



DIGITAL SERVICES

CAPITAL MARKETS DAY 2017

NOVEMBER 7-8, 2017 NEW YORK



ULF EWALDSSON

SVP & Head of Business Area Digital Services

KEY TAKEAWAYS



1

Our customers' priorities

Digital engagements, automated operations, programmable networks

2

Strategy and Ambition

To be the leading software company in telecom

3

Objective

Turn around to reach profit by 2020

KEY TAKEAWAYS



- 1** Our customers' priorities
Digital engagements, automated operations, programmable networks
- 2** Strategy and Ambition
To be the leading software company in telecom
- 3** Objective
Turn around to reach profit by 2020

SERVICE PROVIDER NEEDS



- Need for cost out
- Demand for speed
- Cater for legacy while transforming to 5G
- Evolve network for future needs & use cases
- Extend service provider capabilities into enterprises
- Customer experience via a digital frontend
- “App store” construct

Automated operations



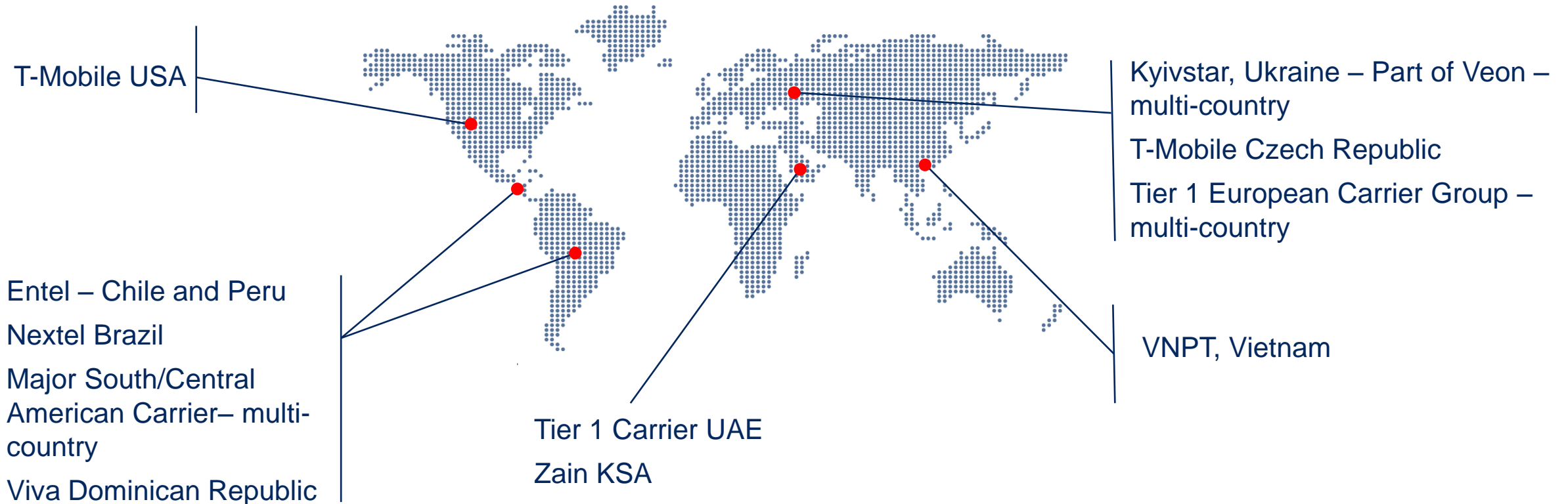
Programmable networks



Digital engagement

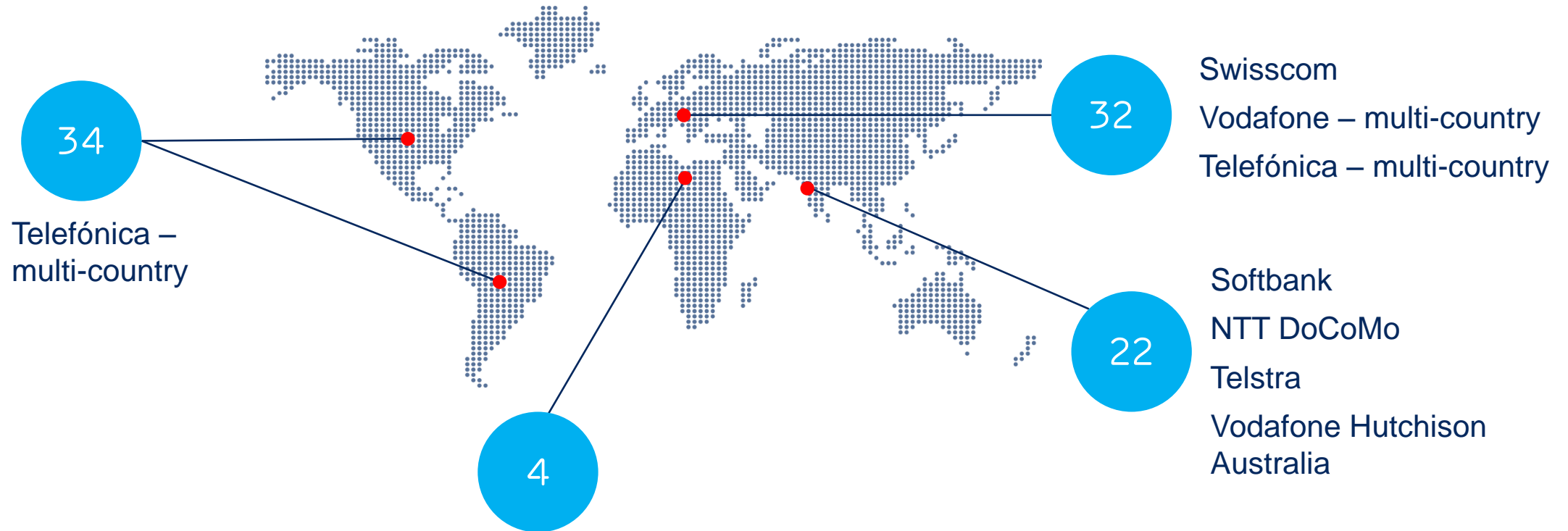


DIGITAL ENGAGEMENT



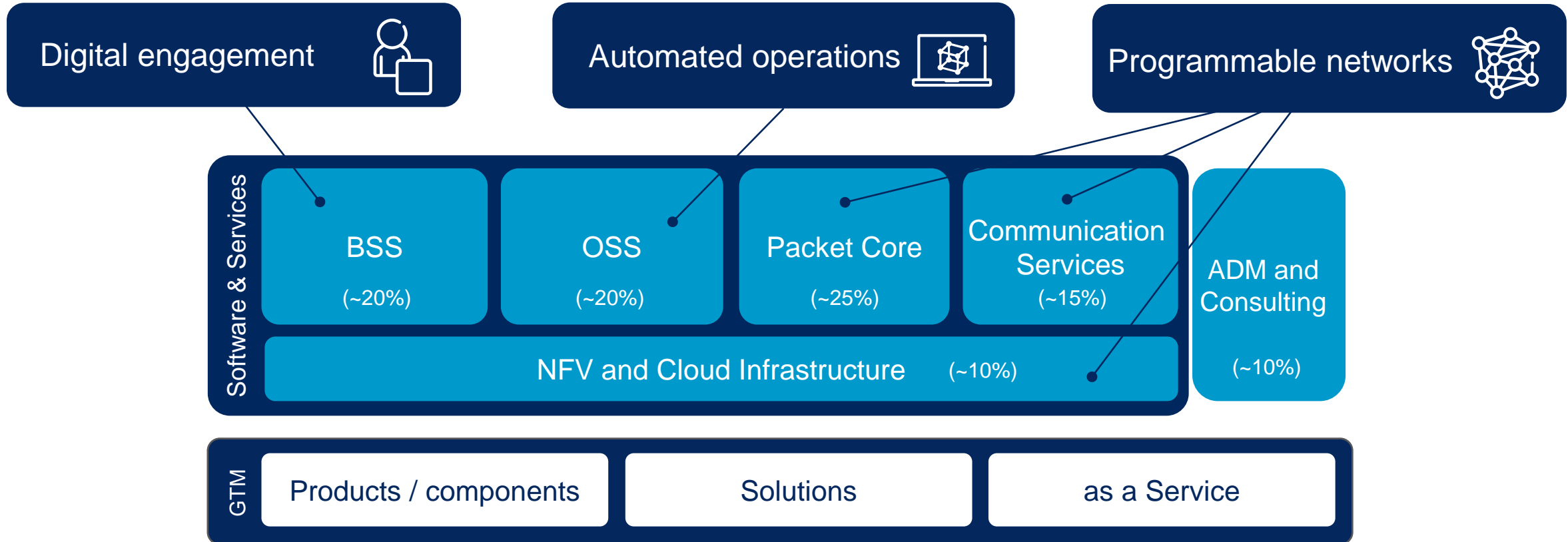
Service providers transforming monetization systems and digitalizing customer engagements

AUTOMATED OPERATIONS AND PROGRAMMABLE NETWORKS



Service providers virtualizing core networks and aiming to automate their operations

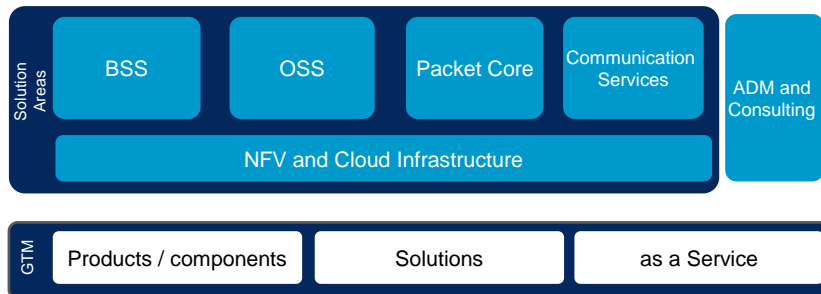
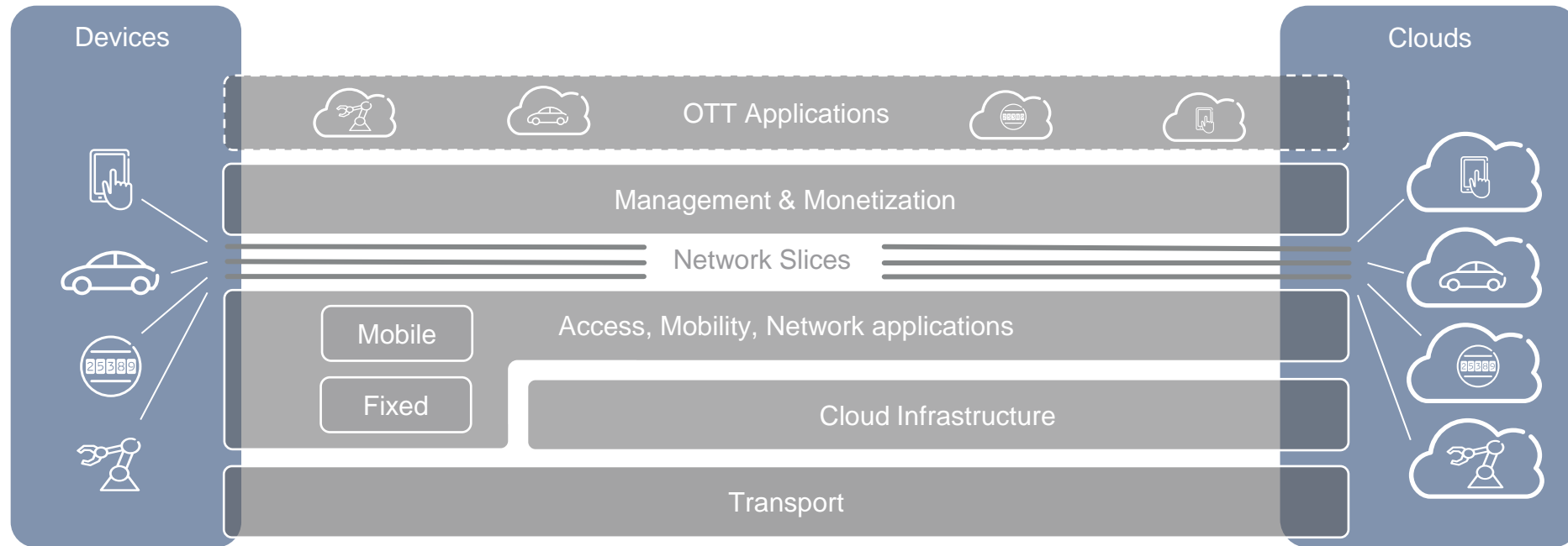
ERICSSON DIGITAL SERVICES



Product Market (Software & Hardware) CAGR ~1-4%¹ (2016-2020)

¹ Depending on segment. Includes Core (Packet Core & Communication Services), OSS and BSS, Sources: Core IHS, OSS&BSS Analysys Mason

INTEGRAL TO ERICSSON & THE 5G NETWORK



KEY TAKEAWAYS



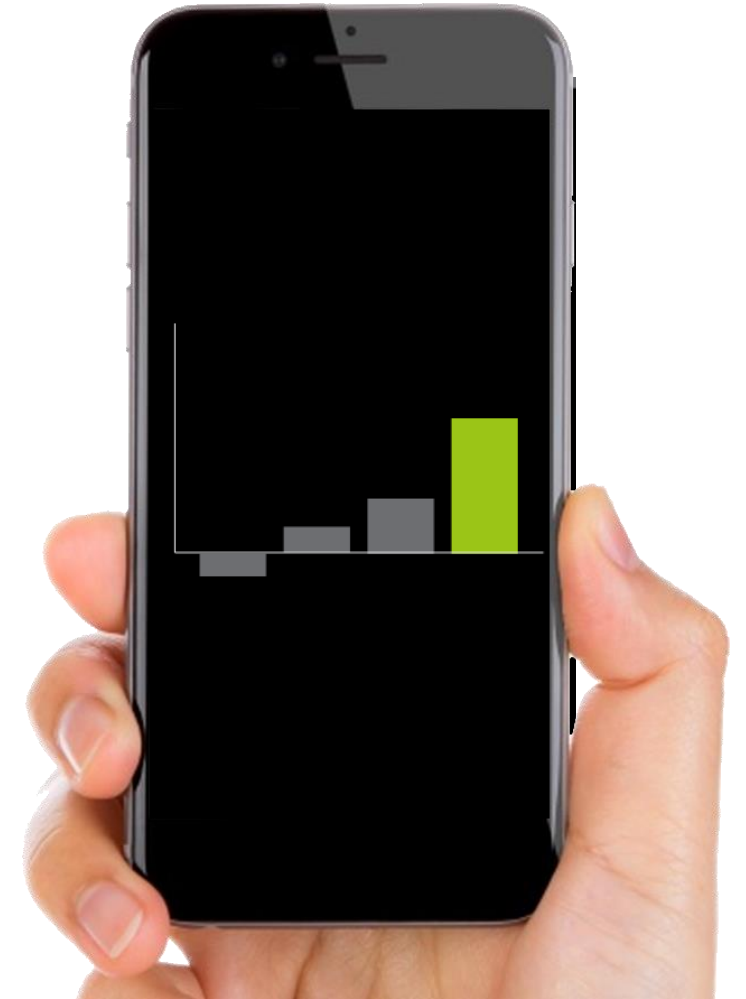
- 1** Our customers' priorities
Digital engagements, automated operations, programmable networks
- 2** Strategy and Ambition
To be the leading software company in telecom
- 3** Objective
Turn around to reach profit by 2020

OUR AMBITION



Digitalize service providers through programmable networks, automated operations and digital engagement

1. Become the telecom industry's leading software company
2. Lead transformation of service providers to cloud-native architecture
3. Software-led approach with industrialized service delivery
4. Enable software delivery "as a Service"
5. Differentiate through user experience centric design



DIGITAL SERVICES - STRATEGY SHIFT



	Previous strategy: Service-led, separate products & services, topline driven	New focused strategy: Software-led, industrialized services, profitability focused
Go to market	<ul style="list-style-type: none">› Service-led› Service providers + industries & societies	<ul style="list-style-type: none">› Software-led› Service providers
Portfolio	<ul style="list-style-type: none">› High customization› Broad portfolio (services + products)	<ul style="list-style-type: none">› Pre-integration› Focused portfolio
Service delivery	<ul style="list-style-type: none">› Project-centric› Low standardization	<ul style="list-style-type: none">› Software-centric› Industrialized and automated
Financial/Organizational	<ul style="list-style-type: none">› Top line driven› Separate P&Ls	<ul style="list-style-type: none">› High margin driven› Joint P&L

KEY TAKEAWAYS



- 1** Our customers' priorities
Digital engagements, automated operations, programmable networks
- 2** Strategy and Ambition
To be the leading software company in telecom
- 3** Objective
Turn around to reach profit by 2020

TURNAROUND PRIORITIES



Stability



Profitability



Growth



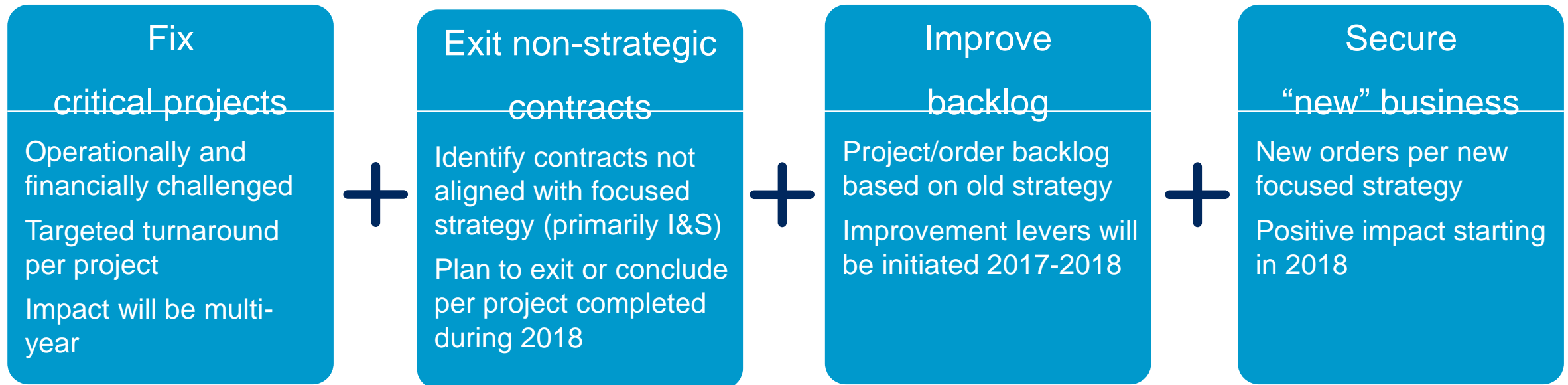
2017 – 2018

- Fix product roadmaps
- Address challenging contracts
- Cost reductions initiated

2018 – 2019

- Lower topline due to strategy shift
- Improved gross margins
- Scale software part of the business
- Increase level of pre-integration

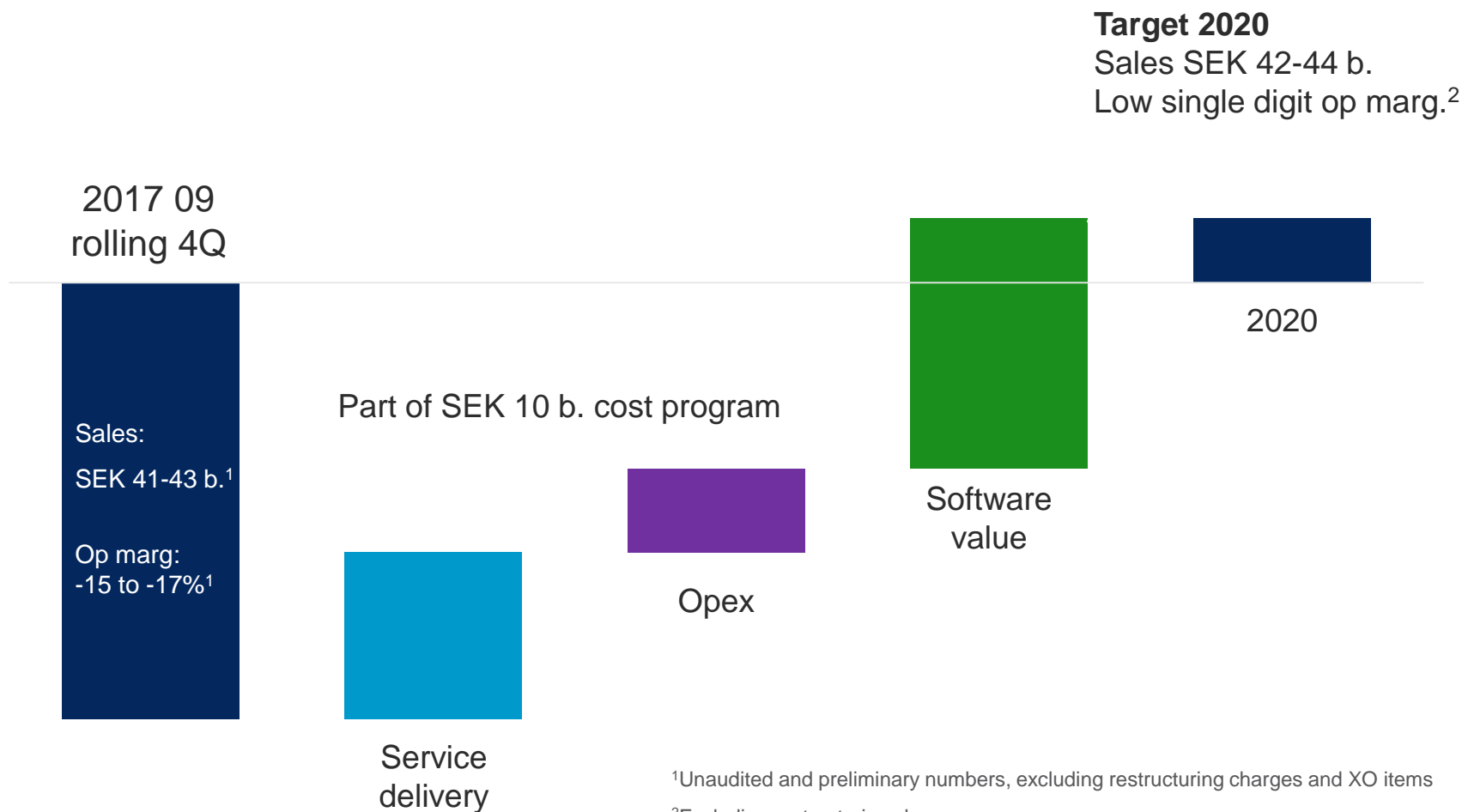
TURNAROUND APPROACH



FINANCIAL AMBITION



Illustrative



Optimize service delivery

1. Increased off-shoring
2. Improved project performance
3. Automation & Pre-integration

Reduce Opex

1. SG&A optimization
2. Shift from legacy to new portfolio
3. New operating model

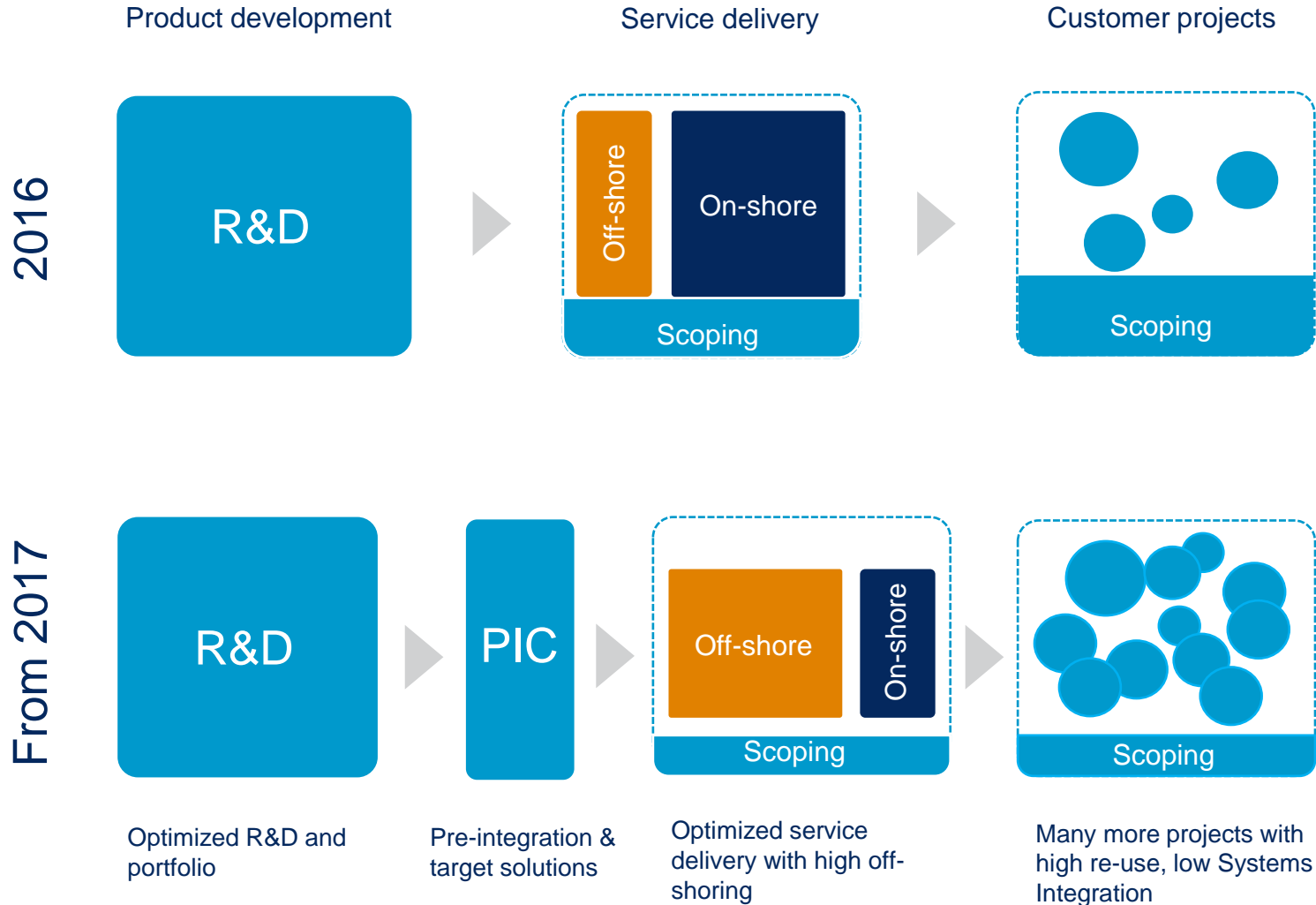
Capture software value

1. Increase recurring revenue
2. Software scaling with continuous integration and continuous deployment
3. Content rich SaaS

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

²Excluding restructuring charges

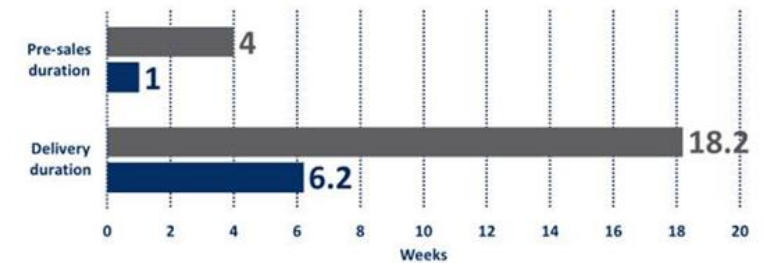
OPTIMIZING SERVICE DELIVERY



Example:

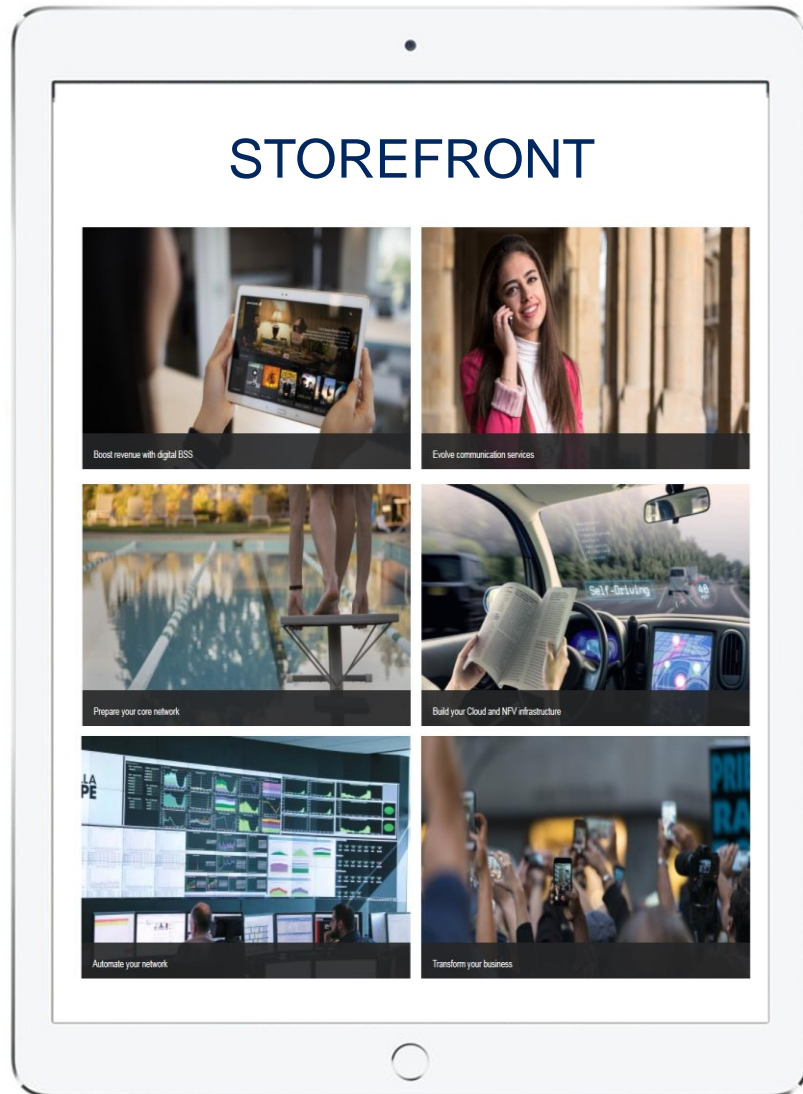
VoLTE Fast Commercial Launch

- Pre-integrated solution
- Integrated to Mobile and Packet Core
- Easy expansion of subs



- Reference case: Large operator in Africa
- One fourth of pre-sales time needed
- One third implementation time on site

DIGITAL CATALOG FOR FOCUSED PORTFOLIO



Flagship products

Revenue Manager – “Boost revenue with digital BSS”

Expert Analytics – “Automate your network”

5G Core – “Prepare your core network”

VoLTE – “Evolve communication services”

NFVi – “Build your Cloud and NFV infrastructure”

ADM – “Transform your business”

TURNAROUND GOVERNANCE



DEVELOP

Products on time
and with quality

Key product releases on track

Improve product quality

**Technology leadership –
5G readiness**

SELL

Software-led sales

Portfolio shift

Recurrent revenues

Accelerate software deployment

**Upgrade to latest software
release**

DELIVER

Operational performance

Service delivery efficiency

Critical project turnaround

PROGRESS EXAMPLES



DEVELOP

Key product releases on track

Flagship products released on time

Product	Releases in Q3-Q4 2017
Revenue Manager	RM 17B RM 18A
Expert Analytics	EEA 17 EEA17.1 EEA17.2
5G Core	vEPC1
NFVi	NFVI (R4)

SELL

Recurrent revenues

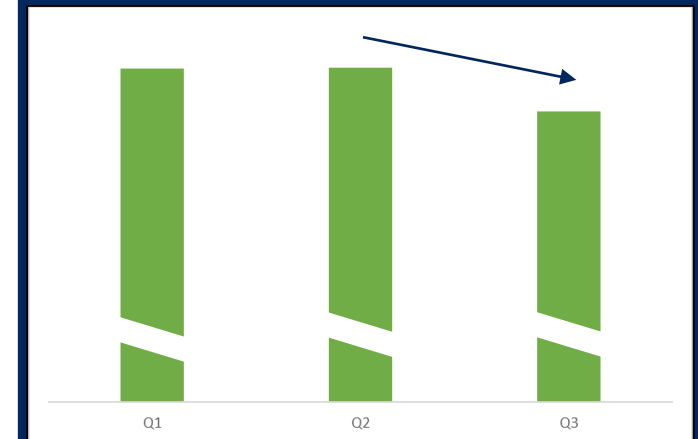
Recurring % of software sales



DELIVER

Service delivery efficiency

Run-rate spend for service delivery



KEY TAKEAWAYS



- 1** Our customers' priorities
Digital engagements, automated operations, programmable networks
- 2** Strategy and Ambition
To be the leading software company in telecom
- 3** Objective
Turn around to reach profit by 2020