

Ericsson Capital Markets Day 2022

- Committed to reaching lower end of long-term target of 15-18% EBITA margin and generating Free Cash Flow before M&A of 9%-12% of sales by 2024
- Acceleration of initiatives to reduce costs by SEK 9 b. (around USD 0.9 b) by end of 2023
- In addition to the recently signed agreement, IPR revenues expected to grow significantly from further licensing agreements
- Committed to executing on Enterprise strategy and transitioning into a platform company with significantly expanded total addressable market
- Segment Networks expected to continue to grow market share and gross income by leveraging technology leadership
- Segment Cloud Software & Services accelerating its turnaround with target to reach break-even full-year 2023
- Introduction of near-term capital allocation priorities with a focus on organic and inorganic investments to support strategy execution and a stable to progressive dividend
- Trends on operator capex identified in the Q3 report continue, with indications that some customers in advanced markets may reduce inventory levels following easing of the supply chain
- Ericsson is committed to being a leader in conducting business built on a culture of ethics and integrity.

Ericsson (NASDAQ: ERIC) hosts a Capital Markets Day on December 15, 2022. Executives from across the company join President and Chief Executive Officer, Börje Ekholm, to share insights on the company's strategic priorities for extending its leadership in mobile infrastructure, executing on its ambitions in the high-growth enterprise segment, and driving continued cultural change.

Ericsson's strategy is to leverage leadership in mobile networks, drive focused expansion in enterprise, lead the industry with critical innovations, and capture strategic business opportunities

Ericsson continues to execute on its **Enterprise** strategy organized around two pillars, each leveraging the Company's strength in mobile networks: First, Enterprise Wireless Solutions, where Ericsson is driving business transformation through seamless secure network solutions addressing the multi-billion dollar opportunity of enterprise 5G. Second, the Global Network Platform, where Ericsson will be able to monetize 5G in new ways by transforming how network features such as speed and latency are globally exposed, consumed and paid for. With the completion of the Vonage acquisition, the cloud communication portfolio, including the communication platforms as a service (CPaaS) with its developer community, provides the business foundation to realize this

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ambition. Transforming Ericsson into a platform company creates a virtuous circle with new revenue streams for operators to monetize their network investments.

In **Networks**, Ericsson expects to expand its global footprint and enhance gross income through continued investments in technology for performance and cost leadership and, in addition, improve productivity and capital efficiency across the supply chain. In particular the Segment will continue investing in enhanced portfolio energy performance, enabled by Ericsson Silicon and innovating next-generation open architecture, such as Cloud RAN – key areas of strategic importance for its operator customers. Cloud RAN also offers potential in the enterprise segment.

Ericsson is implementing a revised and robust strategy for achieving profitability in the segment **Cloud Software and Services**. The segment addresses three distinct offering areas where Ericsson has leading positions including (i) Network Managed Services and (ii) Business and Operations Support Systems which show good business progress but are offset by (iii) Core Networks which has gained significant market share but with negative development of profitability. Key priorities include limiting subscale software development, accelerating automation to lower deployment and maintenance efforts and changing focus from market share gains to profitable business. The target is to reach break-even in full-year 2023 with gradual improvements towards long-term sustainable profitability.

Overall RAN market is expected to be flat with growth of 11% p.a. in the 5G RAN market over the next 3 years

Ericsson is planning for a flat RAN market and is structuring its cost base and operations accordingly. Underlying the flat market is a technology shift to 5G from earlier generation. 5G build-out is still in its early days with only about 20% of all base station sites outside China installed with 5G mid-band. Given the rapid increase in network traffic levels, operators' investment in performance and capacity is expected to remain robust. The 5G RAN market is expected to grow by over 11% per annum over the next three years, with potential further upside from areas such as Fixed Wireless Access, Enterprise connectivity, XR and Mission Critical Services. With a leading position in 5G, Ericsson is confident in its ability to capitalize on the long runway of opportunities presented by 5G and achieve its long-term targets. With investments in a competitive portfolio, Ericsson remains committed to growing its 39% RAN market share outside of China by 1% per year and increasing gross profit.

Long-term Financial and Sustainability Targets

The trends on operator capex identified in the Q3 report remain. After record capex levels in North America in 2022, build-out is expected to normalize in 2023, beginning in Q4 of this year. At the same time, revenues from share gains in other markets are expected to accelerate during Q4 and into 2023. As disclosed in the Q3 report, while these market share gains contribute to gross profit, they will be margin dilutive. In addition, following easing of the supply chain, there are indications that some customers in advanced markets may adjust their inventory levels continuing into 2023.

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Looking to 2024 and beyond, the long-term investments in mobile infrastructure are driven by underlying traffic development and these are expected to continue developing favorably; this gives confidence on the longer-term development of investments.

Ericsson confirms its long-term target of an EBITA margin in the range of 15 to 18% and expects to reach the lower end by 2024. Margin improvement will be supported by the (i) acceleration of structural cost out efforts targeting a run-rate gross reduction of SEK 9 b. by 2023 of which 70% are in cost of goods sold and 30% in SG&A, (ii) growth of IPR revenues, (iii) improved commercial terms and accelerated cadence of new products, (iv) after re-establishing technology leadership, focus is shifting towards productivity in R&D, and (v) the turnaround of BCSS business. This will offset headwinds such as business mix changes and inflation.

There is significant growth potential in IPR revenues over the coming 18-24 months. The recently announced agreement puts Ericsson in a good position to pursue other currently unlicensed actors. In addition, new areas such as consumer electronics provide a further growth opportunity.

The company aims at generating Free Cash Flow before M&A of 9%-12% of sales. During 2022, there has been significant investments in working capital due to geo-resiliency as well as a tight supply chain. Going forward Ericsson expects that the working capital will gradually be released as large roll-out projects are completed, and thus Free Cash Flow before M&A will improve.

Connectivity is a fundamental enabler of digitalization and Ericsson sees 5G as a key driver. Digitalization of industries and society will be critical to tackle the climate crisis. Ericsson remains committed to be Net Zero within its own operations by 2030 and to reach Net Zero across the value chain by 2040.

Building a culture of ethics and integrity

Ericsson is on a critically important journey to transform its culture and to be a leader in how it conducts business. The Company is accelerating its cultural transformation and enhancing its governance. The approach to global risk management has been revamped – putting in place strong central oversight and a streamlined process to effectively anticipate, identify and mitigate material risks at all levels. The Company also continues its work in establishing a sustainable program of compliance and controls that is properly embedded in the organization. Moreover, Ericsson is driving simplification to enhance accountability and our execution effectiveness.

Capital allocation supporting business strategy and value creation

Ericsson is introducing near-term capital allocation priorities with a central focus on generating free cash flow in line with the target of 9-12% free cash flow before M&A over net sales, deploying our capital wisely for maximum value creation, while safeguarding balance sheet strength.

Given uncertainties, ensuring a strong financial position is critical. Priority will be given to organic and inorganic investments to support strategy execution and ensure technology and market leadership. As the company is fully focused on delivering the Vonage and Cradlepoint acquisitions, M&A will be limited to bolt-on acquisitions with attractive returns and clear strategic

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fit. Further, Ericsson targets a stable to progressive dividend with a policy based on earnings, business outlook and financial position.

Börje Ekholm, President and CEO, commented: "With 5G, everything that can go wireless, will go wireless. Long-term, the industry is moving towards the network as a platform for innovation where 5G and future 6G capabilities will be monetized in new ways. Our strategy and industry leadership puts us in an advantageous position to capitalize on this development and thereby create new revenue streams for our operator customers that complement subscription revenues. This is an exciting future, and we remain fully committed to continue executing on this strategy as we build a stronger Ericsson for the long-term."

Carl Mellander, CFO, commented: "Over the last years, our strategy execution has been visible in the financial results and the strengthened financial position with strong free cash flow generation and return on invested capital. Our expected continued strong business performance, in combination with measures to offset external headwind, puts Ericsson on track to reach the lower end of our long-term EBITA margin target range by 2024."

Speakers and details of the event

President and CEO Börje Ekholm and CFO Carl Mellander, is joined by members of the company's Executive Team including Erik Ekudden, CTO, Fredrik Jejdling, Executive Vice President and Head of Business Area Networks, Per Narvinger, Head of Business Area Cloud Software & Services, George Mulhern, Head of Business Area Enterprise Wireless Solutions, Rory Read, Head of Business Area Global Communications Platform and Niklas Heuveldop, Head of Market Area North America.

Ericsson's Capital Markets Day event can be accessed via the Ericsson website:

www.ericsson.com/en/investors/events-and-presentations/cmd

Presentation materials can also be downloaded from the website once the webcast has started.

FORWARD-LOOKING STATEMENTS

This release includes forward-looking statements, including statements reflecting management's current views relating to the growth of the market, future market conditions, future events, financial condition, and expected operational and financial performance, including, in particular the following:

- 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 research and development expenditures

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- 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
- Technology and industry trends including the regulatory and standardization environment in which we operate, competition and our customer structure.

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. Any statement that refers to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements.

We caution investors that these statements are subject to risks and uncertainties many of which are difficult to predict and generally beyond our control that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements.

Important factors that could affect whether and to what extent any of our forward-looking statements materialize include, but are not limited to, the factors described in the section "Risk Factors" in the latest interim report, and in "Risk Factors" in the Annual Report 2021.

These forward-looking statements also represent our estimates and assumptions only as of the date that they were made. 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 release, to reflect events or changes in circumstances or changes in expectations or the occurrence of anticipated events, whether as a result of new information, future events or otherwise, except as required by applicable law or stock exchange regulations.

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ABOUT ERICSSON:

Ericsson enables communications service providers and enterprises to capture the full value of connectivity. The company's portfolio spans the following business areas: Networks, Cloud Software and Services, Enterprise Wireless Solutions, Global Communications Platform, and Technologies and New Businesses. It is designed to help our customers go digital, increase efficiency and find new revenue streams. Ericsson's innovation investments have delivered the benefits of mobility and mobile broadband to billions of people globally. Ericsson stock is listed on Nasdaq Stockholm and on Nasdaq New York. www.ericsson.com