Ericsson Fourth quarter 2024

January 24, 2025

Fourth quarter 2024

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

Key takeaways

- Continued progress on strategic initiatives
  - Maintaining leadership in programmable networks
  - 5G Advanced portfolio enhancements
  - Momentum building for network APIs
- Market development
  - Further signs of RAN market stabilization
  - Returned to YoY growth in Networks sales in Q4
- Solid financial results in 2024
  - Strong growth in gross margin
  - EBITA margin
  - Free cash flow before M&A of SEK 40b.

	Fourth Quarter	Full Year
Organic[1] sales YoY:	2%	-5%
Adjusted[2] gross margin:	46.3%	44.9%
Adjusted[2] EBITA margin:	14.1%	11.0%

Focus on operational excellence – we remain committed to our long-term EBITA margin target

[1] Sales adjusted for the impact of acquisitions and divestments and effects of foreign currency fluctuations.
[2] Excluding restructuring charges.

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Q4 sales development by market area and segment

Market area net sales (Q4 2024, SEK b.)		Organic growth (Q4 2024 YoY)	Networks	Cloud Software and Services	Enterprise	
			64%	25%	10%	% of net sales FY 2024
North America	22.0	54%	↗	↗		29%
Europe and Latin America	19.4	2%	↗	→		26%
South East Asia, Oceania and India	8.4	-28%	↘	↘		13%
North East Asia	7.1	-22%	↘	↘		8%
Middle East and Africa	6.3	-18%	↘	↘		8%
Other (IPR and most of Enterprise)	9.7	3%	↗	↗	↘	16%
Total	**72.9**	**2%**	↗	→	↘	100%

↗ Indicates direction of year-on-year organic sales development.

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Financial Overview

Lars Sandström
Chief Financial Officer

Financial update Q4 2024

Financial performance (adjusted)

SEK b.	Q4-24	Q4-23	YoY	Q3-24
Net sales	72.9	71.9	1%	61.8
Organic sales growth			2%	
Gross income	33.7	29.6	14%	28.6
Gross margin	46.3%	41.1%		46.3%
R&D expenses	-13.5	-12.5		-12.2
SG&A expenses	-10.3	-9.8		-9.2
Other op. income & expenses	-0.1	-0.1		0.0
EBIT	9.6	7.4		7.3
EBIT margin	13.1%	10.3%		11.9%
EBITA	10.2	8.2	25%	7.8
EBITA margin	14.1%	11.4%		12.6%
Net income[1]	4.9	3.4		3.9
Free cash flow before M&A	15.8	12.5		12.9

[1] Including restructuring charges.

Organic sales growth : 2% YoY

- Growth in North America of 54%
- Slight growth in Europe, other markets declined

Adjusted gross margin: 46.3%

- Improvements in all segments
- Supply chain efficiency, commercial discipline and favorable market mix
- Higher IPR licensing revenues

Adjusted EBITA margin: 14.1%

- Higher gross income partly offset by higher operational expenses - variable incentive accruals

Free cash flow before M&A: SEK 15.8 b.

- Earnings growth
- Reduced working capital due to market mix, strong collections, and efficient supply chain management

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Financial update FY 2024
Financial performance (adjusted)

SEK b.	2024	2023	YoY	2024[2] ex impairment	2023[3] ex impairment
Net sales	247.9	263.4	-6%		
Organic sales growth			-5%		
Gross income	111.4	104.4	7%		
Gross margin	44.9%	39.6%			
R&D expenses	-51.4	-48.2		-50.0	-48.2
SG&A expenses	-50.8	-38.0		-38.2	-38.0
Other op. income & expenses	0.6	-31.9		1.9	0.0
EBIT	9.3	-13.8		24.7	18.1
EBIT margin	3.8%	-5.2%		9.9%	6.9%
EBITA	27.2	21.4	27%		
EBITA margin	11.0%	8.1%			
Net income[1]	0.4	-26.1			
Free cash flow before M&A	40.0	-1.1			

[1] Including restructuring charges. [2] Excluding impairments recorded in the Q2 and Q4 2024, relating to the impairment of intangible assets mainly attributed to the Vonage acquisition. [3] Excluding impairment recorded in Q3 2023, relating to the impairment of goodwill in Vonage.

Organic sales growth : -5% YoY

- Growth in North America of 24% with declines elsewhere

Adjusted gross margin: 44.9%

- Favorable market mix and cost reduction initiatives
- Higher IPR licensing revenues
- Focus on more profitable segments in Enterprise

Adjusted EBITA margin: 11.0%

- Higher gross income partly offset by higher operating expenses

Free cash flow before M&A: SEK 40.0 b.

- 16% FCF margin
- Strong working capital contribution due to market mix, strong collections and efficient supply chain management

Dividend proposal

- Dividend of SEK 2.85 per share will be proposed

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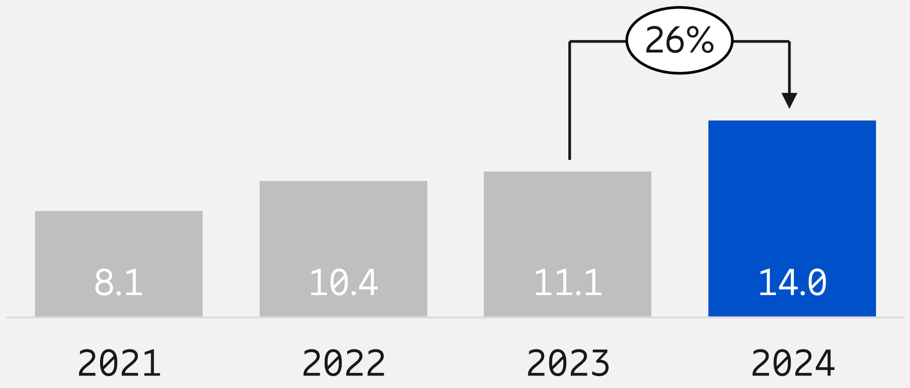
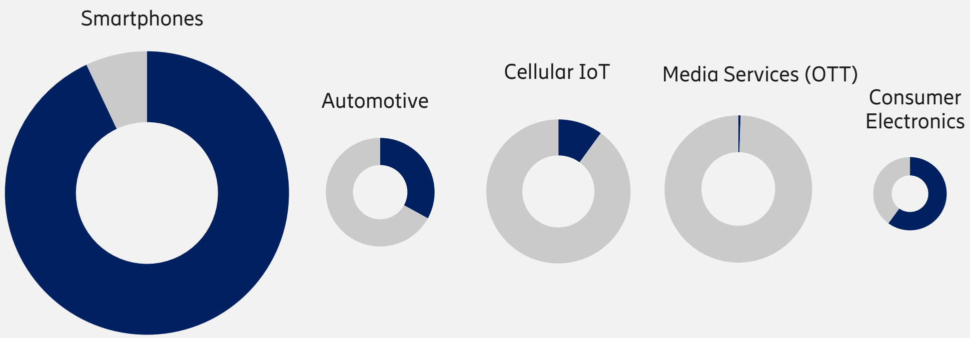
IPR licensing update

IPR licensing revenue (SEK b.)



- Continued good growth benefiting from another IPR agreement signed in the quarter
- Annual recurring revenue of approximately SEK 13 b.
- New agreements in each quarter in 2024

Ericsson licensing progress (end 2024)



- Most major smartphone vendors now licensed for 5G
- Further growth opportunities remain – in 5G automotive, cellular IoT, consumer electronics and media services

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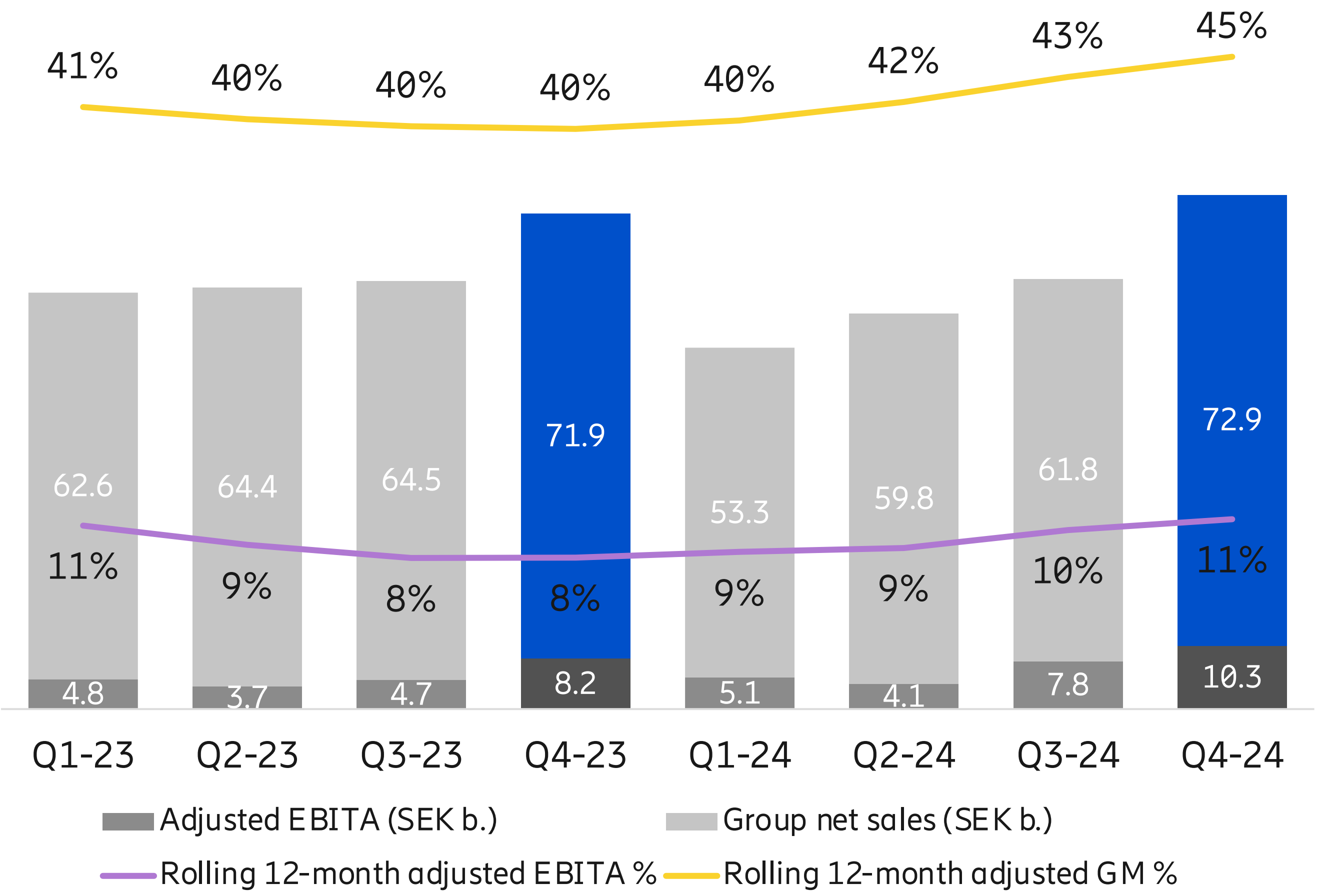
Key financial trends Q4 2024



Sales

- Signs that the overall RAN market is stabilizing, with strong growth in market area North America

Adjusted gross margin and adjusted EBITA

- Growth in adjusted gross margin and adjusted EBITA
  - IPR Growth
  - Supply chain efficiency
  - Cost actions
  - Market mix contributed
  - Lower sales and increased operating expenses moderated EBITA margin improvement in last three quarters

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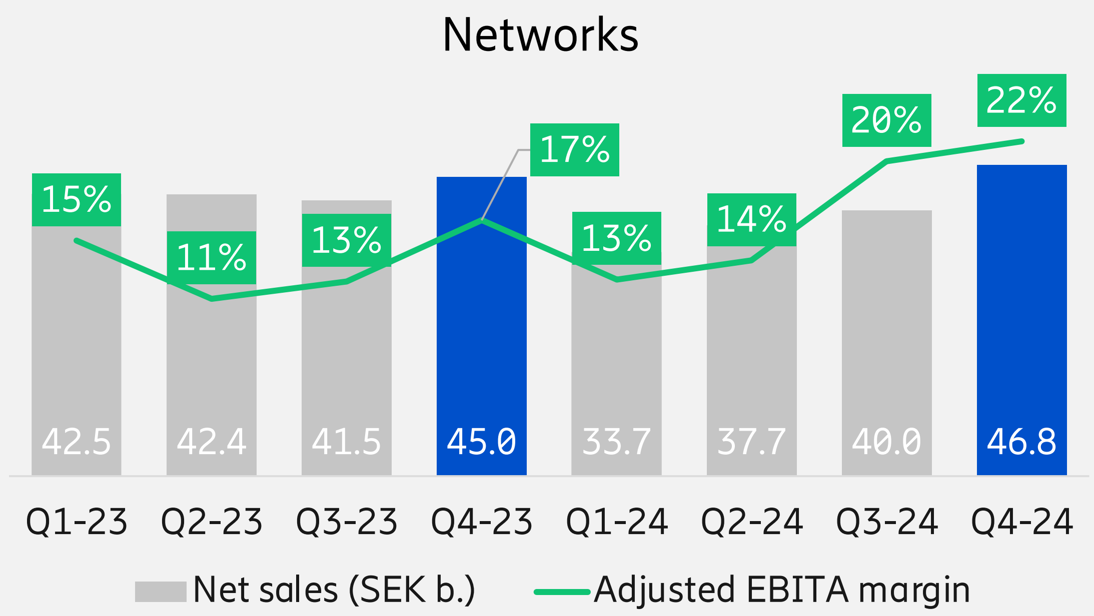
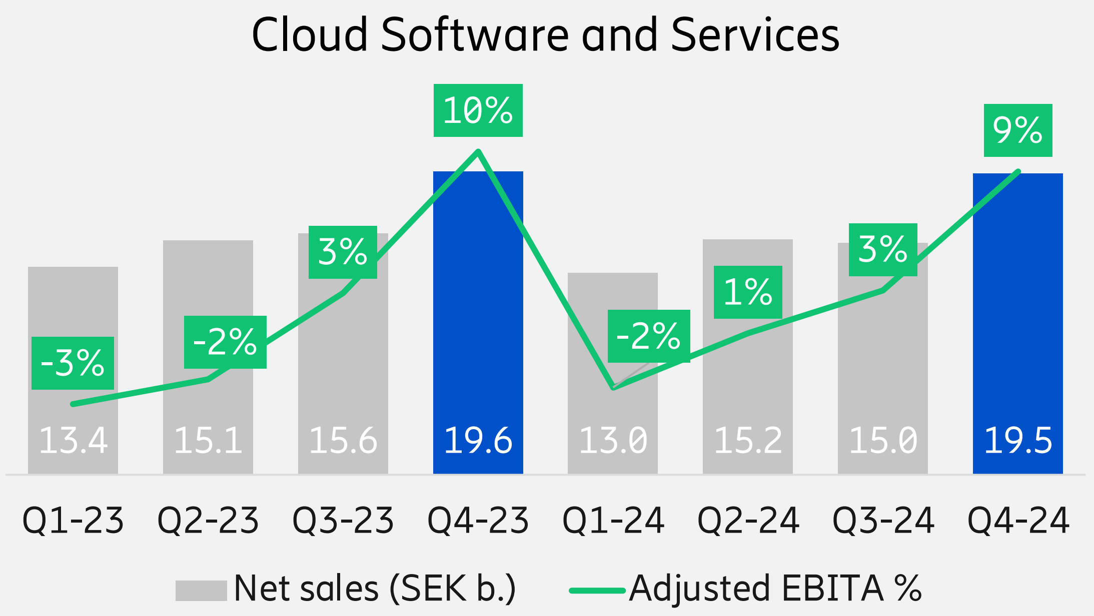
Mobile Networks Q4 2024



- 5% organic sales growth
- Growth in North America and Europe, decline elsewhere
- Adjusted EBITA margin benefited from higher gross income and continued efficiency despite increase in variable incentive accruals



- Organic sales stable
- Adjusted gross margin benefited from delivery performance and business mix
- Adjusted EBITA was SEK 1.8 b. Gross margin improvement was offset by increased variable incentive accruals

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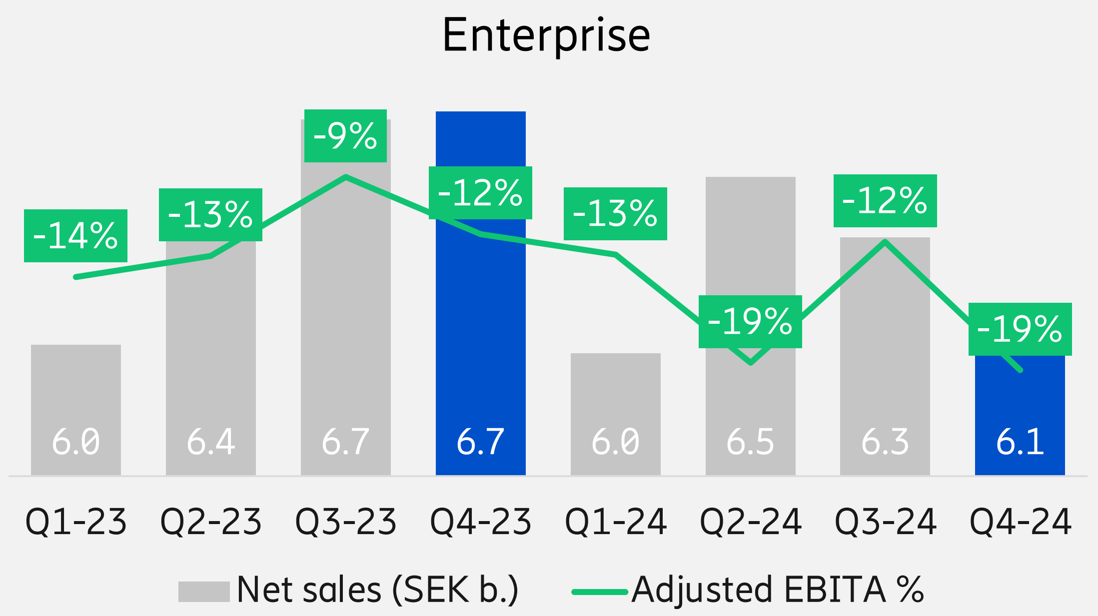
Enterprise Q4 2024



- 19% reported sales growth in Enterprise Wireless Solutions
- -17% reported sales decline in Global Communications Platform
- Adjusted gross margin increased to 54.3% with an adjusted gross income increase of SEK 0.3 b YoY

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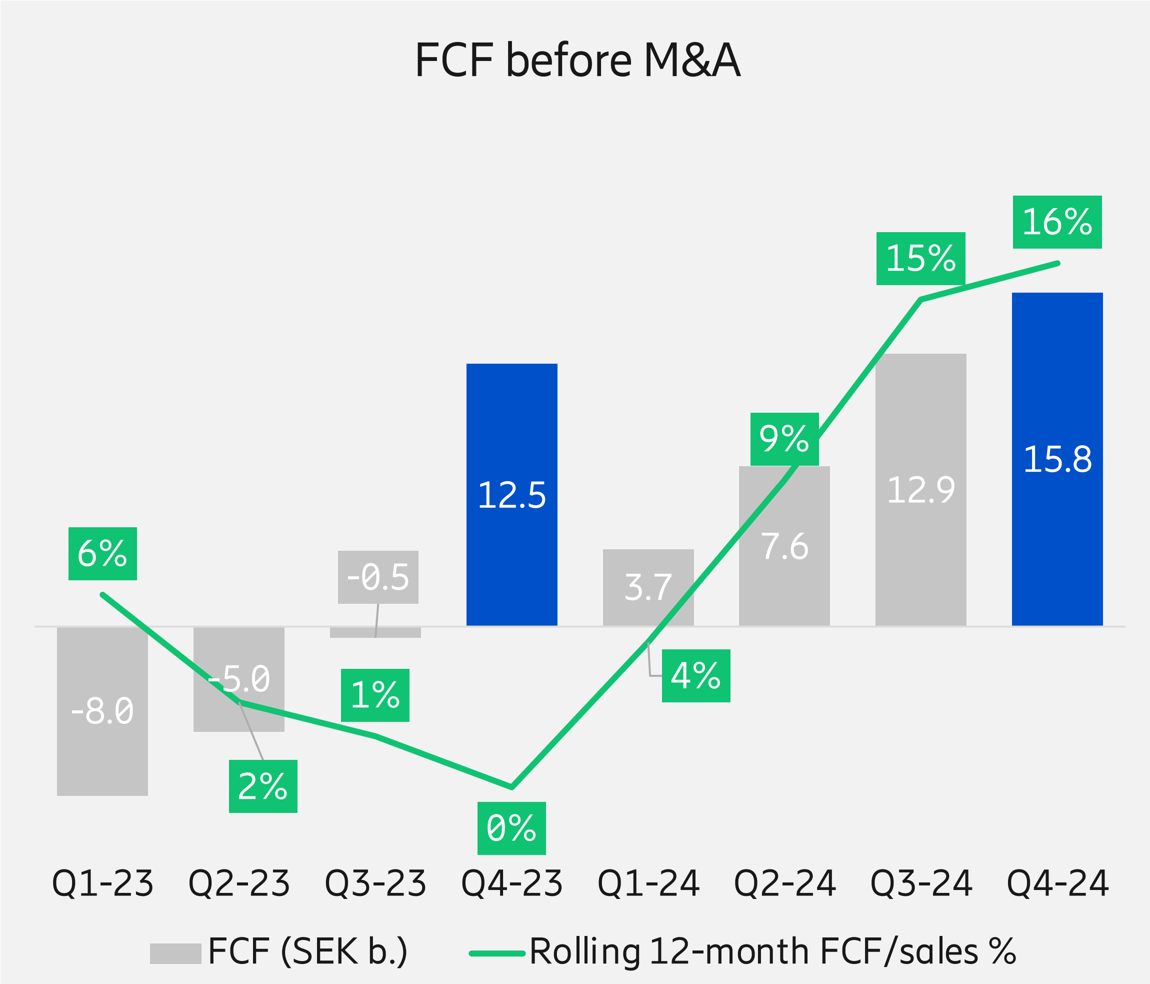
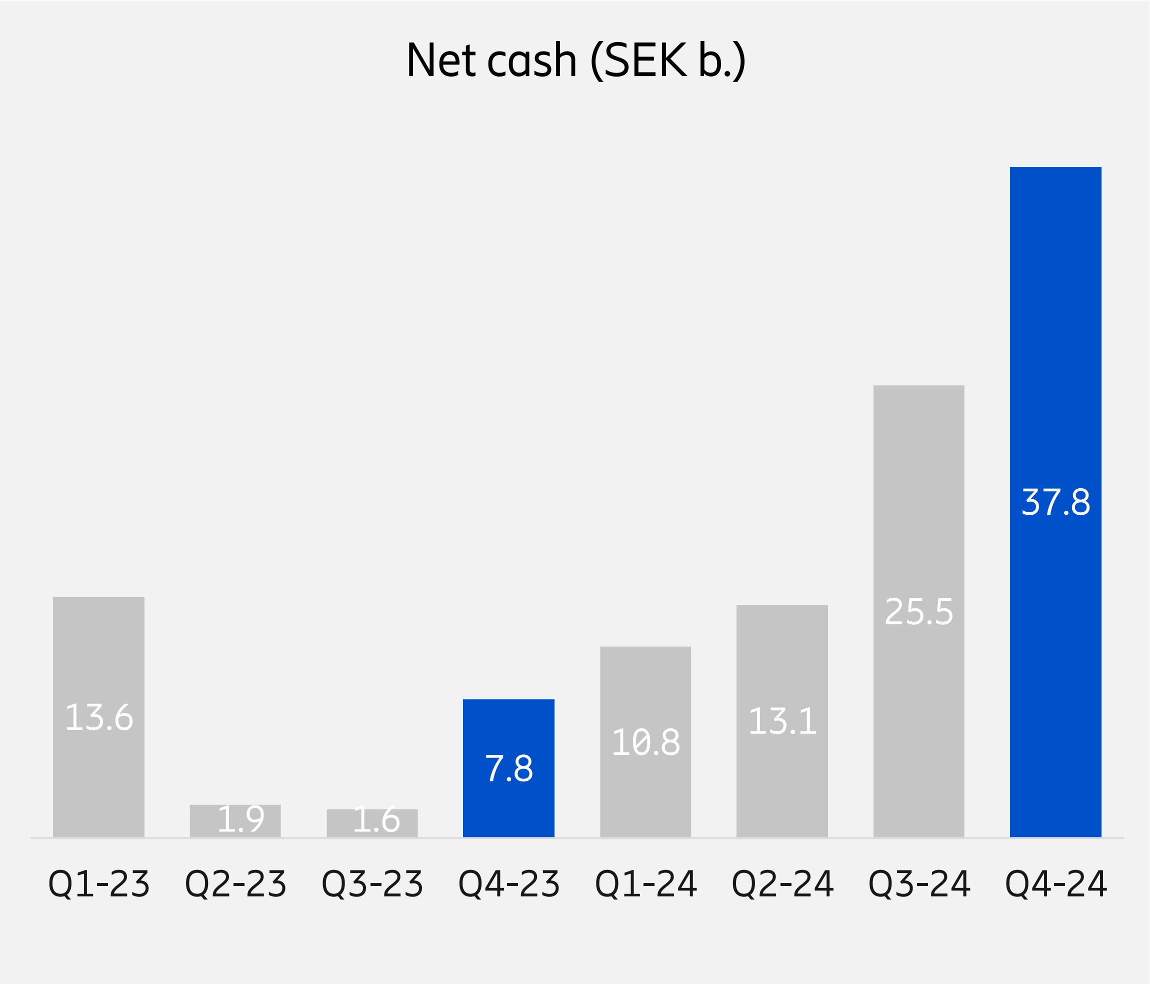
Cash flow and financial position





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Outlook[1]

Sales Networks	Sales growth in Q1 2025 is expected to be broadly similar to 3-year average seasonality
Sales Cloud Software and Services	Sales growth in Q1 2025 is expected to be broadly similar to 3-year average seasonality
Adjusted gross margin Networks	Adjusted gross margin in Q1 is expected to be in the range 47%-49%
Amortization Intangible assets	Around SEK -0.5 b. per quarter, of which c. SEK -0.4 b. related to Enterprise
Restructuring charges	Restructuring charges for 2025 are expected to remain at elevated levels

[1] See key data points, page 11, fourth quarter and full-year report 2024.

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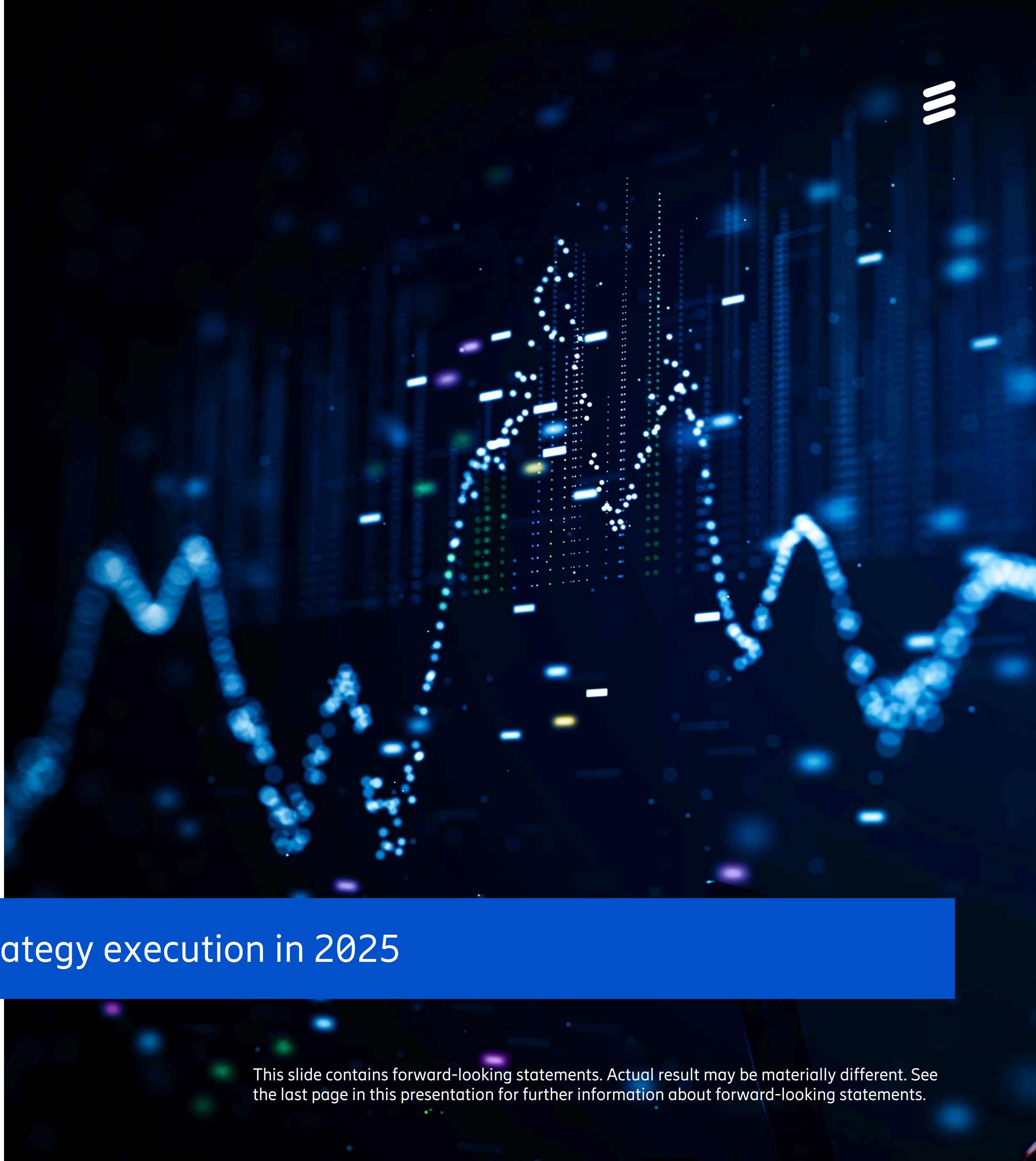
Closing Remarks

Börje Ekholm
President and CEO

Summary

- Positive signs of RAN market stabilization
  - Customer interest in programmable networks increasing
  - Customer networks require further investment
- Continue to focus on strategy execution
  - Strengthen leadership in Mobile Networks
  - Focused expansion in Enterprise



Continue to focus on strategy execution in 2025

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Q&A

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Appendices

Appendix 1 – Adjusted gross margin and income development

Appendix 2 – Adjusted EBITA development

Appendix 3 – More information

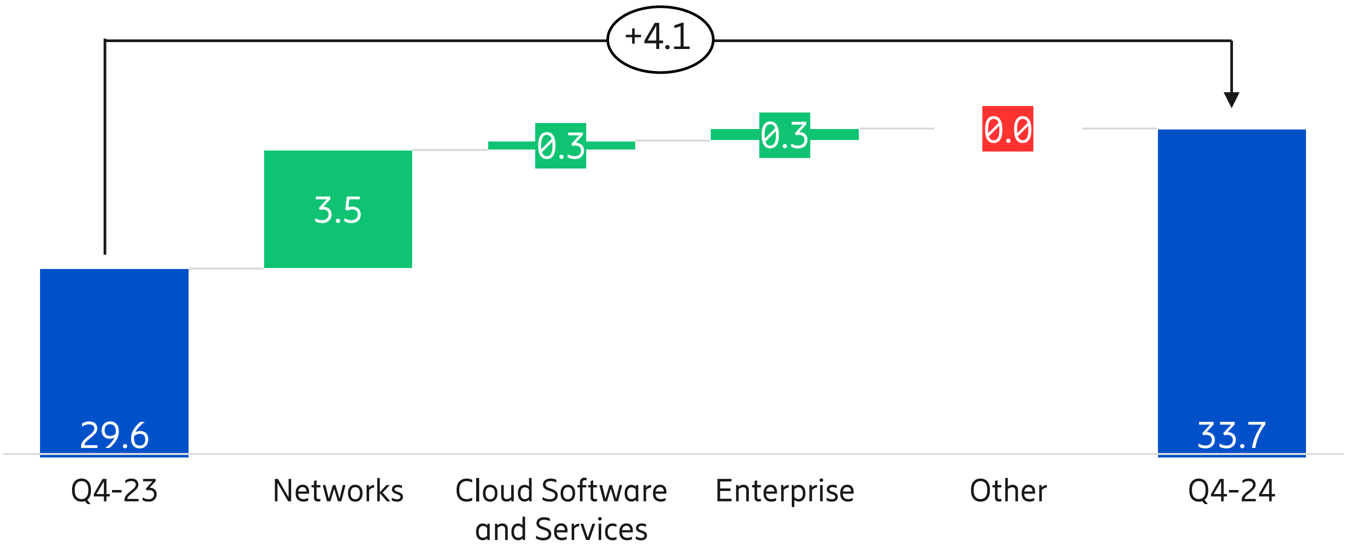
Appendix 4 – Ericsson Mobility Report, November 2024

Appendix 1 – Adjusted gross margin and income development

Adj. gross margin (%)
(YoY change)

41.1%	49.1%	39.0%	54.3%	-22.7%	46.3%
	(+5.9 p.p.)	(+1.7 p.p.)	(+10.0 p.p.)	(0.0 p.p.)	

Adj. gross income, SEK b.



+ Adjusted gross income and margin increase
+ Favorable product and market mix
+ Cost actions
+ IPR licensing revenues

- Variable incentive accruals

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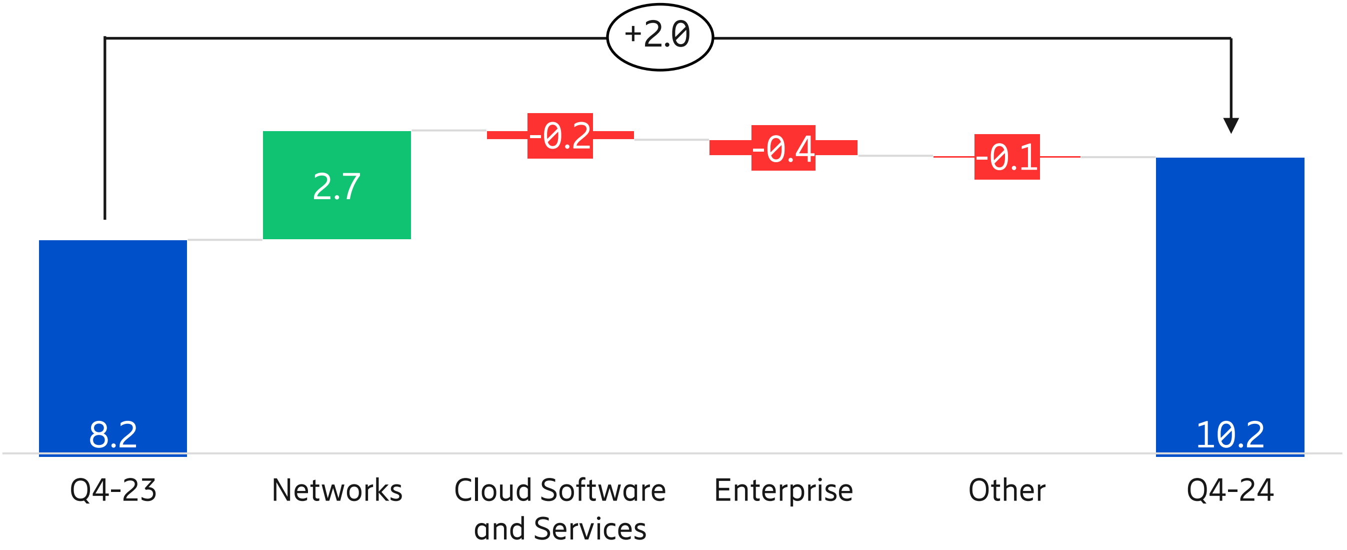
Appendix 2 – Adjusted EBITA development

Adj. EBITA margin (%)
(YoY change)

11.4%	21.6%	9.3%	-19.3%	-85.8%	14.1%
	(+5.1 p.p.)	(-1.1 p.p.)	(-7.3 p.p.)	(-16.0 p.p.)	

Adj. EBITA, SEK b.



- + Adjusted gross income and margin increase
- + Cost actions
- + IPR licensing revenues

- - Variable incentive accruals
- - Non-recurring impacts in Enterprise and Other

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Appendix 3 – More information

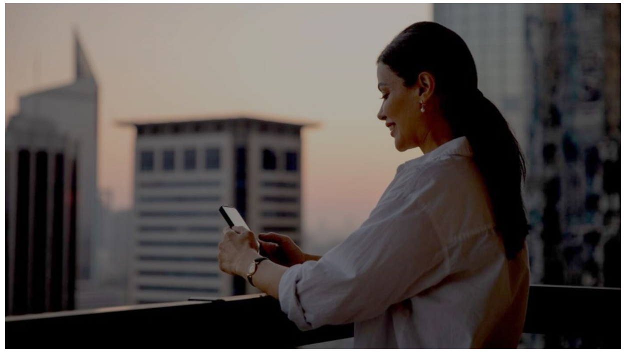
Latest Event

[Capture value with 5G Fixed Wireless Access in a world of opportunities]

January 21, 2025

With millions waiting for reliable home broadband, Fixed Wireless Access offers an efficient and scalable alternative to wired connections. Learn more about the technology bringing the power of 5G to new frontiers.

Latest Information



Fourth quarter and full-year report 2024
January 24, 2025
Q4 results 2024: English | Swedish
Financial statements (xls) Webcast

Annual Report 2023
The Ericsson Annual Report 2023 was published on March 6, 2024.

Ericsson Investor Relations homepage

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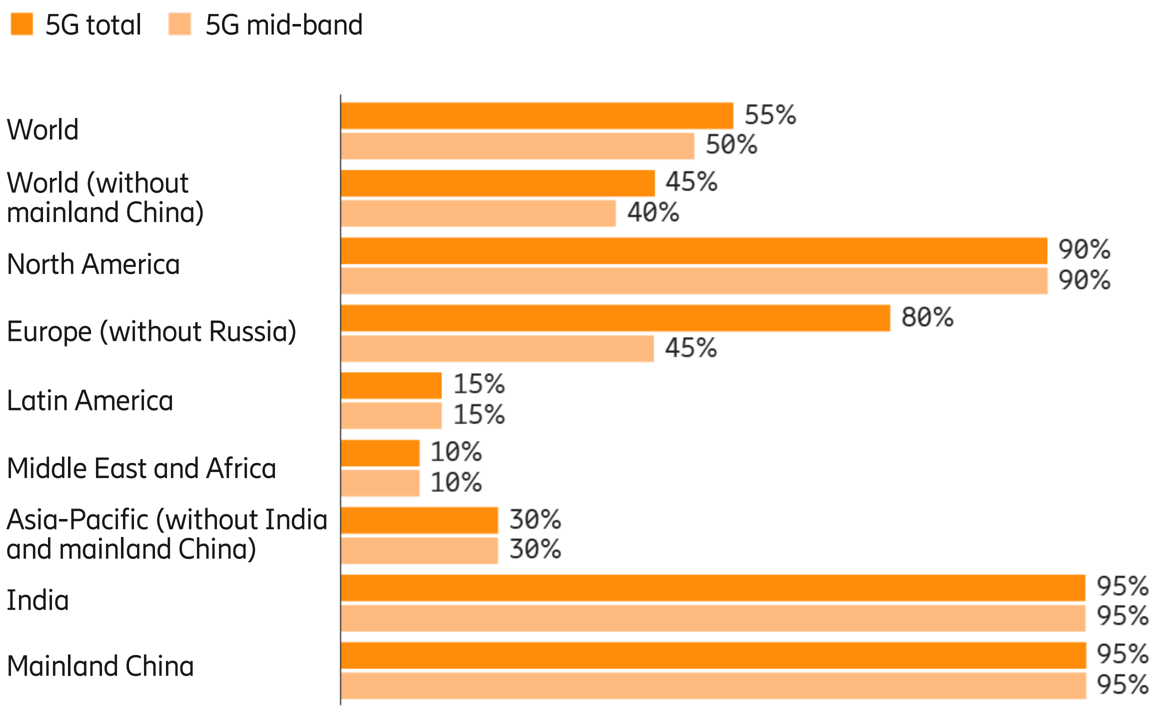
Appendix 4 – Ericsson Mobility report, Nov 2024

Download the report here

World population and mid-band coverage split by region (end of 2024)



40%

End 2024, 5G mid-band population coverage outside of mainland China

6.3 B

Global 5G mobile subscriptions are expected to reach 6.3 billion in 2030

3.6 B

5G SA subscriptions are forecast to reach 3.6 billion by end of 2030

6G

In 2030, 6G is expected to arrive, following launches of 5G SA and 5G Advanced

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Forward-looking statements

This report includes forward-looking statements. All statements other than statements of historical fact are forward-looking statements. The words “believe,” “expect,” “foresee,” “anticipate,” “assume,” “intend,” “likely,” “projects,” “may,” “could,” “plan,” “estimate,” “forecast,” “will,” “should,” “would,” “predict,” “aim,” “ambition,” “seek,” “potential,” “target,” “might,” “continue,” or, in each case, their negative or variations, and similar words or expressions are used to identify forward-looking statements. These statements are subject to risks and uncertainties that could cause actual results to differ materially and adversely from those expressed in, or implied or projected by, the forward-looking statements, including, in particular the following:

- Potential material additional liability resulting from past conduct, including allegations of past conduct that remains unresolved or unknown in multiple jurisdictions including Iraq, which remains the subject of ongoing investigations by Ericsson and US governmental authorities
- Risks related to internal controls and governance, including the potential to incur material liability in connection with internal controls surrounding payments made to third parties in connection with past conduct in multiple jurisdictions including Iraq which remains the subject of ongoing investigations by Ericsson and US governmental authorities
- The risk that the ongoing investigations by Ericsson and US governmental authorities result in a conclusion by Ericsson or US governmental authorities that the Company’s past conduct included making or having responsibility for making payments to a terrorist organization or other improper payments, which could lead to material additional liability
- Risks related to ongoing compliance with obligations under the NSA entered into in connection with Ericsson’s acquisition of Vonage, which may adversely affect the Vonage business and subject the Company to additional liabilities
- Our goals, strategies, planning assumptions and operational or financial performance expectations
- Macroeconomic conditions, including inflationary pressures and effects on customer investments, market recovery and growth
- Ongoing geopolitical and trade uncertainty, including challenging global economic conditions, market trends and the imposition of tariffs and sanctions.
- Risks related to cybersecurity and privacy
- Industry trends, future characteristics and development of the markets in which we operate
- Our ability to comply with legal and regulatory requirements internationally
- 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 research and development expenditures
- Our ability to deliver on future plans and achieve future growth
- The expected operational or financial performance of strategic cooperation activities and joint ventures
- Risks related to acquisitions and divestments, including our ability to successfully consummate such transactions, protect the value of acquisitions during integration, or achieve the value anticipated with an acquisition
- Extent of impairment impacts on cash flow and dividend capacity in future periods, which is assessed based on full- year performance and is impacted by a variety of factors, including earnings, business outlook and financial position
- Trends related to our industry, including our regulatory environment, competition and customer structure
- Other factors included in our filings with the SEC, including the factors described throughout this report, included in the section Risk Factors, and in “Risk Factors” in the Annual Report 2023, as updated by subsequent reports filed with the SEC.

These forward-looking statements also represent our estimates, assumptions and expectations only as of the date that they were made, and to the extent they represent third-party data, we have not undertaken to independently verify such third-party data and do not intend to do so. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements and are urged to carefully review and consider the various disclosures made in this report and in other documents we file from time to time with our regulators that disclose risks and uncertainties that may affect our business. We expressly disclaim a duty to provide updates to these forward-looking statements, and the estimates and assumptions associated with them, after the date of this report, except as required by applicable law or stock exchange regulations.

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