

TECHNOLOGY

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Ericsson Sales Rise in North America

Shares soar as the company says it expects its market to stabilize soon

By DOMINIC CHOPPING

Ericsson said it sees signs of market stabilization as customer spending accelerates in North America.

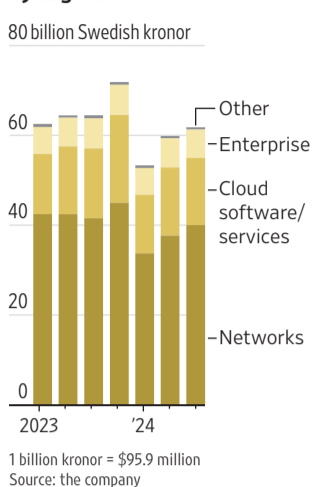
The Swedish telecommunications-equipment company said Tuesday that its key networks unit recorded an 80% surge in North America sales in the third quarter after winning contracts and as some large customers made selective network investments.

Ericsson's American depositary receipts soared 13% in Tuesday's trading.

Overall network sales slipped 4% in the quarter though following a sharp decline across Southeast Asia, Oceania and India.

Network vendors such as Ericsson enjoyed early success with new 5G networks as operators in North America rushed to be the first to roll out the latest technology. As the first phase of network deployments began to dry up in

Ericsson quarterly sales by segment



An Ericsson networking cabinet at an event this year.



47% and 49% in the fourth quarter.

Fourth-quarter network sales are expected to grow at a slower pace than is usual for the time of year and analysts at JPMorgan said in a note to clients that sales estimates will probably need to fall by 1% to 2% as a result.

Despite this, the third-quarter performance was good, and with the company's new networks gross margin guidance landing above the 46% many had expected, JPMorgan thinks analysts will need to lift their earnings expectations for this year as a whole by over 10%.

Net profit attributable to shareholders in the quarter was 3.81 billion Swedish kronor, or about \$365.3 million, compared with a loss of 30.67 billion kronor in the same period a year earlier, as sales fell 4.2% to 61.79 billion kronor.

Analysts polled by FactSet had expected a net profit attributable to shareholders of 3.15 billion kronor on sales of 61.61 billion kronor.

Last year's net loss was a result of an impairment charge of 32 billion kronor tied to its Vonage cloud-communications subsidiary.

the region, India began a rapid phase of 5G network upgrades, which helped support sales despite being a lower-margin market.

Deployments in India have now normalized after peaking in 2023, but investments in North America are returning, providing a boost to the company's margins as work in the region is more profitable.

"We expect our networks

sales to stabilize year-on-year during the fourth quarter, driven by continued good growth in North America," Chief Executive Borje Ekholm said.

Sales also are beginning to benefit from last year's major network contract win from AT&T that is worth up to \$14 billion, with deployments as part of that contract starting to accelerate, which is helping

to boost Ericsson's sales in North America.

The company reported an adjusted gross margin in the networks unit of 48.7%, above guidance of 45% to 47%, aided by an improved business mix, new patent licensing deals that includes a recent contract with Chinese consumer-electronics manufacturer Oppo, and cost cutting. It expects to report a margin of between

ASML Expects Slower Semiconductor Recovery

By MAURO ORRU

ASML Holding warned of a slower-than-expected recovery for some areas of the semiconductor industry after orders came in below analysts' expectations as chip makers held back spending on key production equipment.

The Dutch company, which supplies semiconductor-making machinery to chip makers, booked €2.63 billion, or roughly \$2.87 billion, in orders in the third quarter, up from €2.60 billion a year earlier but well below analysts' forecast

of €5.59 billion, according to consensus estimates by Visible Alpha.

"While there continue to be strong developments and upside potential in AI, other market segments are taking longer to recover," Chief Executive Christophe Fouquet said. "It now appears the recovery is more gradual than previously expected. This is expected to continue in 2025, which is leading to customer cautiousness."

The company expects between €30 billion and €35 billion in sales next year, below a previous forecast of up to €40

billion.

Chip makers need highly complex production equipment as they race to build more advanced semiconductors to power artificial-intelligence features in everything from smartphones and laptops to data centers, putting suppliers like ASML at the forefront of the AI-spending bonanza.

Taiwan Semiconductor Manufacturing Co., the world's largest contract chip maker, and South Korean memory-chip maker Samsung Electronics are among ASML's largest clients. The two com-

panies face added pressure from their customers to churn out more capable chips that tech giants like Microsoft and Google owner Alphabet need to upgrade their data centers.

But while demand for AI semiconductors keeps booming, chip makers are still confronting an inventory glut as makers of consumer devices, electric vehicles and industrial equipment stockpiled the chips they needed years back and aren't placing as many orders now.

ASML's announcement came a day earlier than its scheduled release because of a

technical error, it said. ASML's comments weighed on global chip stocks including Nvidia and Intel. ASML's shares in Amsterdam closed more than 15% lower on Tuesday.

The company said €1.4 billion in orders were for its high-end extreme ultraviolet tools that are used to print the most-intricate layers on chips used in the latest gaming consoles, smartwatches and phones. Analysts forecast €2.82 billion in EUV orders.

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Chip Maker Parent Draws Eye Of Activist

By CAITLIN MCCABE

Activist investor Palliser Capital has built a stake in the holding company of highflying artificial-intelligence chip maker SK Hynix and is pushing for changes to boost its share value, according to people familiar with the matter.

Palliser, a hedge-fund firm based in London, owns more than 1% of SK Square, the people said, having built a position in the South Korean investment company over the past two years. That makes Palliser among the company's top 10 shareholders. The company's market capitalization is around \$8.5 billion.

SK Square is an arm of the sprawling conglomerate SK Group, which is chaired by Chey Tae-won, one of South Korea's richest men. Inside it lies a crown jewel, a roughly 20% stake in SK Hynix which is worth even more than SK Square itself. The chip maker has become a key supplier of semiconductors used in AI.

SK Hynix dominates in the "high-bandwidth memory" market, and the company supplies chips to Nvidia's most-advanced graphic-processor units. The two types of chips get bundled together to enable the faster speeds needed for generative AI.

SK Square is SK Hynix's largest shareholder, which has helped pull the investment arm's shares up 64% this year.

Even so, the company trades at a yawning discount to the value of its underlying holdings, especially its stake in SK Hynix, which is worth around \$20 billion, more than twice the market value of SK Square.

Palliser has had discussions with SK Square about accelerating the company's share buyback program.

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