

Planning assumptions – summary

Please see the Q4 report for complete planning assumptions



Market

Ericsson

- RAN equipment market 4% FY 2020, 2% CAGR 2018-2023 (Dell'Oro)
- The financial targets for 2020 and 2022 presented at the Investor Update in October 2019 remain unchanged.
- Net sales and Gross margin
 - Normal seasonality Q4→Q1 -25%. Q1 is expected to have slightly less seasonality, as the base was lower following a weak Q4 in North America. The underlying business fundamentals in North America remain strong.
 - Baseline for IPR ~SEK 10 b., on an annual basis
 - Strategic contracts, with overall long-term positive but initially low or negative margin, expected to continue to impact Networks.
 - Large 5G deployments in China expected to commence in 2020 – investments to increase market share. Initially challenging margins but positive over the lifespan of a contracts.
 - Kathrein - negative impact on Networks margin during 2020, with a gradual improvement during 2H.
 - Improvements in Digital Services continue, earnings will vary depending on business mix, sales seasonality and impact from the 45 contracts.
- Operating expenses
 - Opex typically decrease Q4→Q1 due to seasonality. Expect somewhat higher operating expenses during 2020 due to investments in compliance, security and digitalization.
- Restructuring charges
 - Restructuring charges for full-year 2020 are estimated to be 1% of sales
- Currency exposure
 - Rule of thumb: USD/SEK 10% weaker → ~ -5% sales and ~ -1pp OM. For historical FX rates, please see ericsson.com

Based on current visibility, assessments and FX rates