

Ericsson announces
agreement to acquire
Vonage Holdings Corp.



Peter Nyquist

VP, Head of Investor Relations



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.

Börje Ekholm
President and CEO



*"Establish the leading global network
platform for open innovation"*

Ericsson accelerates its enterprise presence



- Vonage is a global Communication Platform leader with strong sales growth and free cash flow generation
 - 2nd largest developer community with more than 1 million developers globally
- Ericsson is committed to accelerating Vonage's strategy execution
- Long term – elevate the 5G ecosystem by establishing a global network platform for open innovation
- Vonage to be reported as a separate segment of Ericsson, reporting to the CEO

Vonage is well positioned in a sizeable high-growth market

Recap CMD November 2020 – our long-term growth ambitions



Executing on our strategy



Extending leadership in mobile networks

- Investments in technology leadership for cost and performance
- Strong product portfolio enabling growth through market share gains

Focused expansion into enterprise

Enterprise wireless networks

- Best security, reliability and operations, pre-packaged solutions
- Wireless WAN edge solutions (Cradlepoint), Cellular IoT and Dedicated / Mission Critical mobile networks expected to grow 20-30% annually

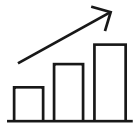
Global network platform

- Grow the communication platform business (Vonage)
- Platform for open innovation ensures monetization and creates new experiences made possible by 5G to benefit the full ecosystem

Vonage is a leading communication platform provider



An attractive and growing business



Vonage Communication Platform (VCP) sales **CAGR >20% 2018-2020**; with **25% growth** in Q3 YoY incl. **API 43% YoY**, outgrowing market

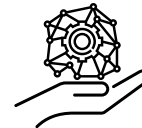


VCP with 45% gross margin



Strong and committed team and proven execution capabilities

A credible starting point to establish the leading global network platform



2nd largest developer community with more than 1 million developers globally

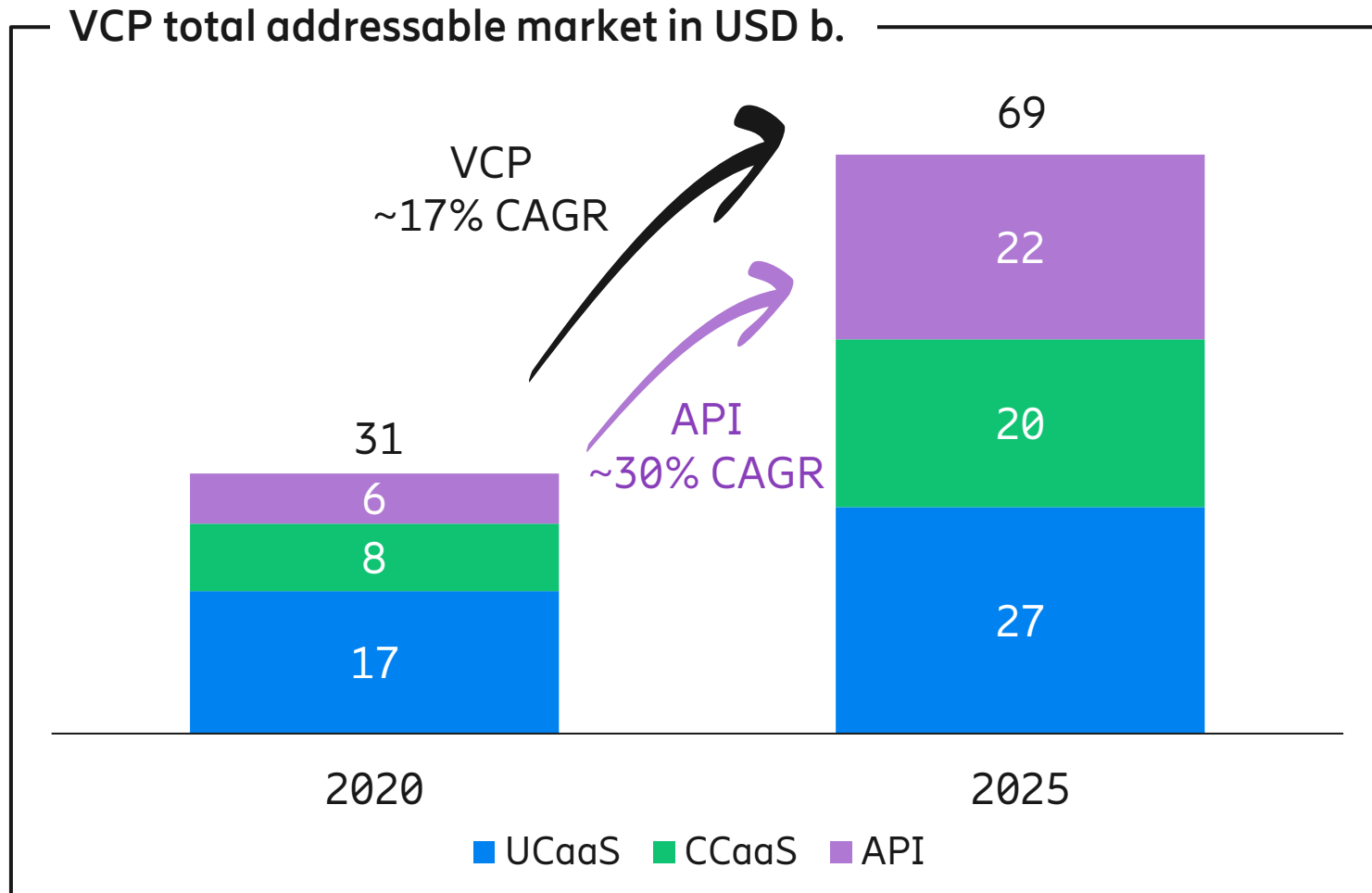


A global, API-based platform and direct sourcing agreements with **>200 CSPs**



An enterprise go to market with an experienced team to build, market and deploy APIs

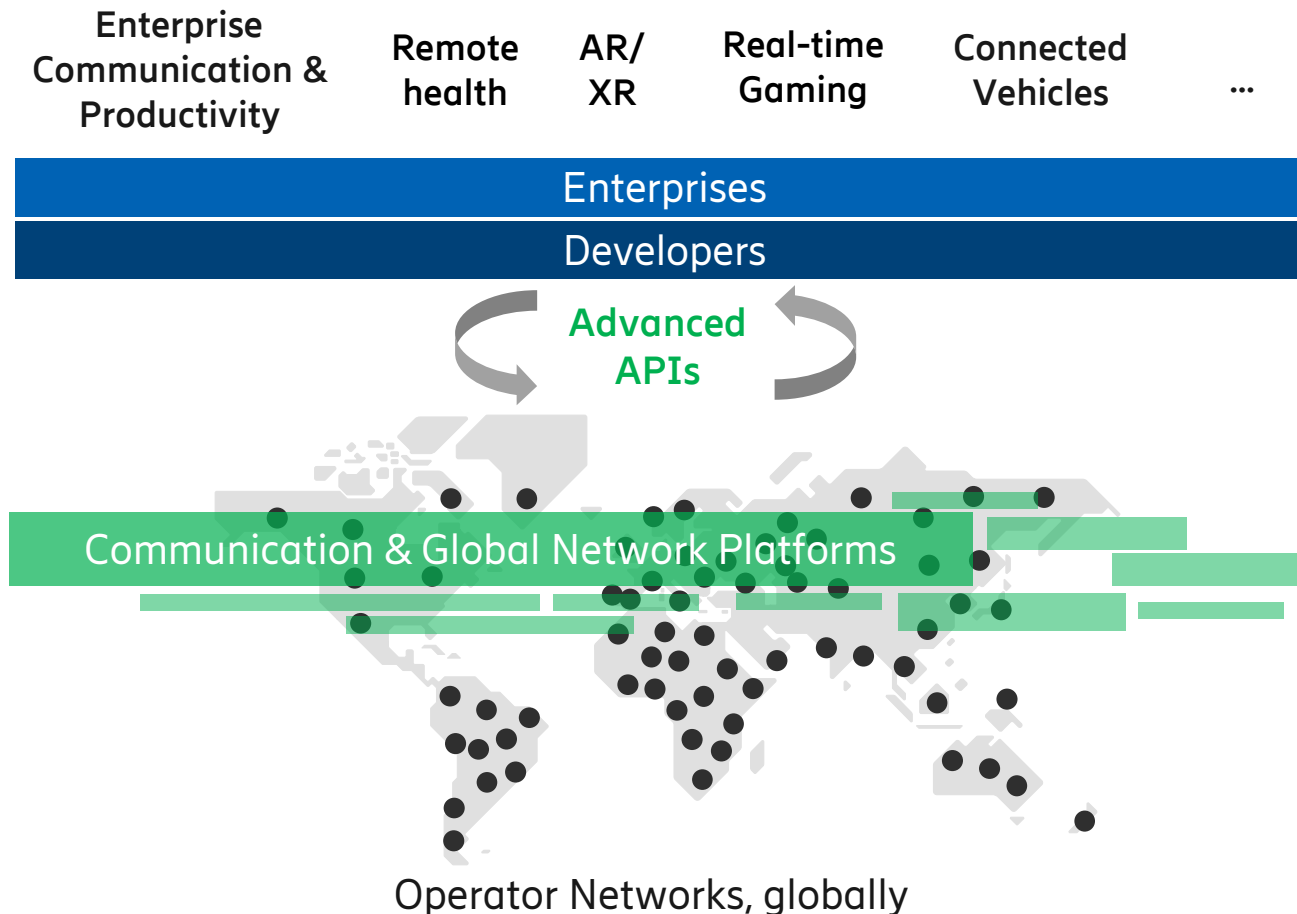
The acquisition will provide Ericsson with access to a new, substantial and fast-growing TAM opportunity



Addressable market CAGR is expected to be ~17% from 2020 to 2025 and we expect **VCP to grow faster than the market.**

By 2025 the API market is expected to be worth more than half of the RAN market.

Combining Ericsson and Vonage we aim to put the power of the network at developers' fingertips



- Ambition: Leading global network platform for open innovation
 - Ensure monetization
 - New value for full ecosystem
- Put the power of the network at the fingertips of developers – linking communication and network APIs (e.g. 5G network slicing)
- Enabling the next wave of premium and new communication experiences (e.g., high quality video, XR)
- Operators are the foundation for high performance networks and new capabilities

Combining strengths of Ericsson and Vonage to win next wave in platform services



Vonage leading global communication platform



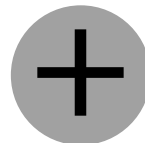
**1.1m
developers**



**120k
customers**



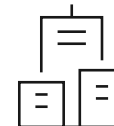
**API Platform,
780 engineers**



5G leader



**Scale - 26,000
R&D specialists**



**CSP partner, leading
network exposure**

Short/mid-term: Accelerating Vonage by revenue synergies, R&D and scale with estimated USD 0.4b by 2025; selective cost synergies

Long-term: Creation of global network platform, esp. leveraging on 5G

Carl Mellander Chief Financial Officer



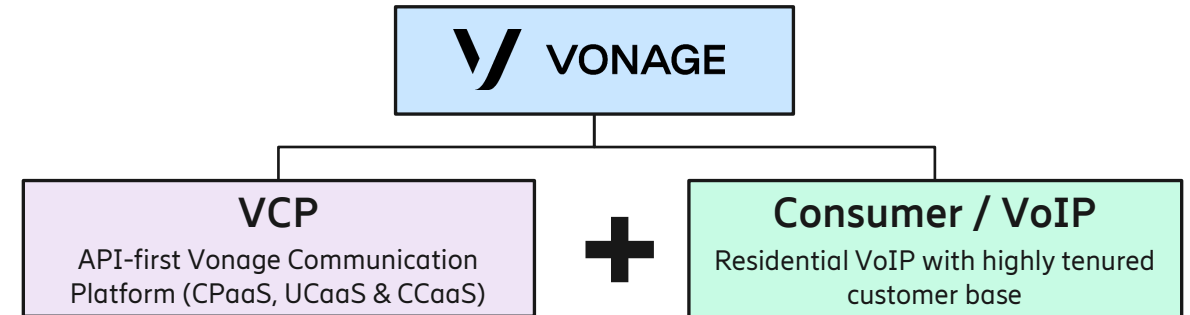
"Vonage Communication Platform has a strong track record of growth and improving profitability"

Vonage overview

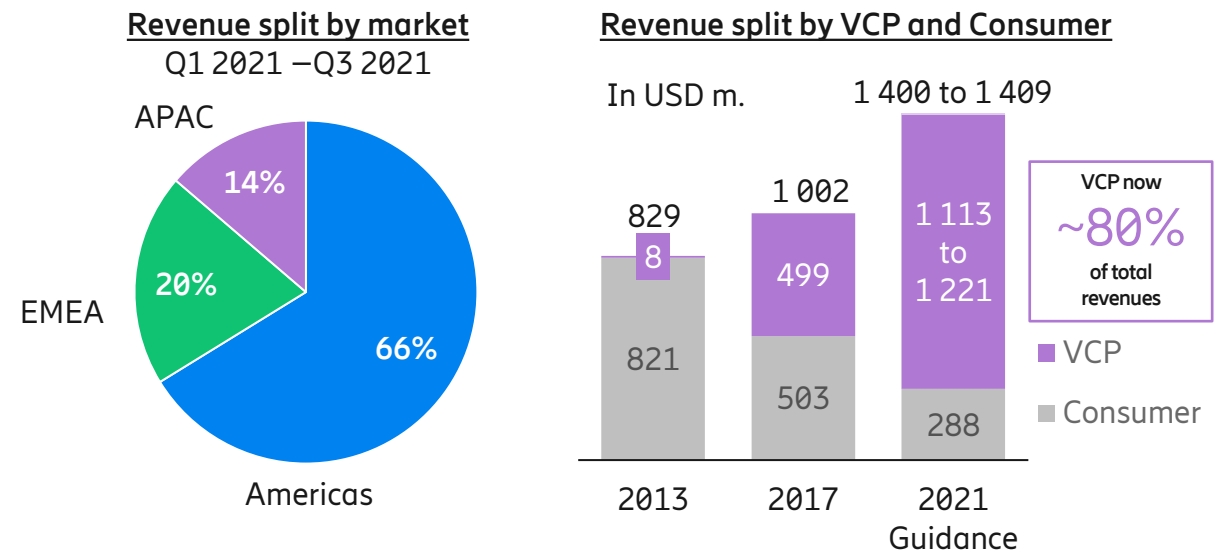
Company overview

- Founded in 2001 and since 2013 transforming into **an integrated communication as a service provider for enterprises**
- Two business segments:
 - **Vonage Communication Platform (VCP)**, including as a service offerings for unified cloud communication, contact center, and communications APIs¹,
 - **Consumer**, that provides communications solutions for residential customers
- **Large enterprise customer base** across sectors and sizes
- **More than 1 million developers globally**
- **2,200 employees**, headquartered in New Jersey, US

Business overview



Revenue split and shift to VCP



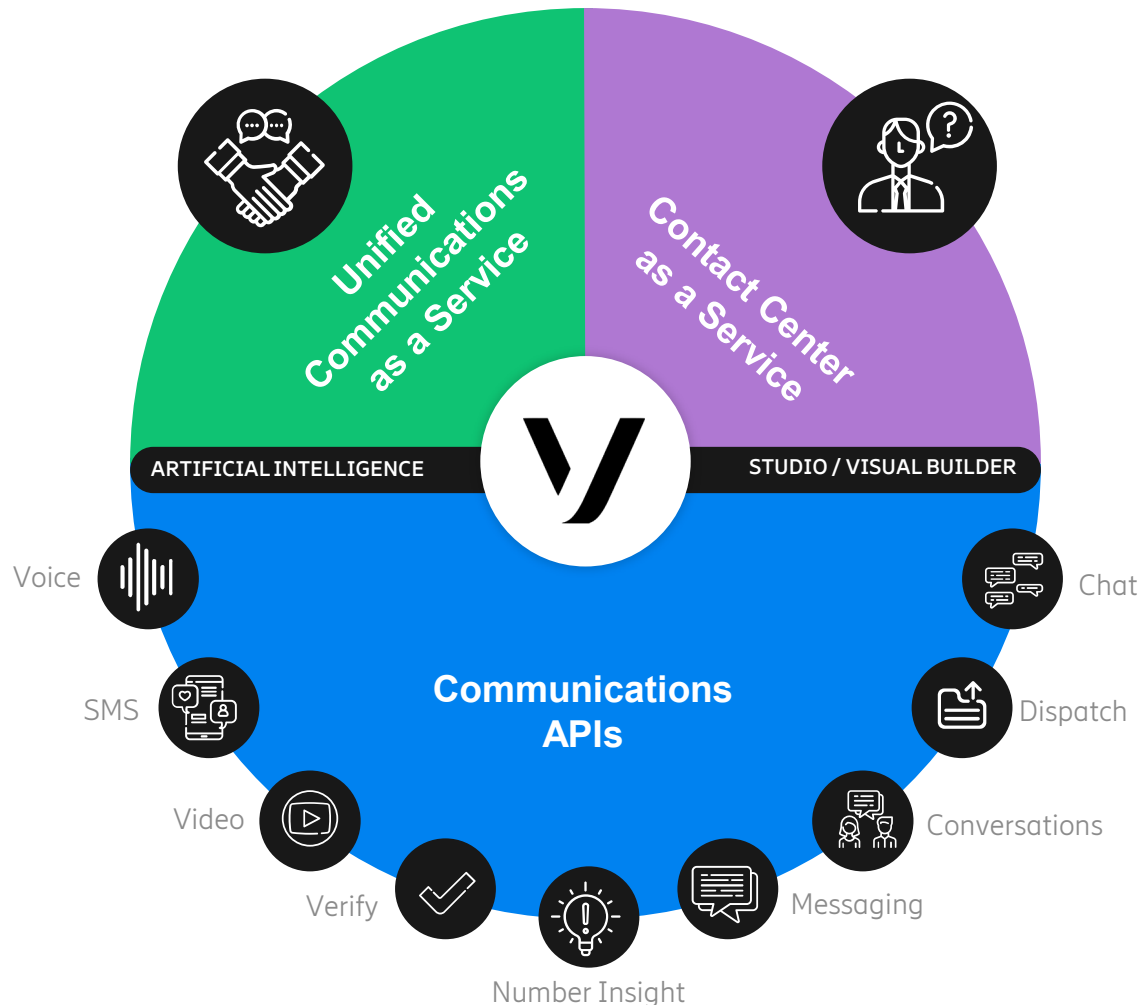
Source: Vonage public information. ¹ VCP businesses are also referred to as CPaaS – Communication platform as a service, based on APIs (Application Programming Interface). CCaaS – Contact Center as a Service, and UCaaS – Unified Communication as a Service.

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

Vonage Communication Platform



VCP offers a broad business communications portfolio



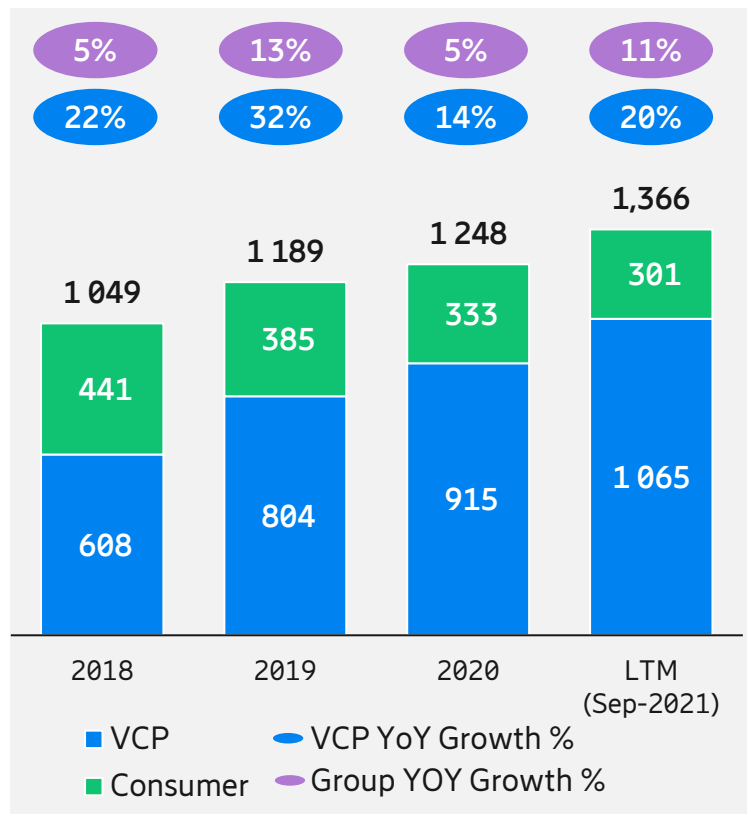
+120k business customers across sectors



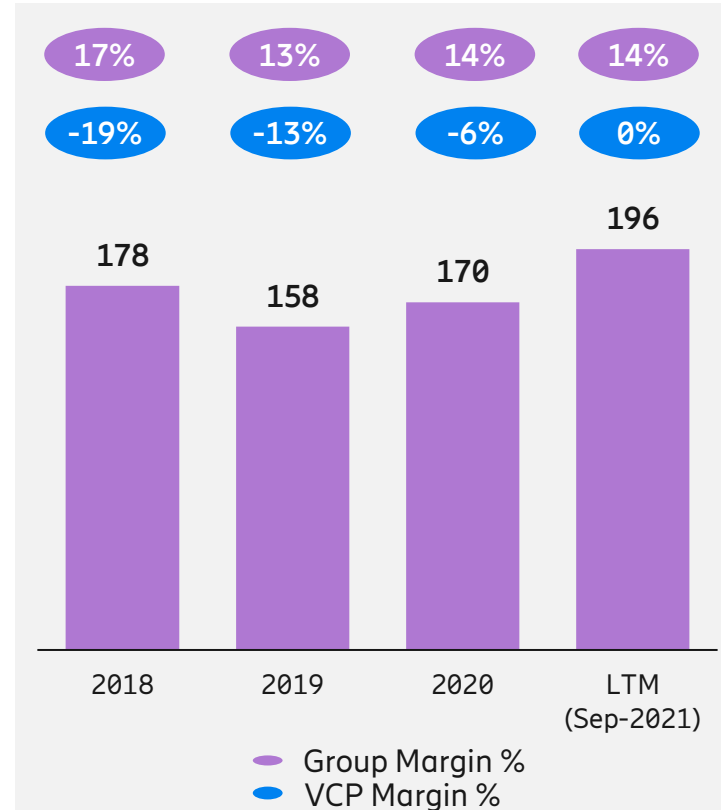
Vonage historical financial performance



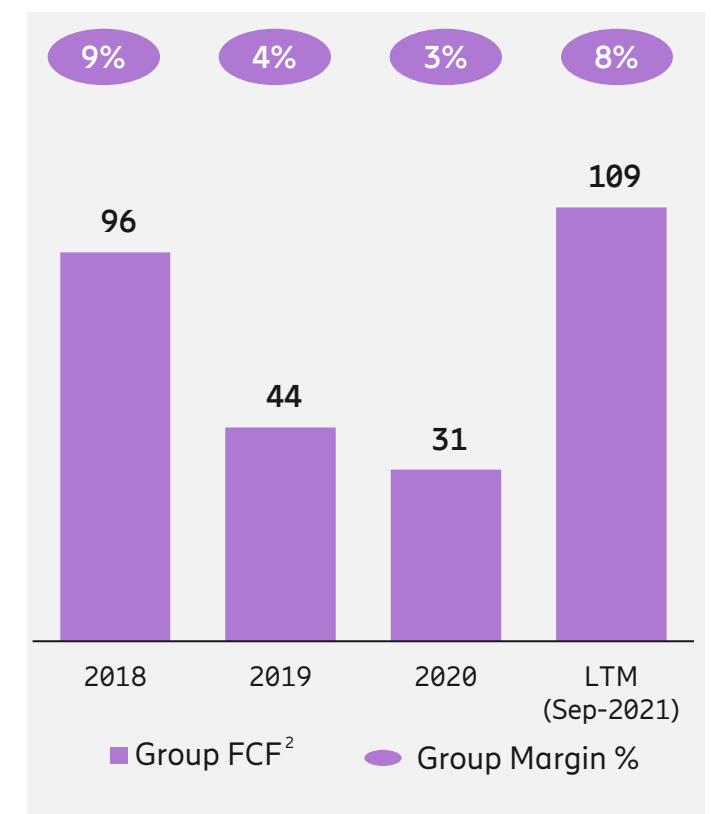
Revenues (USD m.)



Adj. EBITDA (USD m.)¹



Free Cash Flow (USD m.)



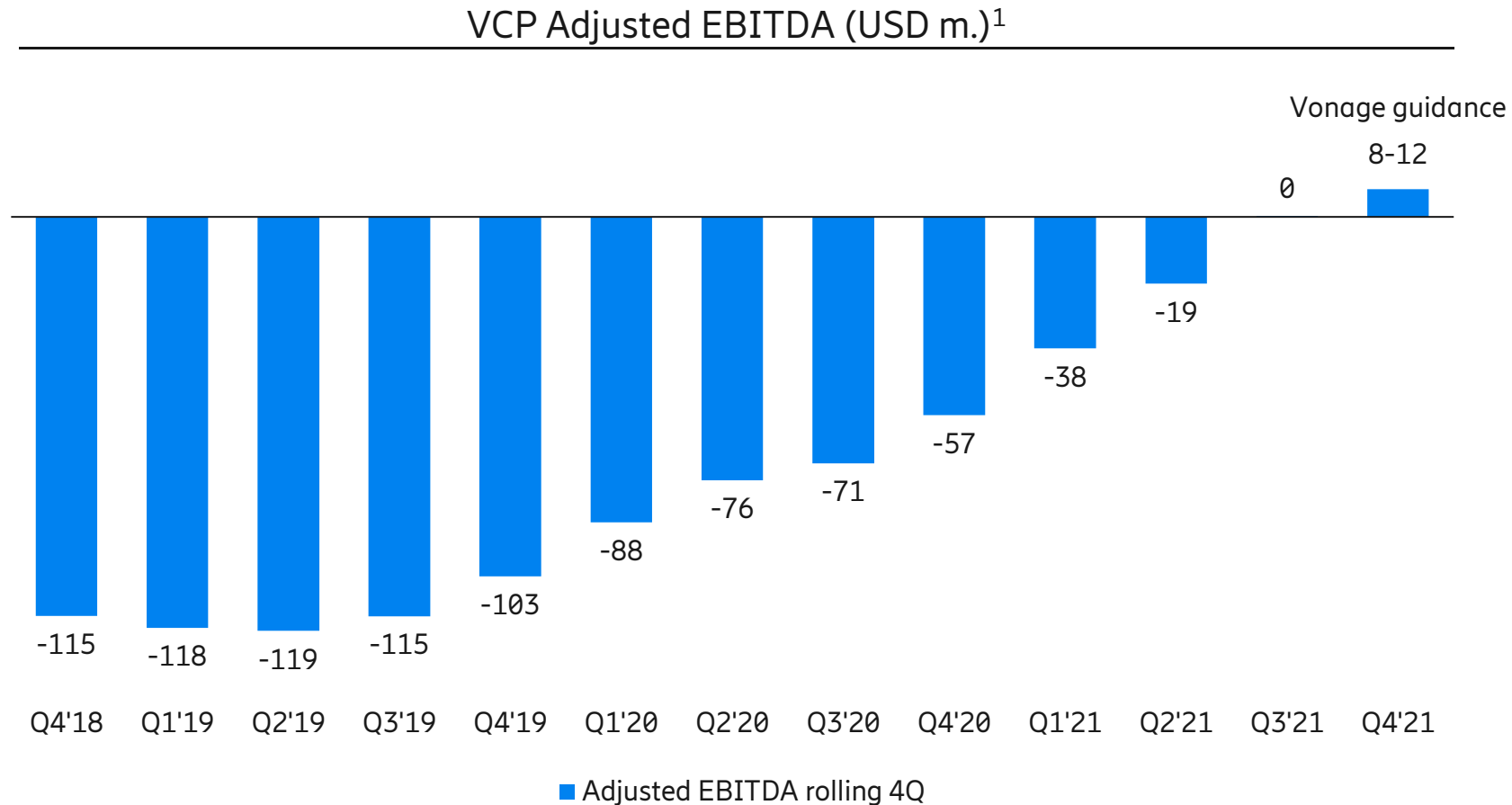
¹ Adjusted EBITDA is adjusted for stock-based expense, amortization of costs to implement cloud computing arrangements, acquisition related transaction and integration costs, organizational transformation costs, restructuring activities, and other non-recurring items.

² FCF defined as FCF before M&A (cashflow from operations less investing cashflow excluding acquisitions)

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VCP improving profitability over last years



The transaction



- Agreement to acquire Vonage for USD 21 per share, which implies a fully diluted enterprise value of USD 6.2 b.
- Completion of the transaction is subject to acceptance by shareholders and regulatory approvals and is expected in the first half of 2022
- Transaction to be funded with cash at hand. Ericsson's gross and net cash by end-Q3 2021 was SEK 88 b. and SEK 56 b.
- The transaction is expected to be accretive to EPS (excluding non-cash amortization impacts) and free cash flow before M&A from 2024 and onwards. Further information on the impact on Ericsson financials to be communicated post-closing
- To be reported as a separate segment
- Ericsson remains fully committed to targets:
 - Long term targets of EBITA margin 15% – 18%¹ and FCF before M&A 9% – 12% of sales
 - 2022 target of EBIT margin 12% – 14%¹ for Ericsson Group excluding Vonage

Börje Ekholm
President and CEO



"We are fully committed to Vonage's near and long-term growth."

Closing remarks



- Continue to extend leadership in mobile networks and execute our enterprise strategy
- Vonage is a leader in a high growth market
- Accelerating Vonage's strategy execution, and add cross-selling opportunities, R&D and scale
- Together, we elevate the 5G ecosystem by establishing a global network platform
- Vonage to be run as a separate segment reporting directly to the CEO
- Closing expected in the first half of 2022



Q&A



Forward-looking statements



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- 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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