in delivery organization
- › Continuously improve delivery process and increase automation

G&A reductions

- › Streamlined G&A organization

¹Unaudited and preliminary numbers, excluding restructuring charges and XO items

²Excluding restructuring

Target of 4-6%² operating margin by 2020 with attractive return on capital

SUMMARY



- 1 Refocus offerings and business
- 2 Contract review
- 3 Execute cost-efficiency initiatives
- 4 Build world leadership in automation and analytics

Profitability over growth

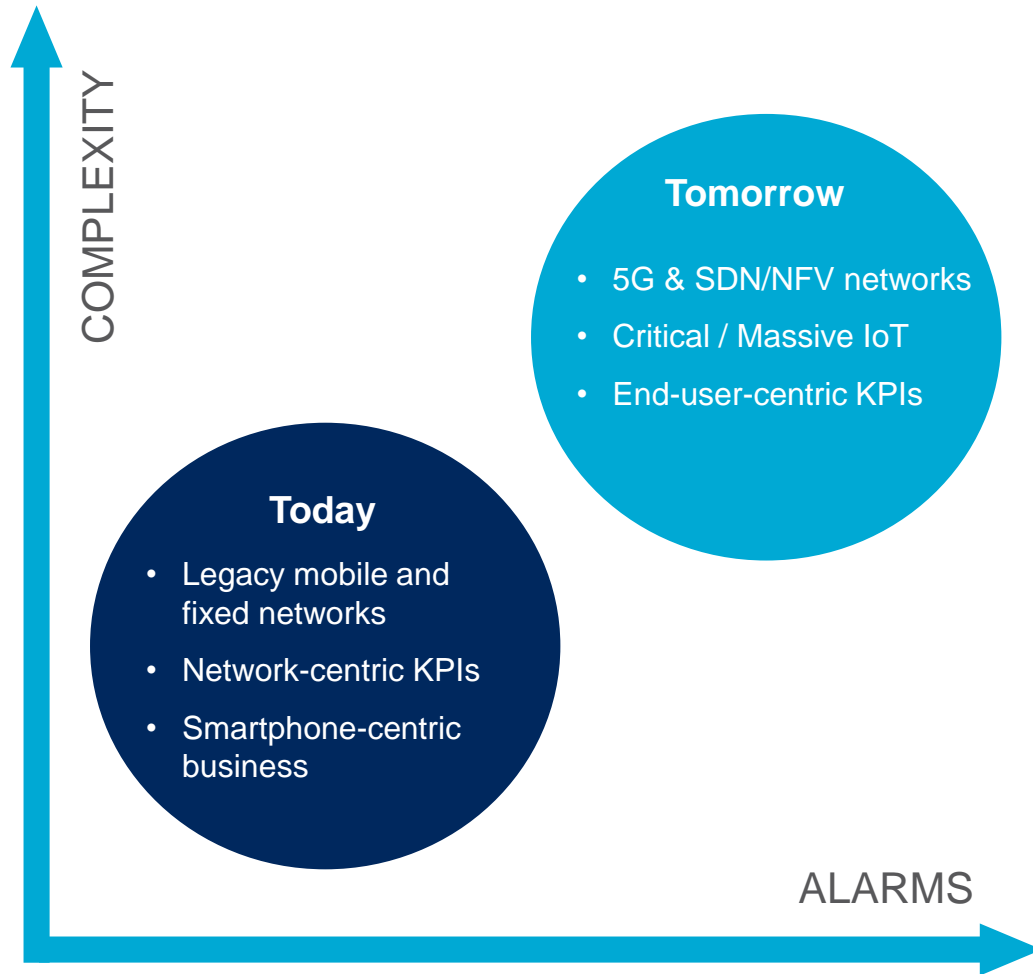
Targets for 2020

- › Operating margin 4-6%¹
- › Net sales SEK 20-22 b.

Attractive return on capital

²Excluding restructuring charges

THE FUTURE OF MANAGED SERVICES



- Increased complexity
- New opportunities
- Automation and analytics

Enhanced Analytics



Robotic Process Automation



Machine Learning



Artificial Intelligence

