

## 5G Has Arrived. It's Been A Long Wait for Ericsson, Nokia.

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By Stu Woo

The push to build new 5G networks is finally paying off for the world's telecom-equipment makers.

Ericsson AB, the Swedish industry giant, reported its first profit in nine quarters, beating investor expectations and sending its shares sharply higher Thursday. The demand from North American carriers for cellular-tower electronics and related equipment. The gear is needed to roll out 5G, a new version of mobile-network technology for superfast connections.

Nokia Corp., which reports its third-quarter results next week, has also said that it expects 5G rollouts to help boost the telecom-equipment market in the second

The payoff comes after more than two years of stagnant sales, profit warnings, layoffs and management change at the world's two big Western telecom-equipment makers. Around the world, they finished rolling out all the gear needed to build today's 4G networks, they sharply curtailed purchases. Meanwhile, two rising Chinese competitors, Huawei Co. and ZTE Corp., offered cheaper products in many of the world's fastest-growing markets.

Ericsson and Nokia have been waiting a while for the long-expected 5G sales boost, and it is unclear how sustained it might be. Telecom-equipment makers and carriers have yet finalized the details of how the technology will work, and different regions may have different standards. Some executives are skeptical about the network's readiness.

AT&T Inc. and Verizon Communications Inc. are racing to introduce 5G in certain cities before the year's end. Last month, T-Mobile US Inc. agreed on a \$3.5 billion deal for equipment and services from Ericsson. Cheering the 5G race from the sidelines is the Trump administration. Some officials have said the country must deploy 5G like China does, to maintain an economic and technological edge.

"5G is becoming a commercial reality," Ericsson Chief Executive Borje Ekholm told reporters and analysts Thursday. The company's stock was trading almost 6% higher in Europe. "It's not about what, if and when -- it's actually today."

5G is expected to be 100 times faster than current wireless networks. It promises to be speedy enough to enable near-instantaneous movie downloads and new self-driving cars. It can also handle many more connected devices and could enable the Internet of Things -- the idea that everyday objects like sneakers and home appliances are connected.

That has triggered an arms race of sorts between the U.S. and China over deploying the technology.

The competition is now playing out in sales for companies like Ericsson.

"We see North America pushing ahead very fast, leading the way today, followed by northeast Asia, where we also see a quite heavy push into 5G," Mr. Ekholm said.

Ericsson said it earned 2.7 billion Swedish krona (\$301 million) in the third quarter, compared with a loss of 3.5 billion krona in the same quarter a year earlier. Sales were up from 49.4 billion krona a year earlier.

The strong sales softened the blow from another surprise: Ericsson said it would likely incur a "material" fine, in addition to possible other penalties, in a long-running U.S. investigation.

Ericsson said in 2013 that the Securities and Exchange Commission was investigating the company. In 2016, it said it was cooperating with U.S. authorities in an investigation under the Foreign Corrupt Practices Act, aimed at punishing bribery.

Ericsson said the probes go back to practices beginning in 2007. Mr. Ekholm said Ericsson had shared with authorities the results of an internal investigation, which uncovered ethics breaches and has resulted in the departure of 50 employees. He declined to comment on which countries were involved and said it was too early to say how he would settle with the U.S. government.

That lingering probe, and the sales drought over the past few years, have pressured Ericsson. It has laid off about 20,000 employees over the past two years as a result of losses.

Since Mr. Ekholm became chief executive in January 2017, Ericsson focused on its core business of making telecom equipment. He said Thursday the company was on track to complete a turnaround by a 2020 target.

Write to Stu Woo at [Stu.Woo@wsj.com](mailto:Stu.Woo@wsj.com)

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