



ERICSSON

# SUPERIOR USER EXPERIENCE & NETWORK PERFORMANCE

Ricardo Guardia  
Ericsson Latin America & Caribbean  
July 27, 2015



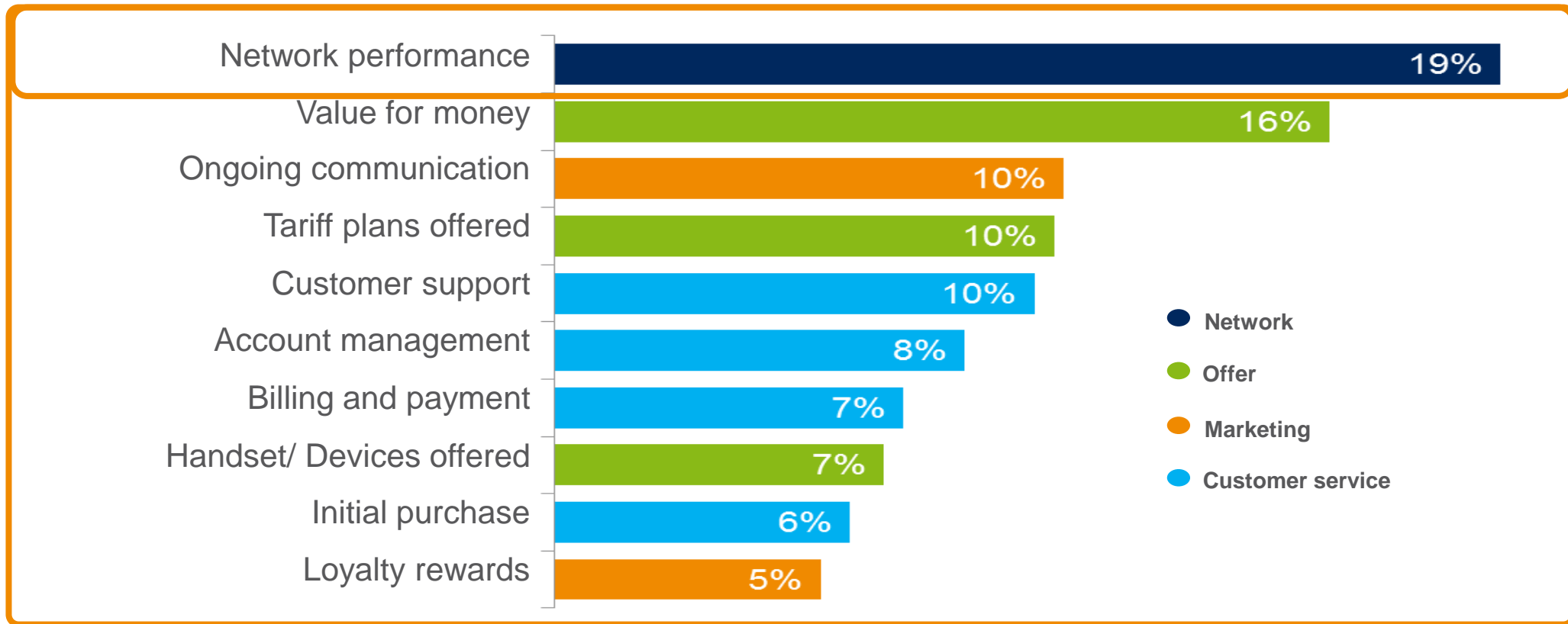
# VALUE OF PERFORMANCE



# PERFORMANCE DRIVES LOYALTY



Shapley regression analysis, showing the relative impact between each driver and loyalty to operator brand (NPS)

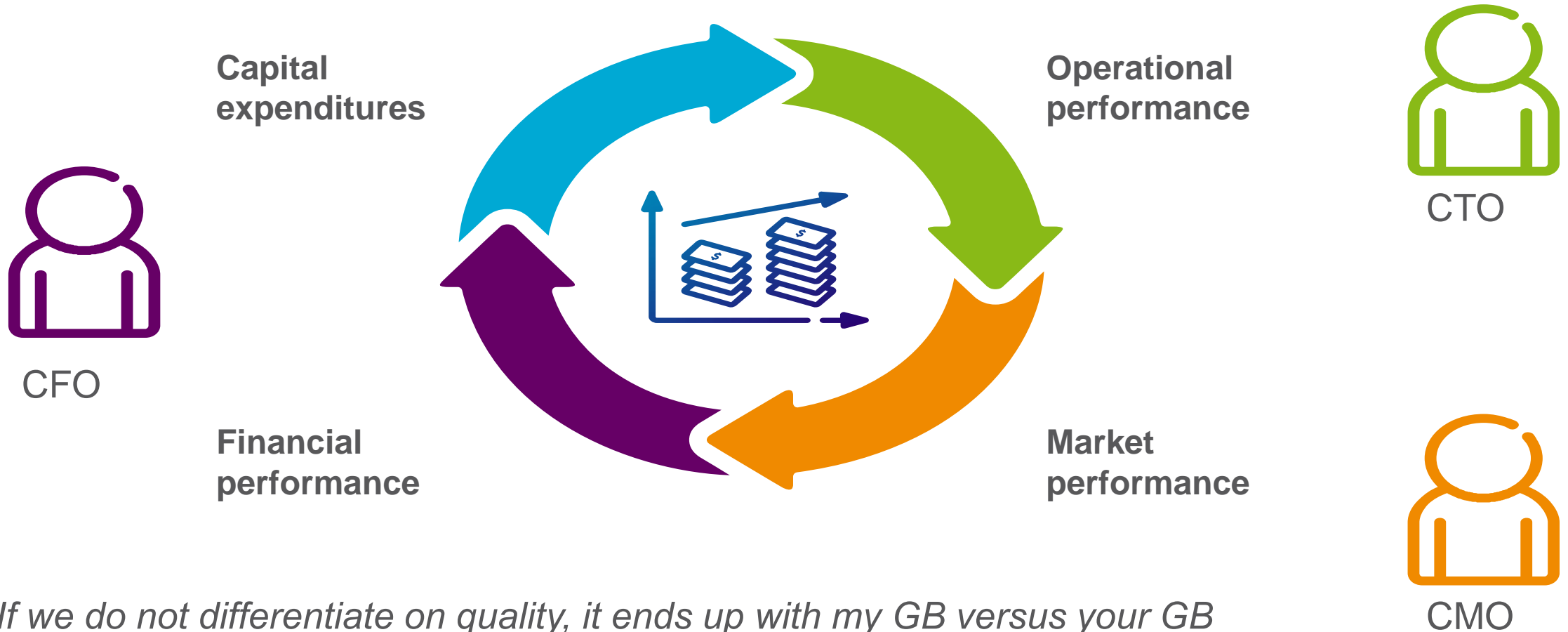


Source: Ericsson ConsumerLab Network Performance Study 2013  
Base: 12169 Smartphone users in BR, CHN, INDO, SK, JP, US, UK, SE, RU, TUR, CHL, MX

# THE VIRTUOUS VALUE OF PERFORMANCE



From qualitative to quantitative proof



*“If we do not differentiate on quality, it ends up with my GB versus your GB and we will be destroying value for all”*

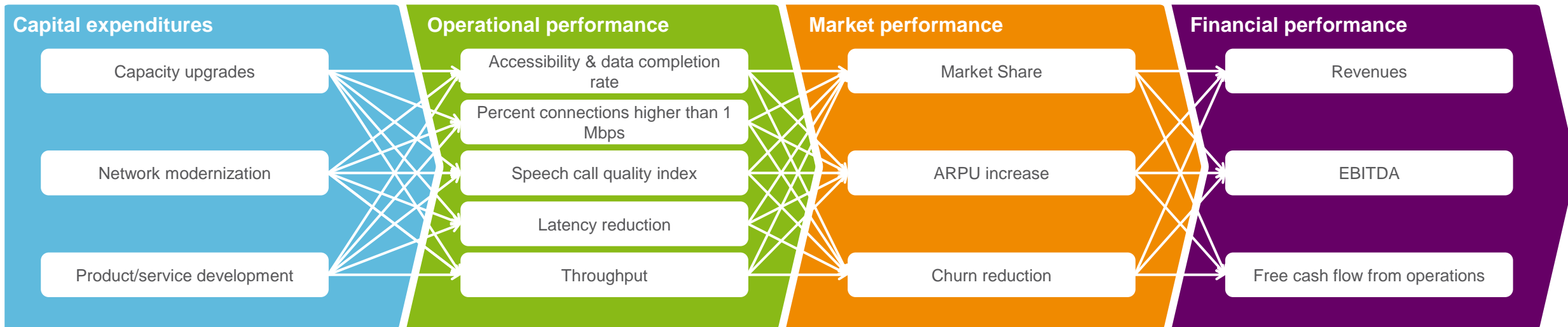
CMO of large Latin operator

# ADVANCED REGRESSION ANALYSIS

to investigate causality & quantify impact based on empirical data from 3 markets



Model aimed at defining the causal relationship from capital expenditures to financial performance



Direct effect, building up to maximum impact over **12-18 months**

+

Direct effect, building up to maximum impact over **0-3 quarters**

=

Positive cumulative incremental FCF after **4-6 quarters**

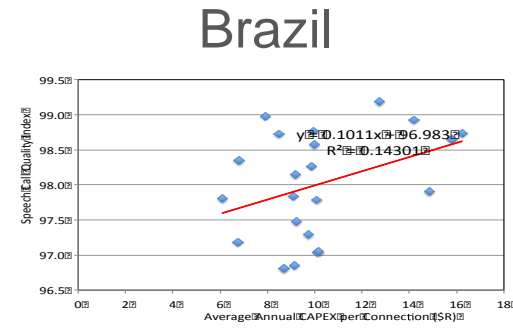
# DESCRIPTIVE STATISTICS

show correlation between metrics



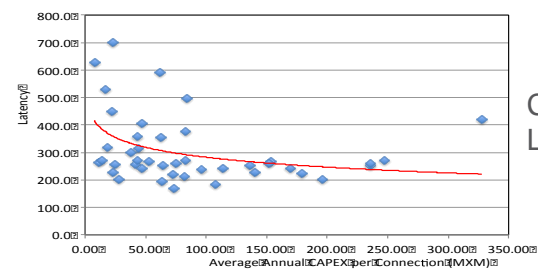
Capital expenditures

CAPEX VS. SPEECH CALL QUALITY



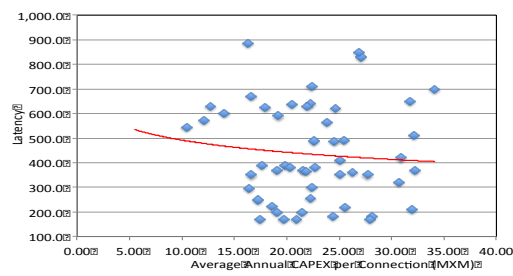
CAPEX VS. LATENCY

Mexico



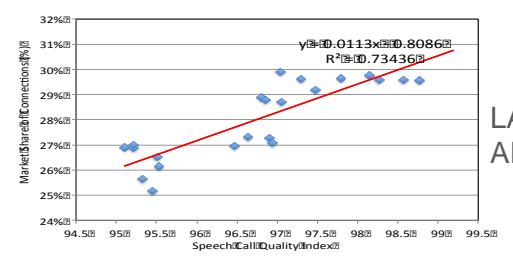
CAPEX VS. LATENCY

United States

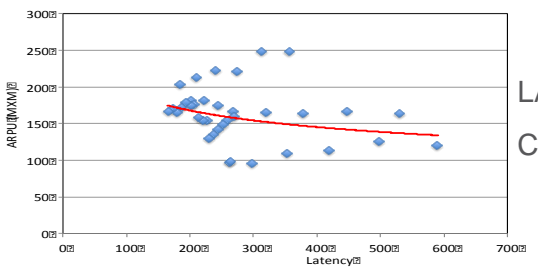


Operational performance

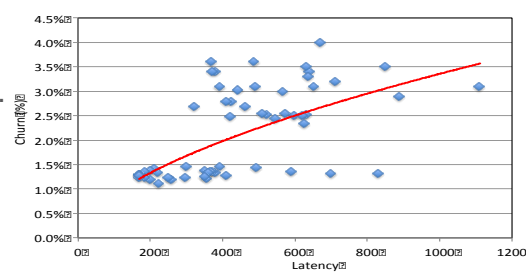
SPEECH CALL QUALITY VS. MARKET SHARE



LATENCY VS. ARPU

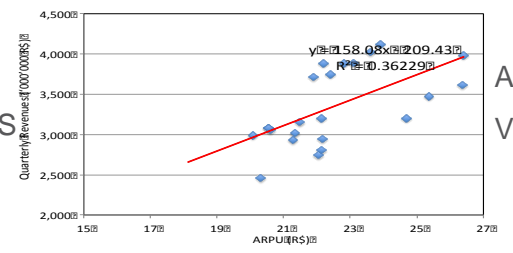


LATENCY VS. CHURN

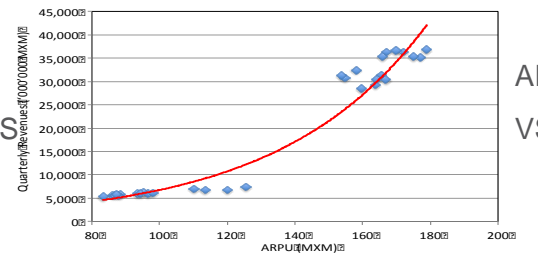


Market performance

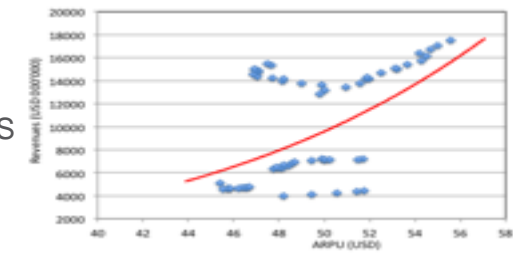
ARPU VS. REVENUES



ARPU VS. REVENUES



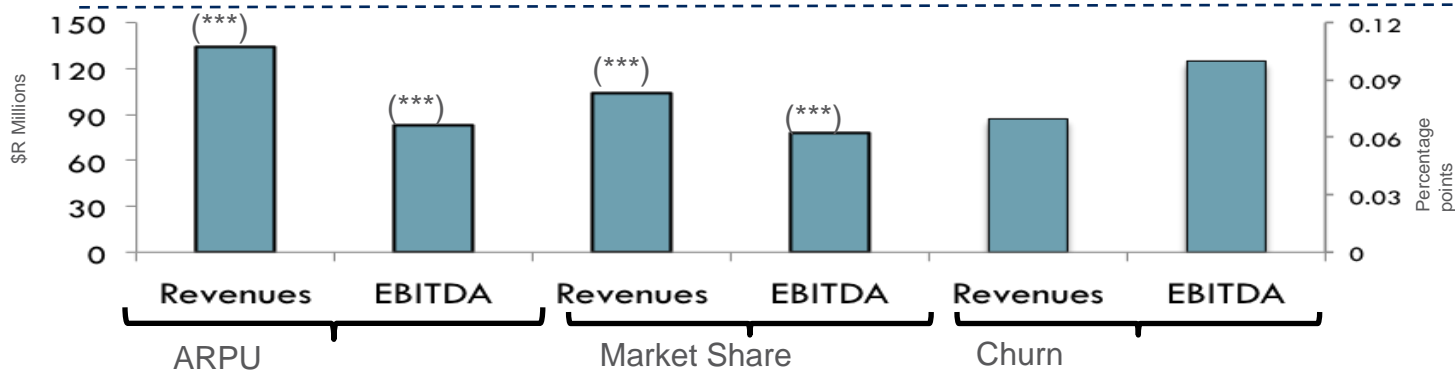
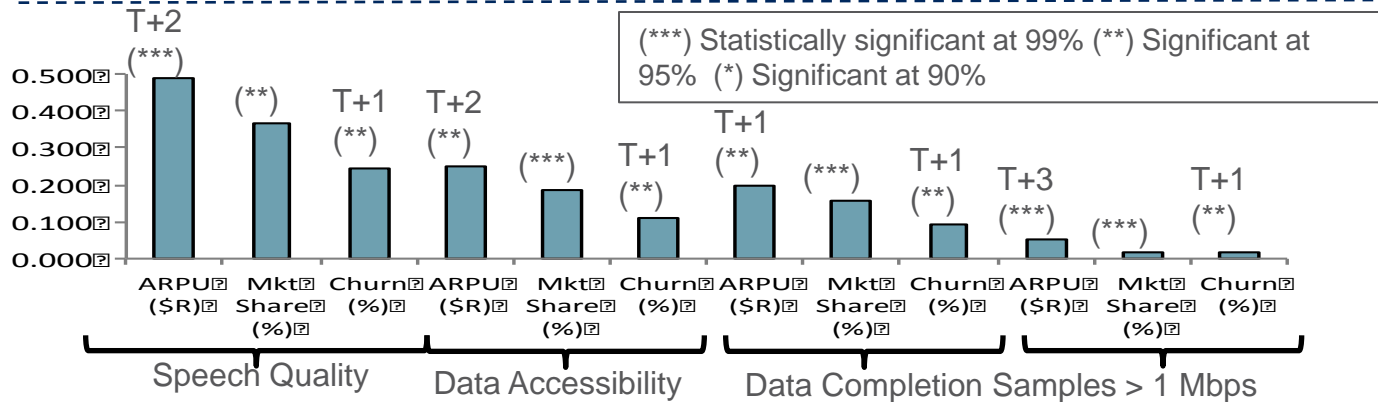
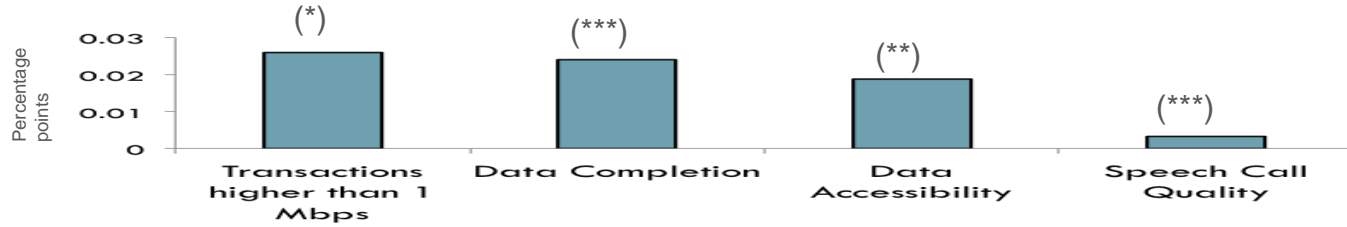
ARPU VS. REVENUES



Financial performance

# CORRELATION TO CAUSALITY

## regression analysis for Brazil



Capital investments

Operational performance

Market performance

Financial performance

# POSITIVE EFFECTS ON FINANCIALS



Changes following 10 percent increase in CAPEX over a 5-year period



NPV – Net present value

FCF – Free cash flow from operations

Anything above zero is a worthwhile investment

Source: Ericsson and Telecom Advisory Services LLC (2014)  
Base: Market data from Brazil, Mexico, US



# VALUE OF PERFORMANCE RECOGNIZED BY FINANCIAL ANALYSTS



9 January 2014 | 72 pages

## Pan-Asia Telecoms

### Network Advantages: Better Revenue Momentum, Lower Costs

- **Better networks equate to relative outperformance** — Our analysis points to the importance of network superiority and improvement in driving consistent revenue growth and share price outperformance. We look at what drives network superiority and establish who possesses these factors across the various Asian markets. This in turn allows us to identify which operators across the various markets possess the structural competitive advantage that allows for outperformance.



Wireless operators can sustainably compete in our view on only two dimensions:

- Pricing: drives price erosion
- Quality of network services: supports pricing power

Jan 6, 2015; Contact: Pierre Ferragu (Senior Analyst) •  
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## Mobile Data Wave

### Who Dares to Invest, Wins

Exponential growth in data usage could challenge network capacity by 2014. Tablet

**Morgan Stanley Telecommunications,  
Morgan Stanley Technology**

\*See page 2 for all contributors to this report

1 Morgan Stanley & Co. International plc+  
2 Morgan Stanley & Co. LLC  
3. Morgan Stanley MUFG Securities Co., Ltd.+

# LARGE OPERATORS ALSO ACKNOWLEDGE THE SAME LOGIC



Vodafone CFO top priority: "Deliver returns on £19B Spring CAPEX investment"



# PERFORMANCE

when it counts



**Bárbara Rivera** @barbara\_r\_ · 6h  
@entel me pude comunicar con mis familiares, gracias entel por el buen servicio  
View conversation Reply Retweet Favorite More

**Ángeles** @Mariangel\_\_87 · 6h  
@entel un 7!!!! A minutos del terremoto me llamaron desde Arica. Mi amigo mantuvo en todo momento servicio.  
View conversation Reply Retweet Favorite More

**Patricia** @Patricia\_\_RB · 6h  
@entel menos mal que me cambie a entel he tenido siempre señal :)  
View conversation Reply Retweet Favorite More

**Francisco Sanchez** @KungfuPanchi · 7h  
@huichalaf @subtel\_chile SMS de Entel funcionando sin problemas desde el inicio del terremoto.  
View conversation Reply Retweet Favorite More

**Ángeles** @Mariangel\_\_87 · 7h  
No es por hacer publicidad..pero bien por Entel. Funcionó.  
Expand Reply Retweet Favorite More

**Fernando Jimenez** @fer\_natho · 4h  
Con la emergencia de hoy, estoy pensando seriamente en cambiarme a Entel ...  
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**Apple Roldán** @GustavoRoldan · 4h  
Menos mal Entel me ha funcionado bien, logre comunicarme con toda la familia  
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Photos: Earthquake off Chilean coast

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After today's emergency, I am seriously thinking to go with Entel.

Thanks to Entel I could stay communicated with all my family.

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