

Ericsson

Making strides on gross margins

- Encouraging margin beat, adj. EBITA 18% above cons.
- Small changes to FY'24e adj. EBITA, improved margins in H2e
- Positive earnings trajectory ahead at 6.4x EV/EBITA adj. – BUY

Weak report, but better than feared

EBITA excluding restructuring charges and a surprising SEK 1.9bn one-time gain from the resolution of a commercial dispute was SEK 3.2bn, 18% above Infront consensus. The beat mainly stemmed from a better GM – driven by an improved market mix, cost savings and improved IPR revenues (likely ~SEK 350m in catch-up payments) – as sales were -2% vs. cons. and saw -14% organic growth y-o-y. India, as suggested by recent data on deployed base stations in the region ([link](#)), is declining sharply, but the US is starting to show encouraging signs after a particularly weak 2023. We expect these trends to continue over the coming quarters, with the US seeing further tailwinds from the AT&T contract that is starting to be deployed in H2.

Small changes to '24e adj. EBITA, but '25e-'26e down by 3-2%

We make small changes to '24e adj. EBITA, but lower '25e-'26e by 3-2% on slightly lower sales assumptions. Our net profit is further hurt by the announced cost savings. Ericsson cautions that Dell'Oro's 2024e RAN market estimate of -4% may prove optimistic. We also think so, and estimate Networks sales -7% y-o-y in '24e (or -9% excl. the AT&T contract). Interestingly, US-related sales for Networks are still in line with 2017 levels, and we believe that these depressed levels are poised to normalise from here. Meanwhile, we note a positive margin trajectory for CSS, which we believe mainly reflects internal actions to restore profitability rather than an improved market.

Maintain BUY at 6.4x '24e EV/EBITA adj.

Although we expect a lukewarm Q2, we believe that Ericsson is through the trough, with earnings gradually improving over the coming quarters and driving +24% adj. EBITA growth in '24e (vs. -27% in '23). As such, at 6.4x '24e adj. EV/EBITA, we maintain our BUY recommendation and our TP of SEK 68.

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SEKm	2022	2023	2024e	2025e	2026e
Sales	271,546	263,351	253,667	267,768	274,430
EBITDA	37,563	23,563	31,775	39,073	41,286
EBITDA margin (%)	13.8	8.9	12.5	14.6	15.0
EBIT adj.	27,419	-13,805	23,321	27,853	30,066
EBIT adj. margin (%)	10.1	-5.2	9.2	10.4	11.0
Pretax profit	24,609	-23,319	18,127	26,283	28,796
EPS	5.62	-7.94	3.96	5.81	6.38
EPS adj.	6.19	6.10	5.47	6.86	7.43
Sales growth (%)	16.9	-3.0	-3.7	5.6	2.5
EPS growth (%)	-17.5	-241.2	-149.8	47.0	9.7

Source: ABG Sundal Collier, Company Data

Reason: Post-results comment

BUY ● HOLD ○ SELL ○

Telecom Equipment

Estimate changes (%)

	2024e	2025e	2026e
Sales	-2.6	-1.4	-1.4
EBIT	-5.7	-3.4	-1.6
EPS	-12.1	-4.3	-2.4

Source: ABG Sundal Collier

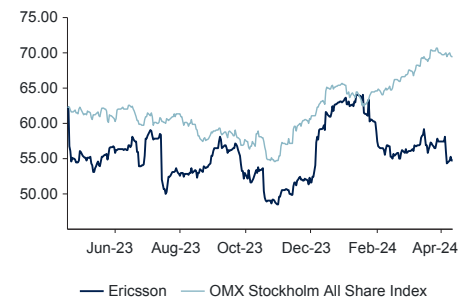
ERIC.B-SE/ERICB SS

Share price (SEK)	10/4/2024	54.54
Target price		68.0

MCap (SEKm)	179,482
MCap (EURm)	15,504
No. of shares (m)	3,344.2
Free float (%)	94.3
Av. daily volume (k)	10,324

Next event Q2 Report 12 July 2024

Performance



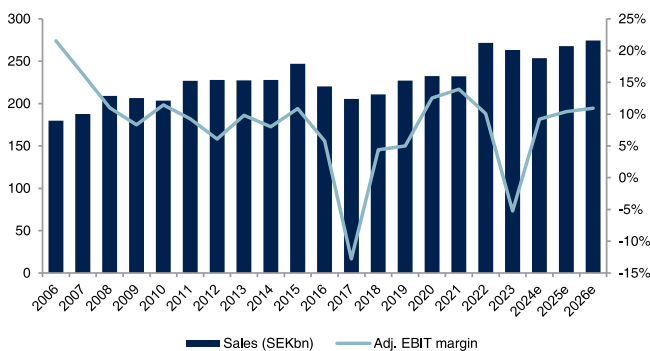
	2024e	2025e	2026e
P/E (x)	13.8	9.4	8.5
P/E adj. (x)	10.0	7.9	7.3
P/BVPS (x)	1.77	1.62	1.48
EV/EBITDA (x)	6.1	4.6	4.0
EV/EBIT adj. (x)	8.3	6.5	5.5
EV/sales (x)	0.76	0.67	0.60
ROE adj. (%)	18.9	22.0	21.7
Dividend yield (%)	5.5	5.9	6.2
FCF yield (%)	12.6	13.9	15.7
Le. adj. FCF yld. (%)	11.2	12.4	14.2
Net IB debt/EBITDA (x)	0.5	0.1	-0.3
Le. adj. ND/EBITDA (x)	0.3	-0.1	-0.5

Company description

Ericsson is the second-largest vendor of wireless equipment in the world and the third-largest equipment vendor overall. In 2017, Ericsson launched a new strategy plan with increased focus on R&D and cost efficiencies, as well as revised financial targets. Since then, Ericsson has regained lost market shares and taken a leading technology position on 5G. It has also delivered on its financial ambitions. Recently, the Digital Services business was combined with the Managed Services business into a new Cloud Services and Software. Ericsson's new Enterprise segment includes the acquired Cradlepoint and Vonage for enterprises.

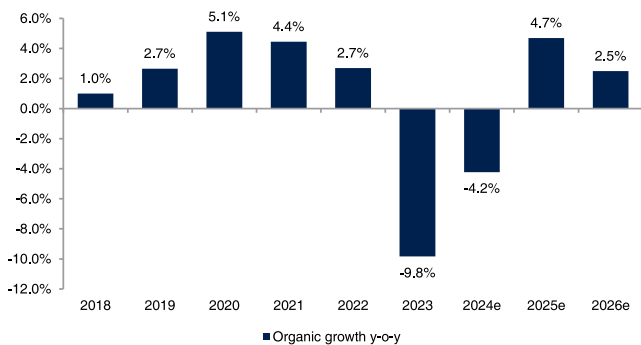
[Sustainability information](#)

Sales (SEKbn) and adj. EBIT margin



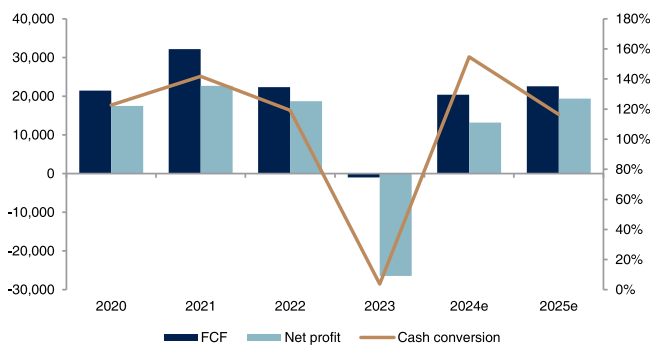
Source: ABG Sundal Collier, company data

Organic growth y-o-y



Source: ABG Sundal Collier, company data

FCF, net profit and cash conversion

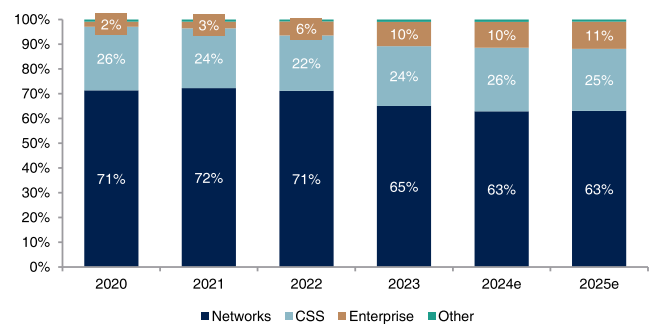


Source: ABG Sundal Collier, company data

Risks

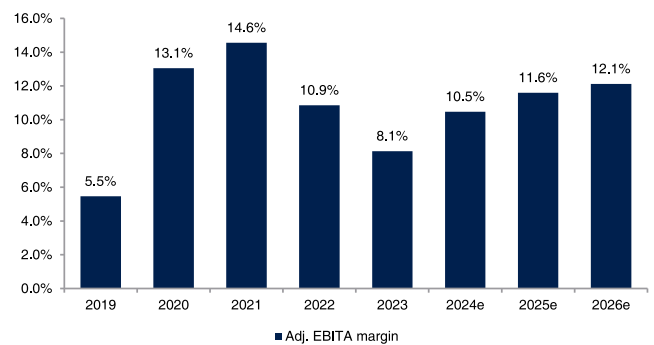
While the 5G market has shown strong growth through 2019-2022, market growth is expected to decline in 2023 with investments in the major leading 5G markets. While lower operator capex spend as a consequence of a weaker macro environment is a risk to the near-term outlook, 5G deployment in new markets holds upside to estimates for market growth. The turnaround of the CSS business has failed to materialise and been repeatedly delayed and the medium-term outlook for margins is uncertain.

Sales breakdown (%)



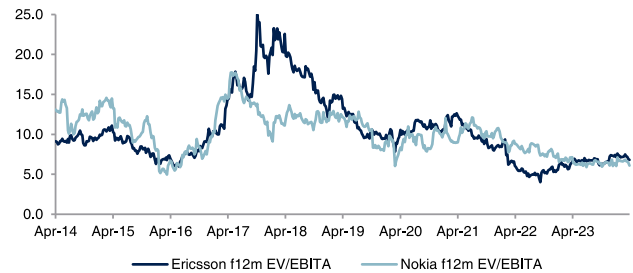
Source: ABG Sundal Collier, company data

adj. EBITA margin (%)



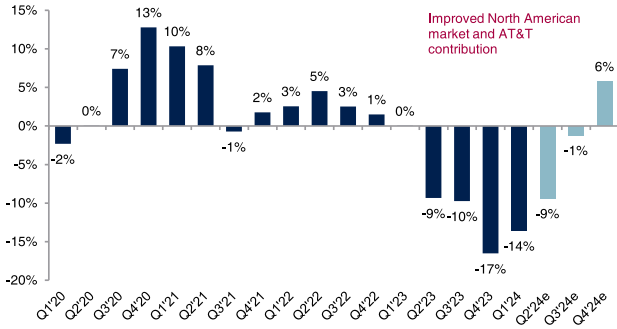
Source: ABG Sundal Collier, company data

EV/EBITA f12m (X) – Ericsson vs. Nokia



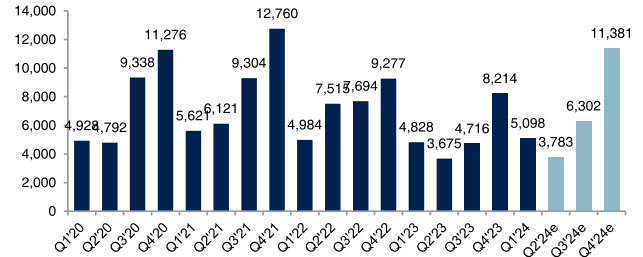
Source: ABG Sundal Collier, FactSet

Org. growth y-o-y (%)



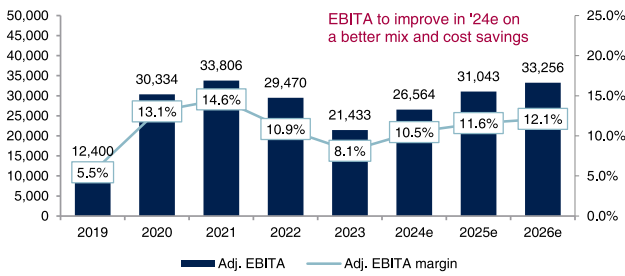
Source: ABG Sundal Collier, company data

Adj. EBITA (SEKm)



Source: ABG Sundal Collier, company data

Adj. EBITA (excl. restructuring costs) and margin



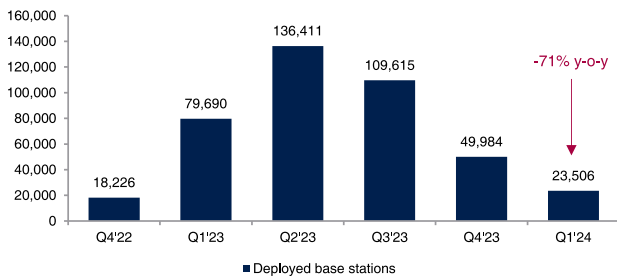
Source: ABG Sundal Collier, company data

Particularly poor sales in North America recently for Ericsson



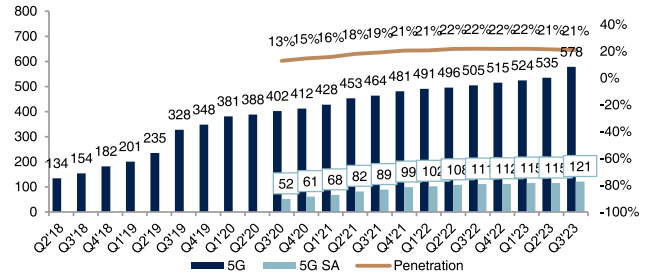
Source: ABG Sundal Collier, company data

India - deployed base stations



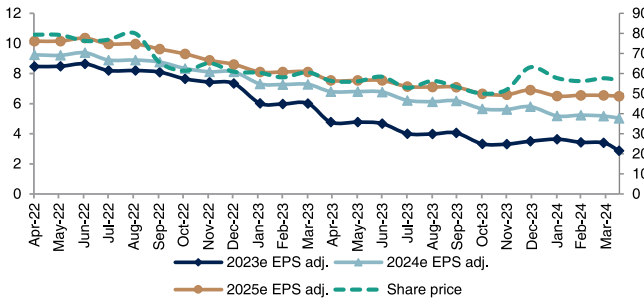
Source: ABG Sundal Collier, India Department of Telecommunications

Investment in 5G SA by operators



Source: ABG Sundal Collier, GSA Oct'23

Consensus estimate revisions (SEK/share)



Source: ABG Sundal Collier, FactSet

Ericsson share price reaction on earnings day

Ericsson SP reaction on earnings day									
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Q1	3.4	-5.6	-2.6	17.5	4.8	4.8	4.1	-5.0	-8.6
Q2	-6.0	-20.2	-15.6	8.5	-11.8	11.4	-9.4	-8.5	-10.6
Q3	-6.3	-5.9	8.0	6.2	6.2	9.6	-3.7	-14.8	-5.9
Q4	-14.6	3.5	-9.2	3.2	-5.7	7.6	7.6	-4.7	3.7
Avg.	-5.9	-7.1	-4.9	8.8	-1.7	8.3	-0.4	-8.2	-5.4

Source: ABG Sundal Collier, FactSet

Estimate changes

Estimate changes SEKm	Old estimates			New estimates			Percentage change		
	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e
Net sales	260,361	271,568	278,424	253,667	267,768	274,430	-3%	-1%	-1%
adj. gross profit	107,668	113,841	116,923	107,471	114,120	117,507	0%	0%	0%
EBIT	20,990	27,303	29,057	19,798	26,383	28,596	-6%	-3%	-2%
NRI	-2,324	-1,470	-1,470	-3,523	-1,470	-1,470	52%	0%	0%
Adj. EBITA	26,594	31,998	33,752	26,564	31,043	33,256	0%	-3%	-1%
PTP	20,440	27,453	29,507	18,127	26,283	28,796	-11%	-4%	-2%
Net profit	14,980	20,240	21,781	13,170	19,362	21,247	-12%	-4%	-2%
Sales growth y-o-y	-1.1%	4.3%	2.5%	-3.7%	5.6%	2.5%			
of which org. y-o-y	-0.1%	4.0%	2.5%	-4.2%	4.7%	2.5%			
Adj. EBITA y-o-y	24.1%	20.3%	5.5%	23.9%	16.9%	7.1%			
Comparable EBIT margin	10.2%	11.8%	12.1%	10.5%	11.6%	12.1%			
Sales overview	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e
Networks	165,375	172,036	174,616	159,560	168,913	171,447	-4%	-2%	-2%
Cloud Software and Services	64,814	66,323	67,649	65,118	67,177	68,521	0%	1%	1%
Enterprise	27,772	30,810	33,758	26,594	29,278	32,063	-4%	-5%	-5%
Other	2,400	2,400	2,400	2,395	2,400	2,400	0%	0%	0%
Group	260,361	271,568	278,424	253,667	267,768	274,430	-3%	-1%	-1%
Adj. EBITA	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e
Networks	26,467	29,590	30,034	24,288	28,546	29,489	-8%	-4%	-2%
Cloud Software and Services	2,729	3,648	4,059	2,786	3,695	4,111	2%	1%	1%
Enterprise	-2,194	-832	68	-2,104	-790	64	-4%	-5%	-5%
Other	-408	-408	-408	1,595	-408	-408	-491%	0%	0%
Group	26,594	31,998	33,752	26,564	31,043	33,256	0%	-3%	-1%
Margin overview	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e
Networks	16.0%	17.2%	17.2%	15.2%	16.9%	17.2%			
Cloud Software and Services	4.2%	5.5%	6.0%	4.3%	5.5%	6.0%			
Enterprise	-7.9%	-2.7%	0.2%	-7.9%	-2.7%	0.2%			
Other	-17.0%	-17.0%	-17.0%	66.6%	-17.0%	-17.0%			
Group	10.2%	11.8%	12.1%	10.5%	11.6%	12.1%			

Source: ABG Sundal Collier, company data

Breakdown of forecasts, quarterly

SEKm	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24e	Q3'24e	Q4'24e
Sales	55,061	62,465	68,040	85,980	62,553	64,444	64,473	71,881	53,325	59,603	63,654	77,085
COGS adj.	-31,770	-36,121	-39,850	-50,315	-37,639	-39,791	-39,197	-42,320	-30,545	-34,824	-36,783	-44,045
Adj. gross profit	23,291	26,344	28,190	35,665	24,914	24,653	25,276	29,561	22,780	24,779	26,872	33,039
Opex adj.	-18,506	-18,987	-20,994	-27,584	-20,888	-21,832	-53,296	-22,193	-18,475	-21,806	-21,379	-22,488
Adj. EBITA	4,984	7,515	7,694	9,277	4,828	3,675	4,716	8,214	5,098	3,783	6,302	11,381
Adj. EBIT	4,785	7,357	7,196	8,081	4,026	2,821	-28,020	7,368	4,305	2,973	5,492	10,551
NRIs/restructuring	-41	-49	-81	-228	-980	-3,133	-888	-1,520	-205	-806	-956	-1,556
EBIT	4,744	7,308	7,115	7,853	3,046	-312	-28,908	5,848	4,100	2,167	4,536	8,995
Net financials	-643	-759	-535	-474	-917	-419	-719	-938	-471	-500	-400	-300
Pre-tax profit	4,101	6,549	6,580	7,379	2,129	-731	-29,627	4,910	3,629	1,667	4,136	8,695
Taxes	-1,189	-1,899	-1,220	-1,189	-554	134	-864	-1,501	-1,016	-417	-1,034	-2,174
Net income	2,912	4,650	5,360	6,190	1,575	-597	-30,491	3,409	2,613	1,250	3,102	6,521
Minorities	-28	146	146	124	59	89	179	15	54	88	88	88
Net profit	2,940	4,504	5,214	6,066	1,516	-686	-30,670	3,394	2,559	1,163	3,015	6,434
EPS, basic	0.88	1.35	1.57	1.82	0.46	-0.21	-9.21	1.02	0.77	0.35	0.91	1.93
Margins and growth metrics	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24e	Q3'24e	Q4'24e
Sales growth y-o-y	11%	14%	21%	21%	14%	3%	-5%	-16%	-15%	-8%	-1%	7%
Of which org.	3%	5%	3%	1%	0%	-9%	-10%	-17%	-14%	-9%	-1%	6%
Of which structure	0%	0%	5%	6%	7%	7%	1%	0%	0%	0%	0%	0%
Of which FX	8%	9%	13%	13%	7%	6%	3%	0%	-1%	2%	0%	1%
Gross margin adj.	42.3%	42.2%	41.4%	41.5%	39.8%	38.3%	39.2%	41.1%	42.7%	41.6%	42.2%	42.9%
EBITA margin adj.	9.1%	12.0%	11.3%	10.8%	7.7%	5.7%	7.3%	11.4%	9.6%	6.3%	9.9%	14.8%
EBIT margin adj.	8.7%	11.8%	10.6%	9.4%	6.4%	4.4%	-43.5%	10.2%	8.1%	5.0%	8.6%	13.7%
Sales overview	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24e	Q3'24e	Q4'24e
Networks	40,712	45,983	48,147	58,626	42,467	42,440	41,537	44,998	33,715	37,240	40,251	48,355
Cloud Software and Services	12,087	14,014	14,213	20,210	13,400	15,108	15,564	19,558	13,045	15,236	16,016	20,821
Enterprise	1,599	1,703	4,981	6,314	5,995	6,379	6,673	6,698	5,970	6,528	6,788	7,309
Other	663	765	699	830	691	517	699	627	595	600	600	600
Group	55,061	62,465	68,040	85,980	62,553	64,444	64,473	71,881	53,325	59,603	63,654	77,085
Adj. gross profit overview	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24e	Q3'24e	Q4'24e
Networks	18,221	20,779	21,369	26,125	17,236	16,694	16,554	19,443	14,919	16,199	17,710	21,518
Cloud Software and Services	4,226	4,690	4,568	6,663	4,843	5,121	5,637	7,293	4,883	5,485	5,926	7,912
Enterprise	882	900	2,429	2,885	2,853	2,955	3,256	2,968	2,870	3,155	3,296	3,669
Other	-38	-25	-176	-8	-18	-117	-171	-143	108	-60	-60	-60
Group	23,291	26,344	28,190	35,665	24,914	24,653	25,276	29,561	22,780	24,779	26,872	33,039
Adj. EBITA overview	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24e	Q3'24e	Q4'24e
Networks	7,639	8,934	9,650	12,620	6,446	4,855	5,215	7,427	4,274	4,394	6,239	9,381
Cloud Software and Services	-758	-710	-714	711	-429	-284	431	2,029	-295	46	641	2,394
Enterprise	-413	-482	-1,009	-771	-856	-839	-595	-803	-782	-555	-475	-292
Other	-1,484	-227	-233	-3,283	-333	-57	-335	-439	1,901	-102	-102	-102
Group	4,984	7,515	7,694	9,277	4,828	3,675	4,716	8,214	5,098	3,783	6,302	11,381

Source: ABG Sundal Collier, company data

Breakdown of forecasts, yearly

SEKm	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Sales	205,378	210,838	227,216	232,390	232,314	271,546	263,351	253,667	267,768	274,430
COGS adj.	-152,208	-136,700	-142,055	-137,941	-131,292	-158,056	-158,947	-146,197	-153,648	-156,924
Adj. gross profit	53,170	74,138	85,161	94,449	101,022	113,490	104,404	107,471	114,120	117,507
Opex adj.	-79,412	-64,881	-73,799	-65,335	-68,693	-86,071	-118,209	-84,149	-86,267	-87,441
Adj. EBITA	-9,590	10,919	12,400	30,334	33,806	29,470	21,433	26,564	31,043	33,256
Adj. EBIT	-26,242	9,257	11,362	29,114	32,329	27,419	-13,805	23,321	27,853	30,066
NRIs/restructuring	-8,501	-8,015	-798	-1,306	-549	-399	-6,521	-3,523	-1,470	-1,470
EBIT	-34,743	1,242	10,564	27,808	31,780	27,020	-20,326	19,798	26,383	28,596
Net financials	-1,215	-2,705	-1,802	-596	-2,530	-2,411	-2,993	-1,671	-100	200
Pre-tax profit	-35,958	-1,463	8,762	27,212	29,250	24,609	-23,319	18,127	26,283	28,796
Taxes	3,525	-4,813	-6,922	-9,589	-6,270	-5,497	-2,785	-4,641	-6,571	-7,199
Net income	-32,433	-6,276	1,840	17,623	22,980	19,112	-26,104	13,487	19,712	21,597
Minorities	143	254	-383	140	286	388	342	317	350	350
Net profit	-32,576	-6,530	2,223	17,483	22,694	18,724	-26,446	13,170	19,362	21,247
EPS, basic	-9.94	-1.98	0.67	5.26	6.82	5.62	-7.94	3.96	5.81	6.38
Margins and growth metrics	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Sales growth y-o-y	-7%	3%	8%	2%	0%	17%	-3%	-4%	6%	2%
Of which org.	-10%	1%	3%	5%	4%	3%	-10%	-4%	5%	2%
Of which structure	0%	0%	0%	1%	1%	3%	3%	0%	0%	0%
Of which FX	0%	2%	5%	-3%	-5%	11%	3%	1%	1%	0%
Gross margin adj.	25.9%	35.2%	37.5%	40.6%	43.5%	41.8%	39.6%	42.4%	42.6%	42.8%
EBITA margin adj.	-4.7%	5.2%	5.5%	13.1%	14.6%	10.9%	8.1%	10.5%	11.6%	12.1%
EBIT margin adj.	-12.8%	4.4%	5.0%	12.5%	13.9%	10.1%	-5.2%	9.2%	10.4%	11.0%
Sales overview	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Networks	132,285	138,570	155,009	165,978	167,838	193,468	171,442	159,560	168,913	171,447
Cloud Software and Services						60,524	63,630	65,118	67,177	68,521
Enterprise						15,380	25,745	26,594	29,278	32,063
Other						2,174	2,534	2,395	2,400	2,400
Group						271,546	263,351	253,667	267,768	274,430
Adj. gross profit overview	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Networks	46,575	56,539	64,723	72,694	78,922	86,494	69,927	70,346	74,322	75,437
Cloud Software and Services						20,147	22,894	24,206	25,191	26,038
Enterprise						7,096	12,032	12,990	14,846	16,272
Other						-247	-449	-72	-240	-240
Group	53,170	74,138	85,161	94,449	101,022	113,490	104,404	107,471	114,120	117,507
Adj. EBITA overview	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Networks						38,843	23,943	24,288	28,546	29,489
Cloud Software and Services						-1,471	1,747	2,786	3,695	4,111
Enterprise						-2,675	-3,093	-2,104	-790	64
Other						-5,227	-1,164	1,595	-408	-408
Group	-9,590	10,919	12,400	30,334	33,806	29,470	21,433	26,564	31,043	33,256

Source: ABG Sundal Collier, company

Income Statement (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Sales	205,378	210,838	227,216	232,390	232,314	271,546	263,351	253,667	267,768	274,430
COGS	-157,451	-142,638	-142,392	-138,666	-131,565	-158,251	-161,749	-147,428	-154,383	-157,659
Gross profit	47,927	68,200	84,824	93,724	100,749	113,295	101,602	106,240	113,385	116,772
Other operating items	-54,778	-58,640	-65,171	-57,233	-60,001	-75,732	-78,039	-74,464	-74,312	-75,486
EBITDA	-6,851	9,560	19,653	36,491	40,748	37,563	23,563	31,775	39,073	41,286
Depreciation and amortisation	-11,240	-6,656	-8,051	-7,463	-7,492	-8,491	-8,652	-8,734	-9,500	-9,500
of which leasing depreciation	0	0	-2,549	-2,443	-2,277	-2,517	-2,581	-2,591	-2,750	-2,750
EBITA	-18,091	2,904	11,602	29,028	33,256	29,072	14,911	23,041	29,573	31,786
EO Items	-8,501	-8,015	-798	-1,306	-549	-399	-6,521	-3,523	-1,470	-1,470
Impairment and PPA amortisation	-16,652	-1,662	-1,038	-1,220	-1,476	-2,052	-35,237	-3,243	-3,190	-3,190
EBIT	-34,743	1,242	10,564	27,808	31,780	27,020	-20,326	19,798	26,383	28,596
Net financial items	-1,215	-2,705	-1,802	-596	-2,530	-2,411	-2,993	-1,671	-100	200
Pretax profit	-35,958	-1,463	8,762	27,212	29,250	24,609	-23,319	18,127	26,283	28,796
Tax	3,525	-4,813	-6,922	-9,589	-6,270	-5,497	-2,785	-4,641	-6,571	-7,199
Net profit	-32,433	-6,276	1,840	17,623	22,980	19,112	-26,104	13,487	19,712	21,597
Minority interest	-143	-254	383	-140	-286	-388	-342	-317	-350	-350
Net profit discontinued	0	0	0	0	0	0	0	0	0	0
Net profit to shareholders	-32,576	-6,530	2,223	17,483	22,694	18,724	-26,446	13,170	19,362	21,247
EPS	-9.94	-1.98	0.67	5.26	6.82	5.62	-7.94	3.96	5.81	6.38
EPS adj.	-3.02	10.63	0.79	5.75	7.29	6.19	6.10	5.47	6.86	7.43
Total extraordinary items after tax	-7,668	-34,383	-168	-846	-431	-310	-7,300	-2,621	-1,103	-1,103
Leasing payments	0	0	-2,990	-2,417	-2,368	-2,593	-2,857	-2,591	-2,750	-2,750
Tax rate (%)	9.8	-329.0	79.0	35.2	21.4	22.3	-11.9	25.6	25.0	25.0
Gross margin (%)	23.3	32.3	37.3	40.3	43.4	41.7	38.6	41.9	42.3	42.6
EBITDA margin (%)	-3.3	4.5	8.6	15.7	17.5	13.8	8.9	12.5	14.6	15.0
EBITA margin (%)	-8.8	1.4	5.1	12.5	14.3	10.7	5.7	9.1	11.0	11.6
EBIT margin (%)	-16.9	0.6	4.6	12.0	13.7	10.0	-7.7	7.8	9.9	10.4
Pre-tax margin (%)	-17.5	-0.7	3.9	11.7	12.6	9.1	-8.9	7.1	9.8	10.5
Net margin (%)	-15.8	-3.0	0.8	7.6	9.9	7.0	-9.9	5.3	7.4	7.9
Growth Rates y-o-y	-	-	-	-	-	-	-	-	-	-
Sales growth (%)	-6.8	2.7	7.8	2.3	-0.0	16.9	-3.0	-3.7	5.6	2.5
EBITDA growth (%)	-147.9	-239.5	105.6	85.7	11.7	-7.8	-37.3	34.9	23.0	5.7
EBITA growth (%)	-330.8	-116.1	299.5	150.2	14.6	-12.6	-48.7	54.5	28.3	7.5
EBIT growth (%)	-769.8	-103.6	NM	NM	14.3	-15.0	-175.2	-197.4	33.3	8.4
Net profit growth (%)	-3,242.7	-80.6	-129.3	857.8	30.4	-16.8	-236.6	-151.7	46.2	9.6
EPS growth (%)	-3,902.7	-80.0	-133.9	682.4	29.6	-17.5	-241.2	-149.8	47.0	9.7
Profitability	-	-	-	-	-	-	-	-	-	-
ROE (%)	-27.5	-7.1	2.6	20.7	23.2	15.4	-22.7	13.1	18.0	18.1
ROE adj. (%)	-7.0	32.1	4.0	23.1	25.2	17.3	13.8	18.9	22.0	21.7
ROCE (%)	-20.3	0.6	7.3	17.9	17.9	13.7	-10.1	12.7	16.8	17.5
ROCE adj. (%)	-5.7	6.9	8.4	19.5	19.0	15.0	11.8	16.5	19.5	20.2
ROIC (%)	-14.8	14.8	2.8	20.5	29.6	19.4	12.4	14.2	19.1	21.2
ROIC adj. (%)	-7.8	55.6	3.0	21.5	30.1	19.6	17.8	16.4	20.1	22.2
Adj. earnings numbers	-	-	-	-	-	-	-	-	-	-
EBITDA adj.	1,650	17,575	20,451	37,797	41,297	37,962	30,084	35,298	40,543	42,756
EBITDA adj. margin (%)	0.8	8.3	9.0	16.3	17.8	14.0	11.4	13.9	15.1	15.6
EBITDA lease adj.	1,650	17,575	17,461	35,380	38,929	35,369	27,227	32,707	37,793	40,006
EBITDA lease adj. margin (%)	0.8	8.3	7.7	15.2	16.8	13.0	10.3	12.9	14.1	14.6
EBITA adj.	-9,590	10,919	12,400	30,334	33,805	29,471	21,432	26,564	31,043	33,256
EBITA adj. margin (%)	-4.7	5.2	5.5	13.1	14.6	10.9	8.1	10.5	11.6	12.1
EBIT adj.	-26,242	9,257	11,362	29,114	32,329	27,419	-13,805	23,321	27,853	30,066
EBIT adj. margin (%)	-12.8	4.4	5.0	12.5	13.9	10.1	-5.2	9.2	10.4	11.0
Pretax profit Adj.	-10,805	8,214	10,598	29,738	31,275	27,060	18,439	24,893	30,943	33,456
Net profit Adj.	-8,113	29,769	3,046	19,689	24,887	21,474	16,433	19,351	24,004	25,890
Net profit to shareholders adj.	-8,256	29,515	3,429	19,549	24,601	21,086	16,091	19,034	23,654	25,540
Net adj. margin (%)	-4.0	14.1	1.3	8.5	10.7	7.9	6.2	7.6	9.0	9.4

Source: ABG Sundal Collier, Company Data

Cash Flow (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
EBITDA	-6,851	9,560	19,653	36,491	40,748	37,563	23,563	31,775	39,073	41,286
Net financial items	-1,215	-2,705	-1,802	-596	-2,530	-2,411	-2,993	-1,671	-100	200
Paid tax	-9,064	-1,897	1,652	10,436	6,576	5,383	3,189	-4,641	-6,571	-7,199
Non-cash items	-2,830	-3,404	-2,888	-13,686	-11,473	-11,796	-6,514	0	0	0
Cash flow before change in WC	-19,960	1,554	16,615	32,645	33,321	28,739	17,245	25,464	32,402	34,287
Change in working capital	29,561	7,788	258	-3,712	5,744	2,124	-10,068	2,222	-1,631	-172

Cash Flow (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Operating cash flow	9,601	9,342	16,873	28,933	39,065	30,863	7,177	27,686	30,771	34,116
Capex tangible fixed assets	-2,861	-3,641	-4,374	-4,239	-3,548	-4,228	-3,134	-2,685	-3,250	-3,250
Capex intangible fixed assets	-1,444	-925	-1,545	-817	-962	-1,720	-2,173	-2,036	-2,200	-2,400
Acquisitions and Disposals	276	-1,285	-1,505	-9,598	59	-51,688	-1,840	0	0	0
Free cash flow	5,572	3,491	9,449	14,279	34,614	-26,773	30	22,965	25,321	28,466
Dividend paid	-3,424	-3,425	-4,450	-5,996	-6,889	-8,415	-9,104	-8,991	-9,990	-10,656
Share issues and buybacks	0	0	0	0	0	0	0	0	0	0
Leasing liability amortisation	0	0	-2,990	-2,417	-2,368	-2,593	-2,857	-2,591	-2,750	-2,750
Other non-cash items	-1,527	-5,777	-15,893	1,212	-984	716	-649	-1,317	-350	-350
Balance Sheet (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Goodwill	27,815	30,035	31,200	34,945	38,204	84,570	52,944	52,944	52,944	52,944
Other intangible assets	8,741	7,711	6,531	8,662	7,358	30,045	27,345	24,987	22,747	20,707
Tangible fixed assets	12,857	12,849	13,850	13,383	13,580	14,236	12,195	9,888	7,638	5,388
Right-of-use asset	0	0	8,487	7,980	7,948	7,870	6,320	6,320	6,320	6,320
Total other fixed assets	57,046	56,999	62,401	56,764	63,719	39,013	43,244	44,244	44,244	44,244
Fixed assets	106,459	107,594	122,469	121,734	130,809	175,734	142,048	138,383	133,893	129,603
Inventories	25,547	29,255	30,863	28,097	35,164	45,846	36,073	35,006	36,952	37,871
Receivables	62,978	66,054	56,734	55,252	58,624	63,211	55,784	57,582	60,783	62,296
Other current assets	22,301	20,844	14,479	16,015	14,035	17,661	18,357	17,682	18,665	19,129
Cash and liquid assets	42,597	45,014	51,838	50,431	66,982	47,085	44,774	42,840	50,071	59,781
Total assets	259,882	268,761	276,383	271,530	305,614	349,537	297,036	291,494	300,364	308,680
Shareholders equity	96,935	86,978	82,559	86,674	108,775	134,814	98,673	102,852	112,224	122,815
Minority	636	792	-681	-1,497	-1,676	-1,510	-1,265	-1,265	-1,265	-1,265
Total equity	97,571	87,770	81,878	85,177	107,099	133,304	97,408	101,587	110,959	121,550
Long-term debt	30,500	30,870	28,257	22,218	22,241	26,946	29,218	17,218	12,218	7,218
Pension debt	25,009	28,720	35,817	37,353	36,050	27,361	26,229	26,229	26,229	26,229
Convertible debt	0	0	0	0	0	0	0	0	0	0
Leasing liability	0	0	9,882	9,300	9,303	9,304	7,455	7,455	7,455	7,455
Total other long-term liabilities	7,273	10,487	6,017	5,358	6,193	9,488	9,562	9,562	9,562	9,562
Short-term debt	2,545	2,255	9,439	7,941	9,590	5,984	17,655	17,655	17,655	17,655
Accounts payable	29,076	29,348	29,041	26,441	32,834	42,251	34,416	34,245	36,149	37,048
Other current liabilities	67,908	79,311	76,052	77,742	82,304	94,899	75,093	77,542	80,137	81,962
Total liabilities and equity	259,882	268,761	276,383	271,530	305,614	349,537	297,036	291,494	300,364	308,680
Net IB debt	-9,648	-7,151	11,203	4,784	-20,424	13,346	25,852	15,786	3,555	-11,155
Net IB debt excl. pension debt	-34,657	-35,871	-24,614	-32,569	-56,474	-14,015	-377	-10,443	-22,674	-37,384
Net IB debt excl. leasing	-9,648	-7,151	1,321	-4,516	-29,727	4,042	18,397	8,331	-3,900	-18,610
Capital employed	155,625	149,615	165,273	161,989	184,283	202,899	177,965	170,144	174,516	180,107
Capital invested	87,923	80,619	93,081	89,960	86,675	146,650	123,260	117,373	114,514	110,396
Working capital	13,842	7,494	-3,017	-4,819	-7,315	-10,432	705	-1,517	114	286
EV breakdown	-	-	-	-	-	-	-	-	-	-
Market cap. diluted (m)	178,728	179,491	180,309	181,236	181,564	181,618	181,618	181,618	181,618	181,618
Net IB debt adj.	-9,648	-7,151	11,203	4,784	-20,424	13,346	25,852	15,786	3,555	-11,155
Market value of minority	636	792	-681	-1,497	-1,676	-1,510	-1,265	-1,265	-1,265	-1,265
Reversal of shares and participations	-1,903	-2,126	-2,997	-2,793	-3,199	-3,201	-3,241	-3,241	-3,241	-3,241
Reversal of conv. debt assumed equity	-	-	-	-	-	-	-	-	-	-
EV	167,813	171,006	187,834	181,730	156,265	190,253	202,964	192,898	180,667	165,958
Total assets turnover (%)	75.6	79.8	83.4	84.8	80.5	82.9	81.5	86.2	90.5	90.1
Working capital/sales (%)	12.8	5.1	1.0	-1.7	-2.6	-3.3	-1.8	-0.2	-0.3	0.1
Financial risk and debt service	-	-	-	-	-	-	-	-	-	-
Net debt/equity (%)	-9.9	-8.1	13.7	5.6	-19.1	10.0	26.5	15.5	3.2	-9.2
Net debt / market cap (%)	-5.4	-4.0	6.2	2.6	-11.2	7.3	14.2	8.7	2.0	-6.1
Equity ratio (%)	37.5	32.7	29.6	31.4	35.0	38.1	32.8	34.9	36.9	39.4
Net IB debt adj. / equity (%)	-9.9	-8.1	13.7	5.6	-19.1	10.0	26.5	15.5	3.2	-9.2
Current ratio	1.54	1.45	1.34	1.34	1.40	1.21	1.22	1.18	1.24	1.31
EBITDA/net interest	5.6	3.5	14.0	25.6	41.5	32.6	11.9	19.6	390.7	206.4
Net IB debt/EBITDA (x)	1.4	-0.7	0.6	0.1	-0.5	0.4	1.1	0.5	0.1	-0.3
Net IB debt/EBITDA lease adj. (x)	-5.8	-0.4	0.1	-0.1	-0.8	0.1	0.7	0.3	-0.1	-0.5
Interest coverage	21.9	1.1	4.8	14.0	20.3	15.5	4.1	6.5	11.9	14.9

Source: ABG Sundal Collier, Company Data

Share Data (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Actual shares outstanding	3,277	3,291	3,306	3,323	3,329	3,330	3,330	3,330	3,330	3,330
Actual shares outstanding (avg)	3,277	3,291	3,306	3,323	3,329	3,330	3,330	3,330	3,330	3,330

Share Data (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
All additional shares	14	14	15	17	6	1	0	0	0	0
Issue month	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assumed dil. of shares from conv.	0	0	0	0	0	0	0	0	0	0
As. dil. of shares from conv. (avg)	0	0	0	0	0	0	0	0	0	0
Conv. debt not assumed as equity	0	0	0	0	0	0	0	0	0	0
No. of warrants	0	0	0	0	0	0	0	0	0	0
Market value per warrant	0	0	0	0	0	0	0	0	0	0
Dilution from warrants	0	0	0	0	0	0	0	0	0	-
Issue factor	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Actual dividend per share	1.00	1.00	1.50	2.00	2.50	2.70	2.70	3.00	3.20	3.40
Reported earnings per share	-9.94	-1.98	0.67	5.26	6.82	5.62	-7.94	3.96	5.81	6.38

Source: ABG Sundal Collier, Company Data

Valuation and Ratios (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Shares outstanding adj.	3,277	3,291	3,306	3,323	3,329	3,330	3,330	3,330	3,330	3,330
Diluted shares adj.	3,277	3,291	3,306	3,323	3,329	3,330	3,330	3,330	3,330	3,330
EPS	-9.94	-1.98	0.67	5.26	6.82	5.62	-7.94	3.96	5.81	6.38
Dividend per share	1.00	1.00	1.50	2.00	2.50	2.70	2.70	3.00	3.20	3.40
EPS adj.	-3.02	10.63	0.79	5.75	7.29	6.19	6.10	5.47	6.86	7.43
BVPS	29.58	26.43	24.97	26.08	32.67	40.48	29.63	30.89	33.70	36.88
BVPS adj.	18.43	14.96	13.56	12.96	18.99	6.07	5.52	7.48	10.97	14.76
Net IB debt/share	-2.94	-2.17	3.39	1.44	-6.14	4.01	7.76	4.74	1.07	-3.35
Share price	54.54	54.54	54.54	54.54	54.54	54.54	54.54	54.54	54.54	54.54
Market cap. (m)	178,728	179,491	180,309	181,236	181,564	181,618	181,618	181,618	181,618	181,618
Valuation	-	-	-	-	-	-	-	-	-	-
P/E (x)	-5.5	-27.5	81.1	10.4	8.0	9.7	-6.9	13.8	9.4	8.5
EV/sales (x)	0.82	0.81	0.83	0.78	0.67	0.70	0.77	0.76	0.67	0.60
EV/EBITDA (x)	-24.5	17.9	9.6	5.0	3.8	5.1	8.6	6.1	4.6	4.0
EV/EBITA (x)	-9.3	58.9	16.2	6.3	4.7	6.5	13.6	8.4	6.1	5.2
EV/EBIT (x)	-4.8	137.7	17.8	6.5	4.9	7.0	-10.0	9.7	6.8	5.8
Dividend yield (%)	1.8	1.8	2.8	3.7	4.6	5.0	5.0	5.5	5.9	6.2
FCF yield (%)	3.1	1.9	5.2	7.9	19.1	-14.7	0.0	12.6	13.9	15.7
Le. adj. FCF yld. (%)	3.1	1.9	3.6	6.5	17.8	-16.2	-1.6	11.2	12.4	14.2
P/BVPS (x)	1.84	2.06	2.18	2.09	1.67	1.35	1.84	1.77	1.62	1.48
P/BVPS adj. (x)	2.59	3.15	3.51	3.50	2.57	3.61	3.97	3.64	3.06	2.60
P/E adj. (x)	-18.1	5.1	69.1	9.5	7.5	8.8	8.9	10.0	7.9	7.3
EV/EBITDA adj. (x)	101.7	9.7	9.2	4.8	3.8	5.0	6.7	5.5	4.5	3.9
EV/EBITA adj. (x)	-17.5	15.7	15.1	6.0	4.6	6.5	9.5	7.3	5.8	5.0
EV/EBIT adj. (x)	-6.4	18.5	16.5	6.2	4.8	6.9	-14.7	8.3	6.5	5.5
EV/CE (x)	1.1	1.1	1.1	1.1	0.8	0.9	1.1	1.1	1.0	0.9
Investment ratios	-	-	-	-	-	-	-	-	-	-
Capex/sales (%)	2.1	2.2	2.6	2.2	1.9	2.2	2.0	1.9	2.0	2.1
Capex/depreciation	0.4	0.7	1.1	1.0	0.9	1.0	0.9	0.8	0.8	0.8
Capex tangibles / tangible fixed assets	22.3	28.3	31.6	31.7	26.1	29.7	25.7	27.2	42.6	60.3
Capex intangibles / definite intangibles	--	--	--	--	--	--	--	--	--	--
Depreciation on intang / def. intang	--	--	--	--	--	--	--	--	--	--
Depreciation on tangibles / tangibles	49.11	29.91	28.50	30.74	28.51	30.82	40.46	50.48	72.01	102.08

Source: ABG Sundal Collier, Company Data

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Total of Rating	Research Coverage	Investment Banking Clients (IBC)	
	% of Total Rating	% of Total IBC	% of Total Rating by Type
BUY	62.67%	16%	7.11%
HOLD	30.92%	3%	2.70%
SELL	5.85%	0%	0.00%

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Stock price, company ratings and target price history

Company: Ericsson

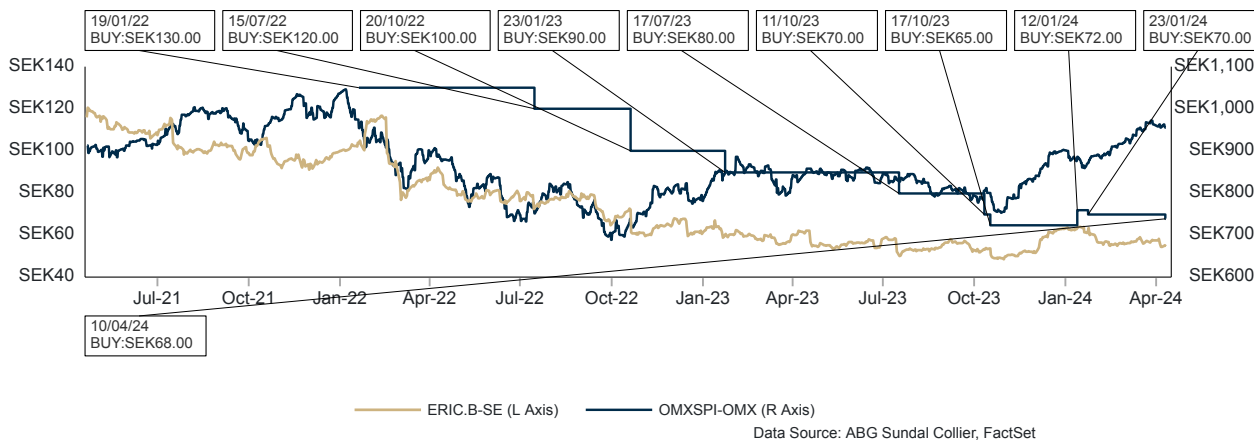
Currency: SEK

Current Recommendation: BUY

Date: 10/4/2024

Current Target price: 68.0

Current Share price: 54.54



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Production of recommendation: 4/16/2024 18:53.

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