

Börje Ekholm at Ericsson AGM: “Ericsson leading the way in 5G”

- Ericsson is leading the way in 5G commercialization
- 2018 a year of financial turnaround, increased efficiency and customer centricity
- Now turning to growth – selective, disciplined, and profitable

Speaking at the Ericsson (NASDAQ: ERIC) Annual General Meeting 2019 (AGM), President and CEO Börje Ekholm summarized the company's financial performance and improved market position, as well as the company's leadership position in 5G commercialization.

Delivering on its strategy

Ekholm began by stating that Ericsson has delivered on its strategy and has become a more focused, customer-centric and agile company.

Ekholm said: “We can look back at 2018 and say that we succeeded with our ambitions. Our focused strategy in combination with hard work has led to tangible results.”

5G position

Ekholm continued by describing Ericsson's leadership position in the current 5G commercialization. To date, Ericsson has announced 16 commercial deals with named service provider customers for 5G networks, more than any of its competitors.

Ekholm said: “We are well prepared to make the switch to 5G as easy as possible for our customers. The Ericsson Radio System hardware has been 5G-ready since 2015 and can be used also for 5G NR with a remote software installation. In fact, we have shipped more than 3 million 5G-ready radios to our customers worldwide, giving our customers a strong platform for launching 5G.”

Compared to earlier mobile generations, 5G offers many more opportunities. Ekholm highlighted the industry applications that will come with the new high-speed, low latency networks.

European spectrum availability – obstacle for 5G build out

The build-out of 5G networks is now happening at full speed in all parts of the world. However, in Europe this is happening at a slower pace, much due to the lack of spectrum allocation. To date, more than half of Europe has yet to allocate the licenses that operators need to make the 5G networks reality.

Ekholm said: "The process for spectrum allocation in Europe is often aimed at maximizing the revenues from licenses. Instead, the process should focus on the value created by a digitalized society and how that contributes to the overall competitiveness of a country."

Financial performance

For the full year 2018, Ericsson's reported net sales increased by 1 %, to SEK 210.8 b. The reported operating income was SEK 1.2 (–34.7) billion. The gross margin was 35.2 %. This confirms a strong turnaround and a successful implementation of Ericsson's focused strategy.

Ekholm said: "I'm very pleased that Ericsson returned to growth in 2018. And we managed to increase our market share, despite difficult market conditions."

Next step: disciplined growth

Given the strong execution of the focused strategy, Ericsson is now looking to grow. This growth will be selective, disciplined and profitable. As a complement to the organic growth, Ericsson will also be looking at acquisitions.

Investments in technology leadership

Ekholm highlighted the continued focus on innovation and technology leadership. During the last two years, more than 4,000 new engineers were hired, and more resources were added to Ericsson's R&D units. Ericsson's technology leadership can also be seen in its extensive patent portfolio – the leading portfolio in the industry with 49,000 granted patents.

Sustainable and responsible business

Ericsson has a longstanding commitment to sustainability and the work is well integrated in the business strategy and everyday work. Many of the innovations that Ericsson is developing can be used in fighting climate change, for instance smarter transportation solutions.

During the year, Ericsson continued its work of lowering its carbon emissions. The company has a five-year plan of reducing emissions from its products with 35 % compared to 2016. In 2018 Ericsson reach a reduction of 8 %.

The company has continued taking measures to strengthen its compliance and anti-corruption programs. In 2018, Ericsson focused on its internal culture, third party management and its investigation capabilities. This work will continue going forward.

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