Accelerating initiatives to expand margins

Q1 report 2022/23

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Tobias Hägglöv, CFO
Aug 25, 2022
Agenda

• Towards improved access to the best cancer care
• Q1 financials
• Outlook
• Q&A
Important information

This presentation includes forward-looking statements including, but not limited to, statements relating to operational and financial performance, market conditions, and other similar matters. These forward-looking statements are based on current expectations about future events. Although the expectations described in these statements are assumed to be reasonable, there is no guarantee that such forward-looking statements will materialize or are accurate. Since these statements involve assumptions and estimates that are subject to risks and uncertainties, results could differ materially from those set out in the statement. Certain of these risks and uncertainties are described further in the Annual Report in section “Risks and uncertainties”. Elekta undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law or stock exchange regulations.

This presentation is intended for investors and analysts only. Some products are still in research and/or not cleared/approved in all markets. Cancer statistics are given to show the potential market in the respective area and does not mean that Elekta currently has products to treat these indications.
Towards improved access to the best cancer care
Delivering on our strategy ACCESS 2025

Delivered in a sustainable way

Resilience & Process Excellence across the value chain

People

Accelerate innovation with customer utilization in mind

Drive partner integration across the cancer care eco-system

Be the customer lifetime companion

Drive adoption across the globe

A world where everyone has access to the best cancer care

Delivered in a sustainable way

People

Resilience & Process Excellence across the value chain

Elekta

5
Global macroeconomic turmoil impact market conditions

**Americas**
-43%
Tough comps and cautiousness in the U.S. but growth in Latin America

**EMEA**
11%
Strong growth - Spanish tender driving Europe

**APAC**
9%
Growth despite contracting Chinese market

**US, New Jersey**
RWJBarnabas Health 2nd Unity

**Panama**
Centro Internacional de Cancer LGK

**Spain**
several regional hospitals Multiple Solutions

**Nigeria**
Kaduna Cancer Center Unity, Linacs, LGK, OIS, Service

**Japan**
Teikyo University Hospital Harmony Pro, Kaiku

Based on constant currency.
Revenue continued to grow despite continued market turmoil but margins under pressure

Growth figures and margin, rolling 12 months (RTM)\(^1\)

Q1 key figures

<table>
<thead>
<tr>
<th></th>
<th>Order</th>
<th>Revenue</th>
<th>Adj. gross margin</th>
<th>Adj. EBIT margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 FY 22/23</td>
<td>-11%</td>
<td>3%</td>
<td>38.9%</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

\(^1\) Order and revenue development based on constant currency.
Accelerating Elekta by introducing an additional cost reduction Initiative to expand margins

**Resilience and Excellence Program**

- Faster order backlog to revenue conversion
- New launches and price increases
- Digitalization and automation of processes
- Continued shared service deployment (Poland)
- Supply chain optimization (UK, China)
- Localization of key processes (e.g. installation teams)

**Additional Cost-reduction Initiative**

- Increase productivity in operations and service
- Optimize innovation pipeline and leverage global product organization
- Drive efficiencies in selling and administration functions

**FY 21/22 - ongoing**

**FY 22/23**
Q1 financials
**Stable revenue growth and improved adjusted gross margin**

**Increased net sales by 3% y-o-y**
- Growth in Americas 7% and EMEA 2%, APAC flat
- Solution -1%, Service 6%

**Improved adj. gross margin both y-o-y and sequentially**

- FX positive on a gross-margin level but substantial negative impact from currency hedges y-o-y
  - Stronger USD
  - Weaker SEK

<table>
<thead>
<tr>
<th>(SEK M)</th>
<th>Q1 22/23</th>
<th>Q1 21/22</th>
<th>Q4 21/22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>3,327</td>
<td>3,009</td>
<td>4,239</td>
</tr>
<tr>
<td>Solutions</td>
<td>1,706</td>
<td>1,631</td>
<td>2,658</td>
</tr>
<tr>
<td>Service</td>
<td>1,621</td>
<td>1,378</td>
<td>1,581</td>
</tr>
<tr>
<td>COGS²</td>
<td>-2,032</td>
<td>-1,894</td>
<td>-2,669</td>
</tr>
<tr>
<td>Adj. gross margin</td>
<td>38.9%</td>
<td>37.1%</td>
<td>37.0%</td>
</tr>
<tr>
<td>Expenses²</td>
<td>-1,088</td>
<td>-981</td>
<td>-1,020</td>
</tr>
<tr>
<td>Exchange rate diff and other</td>
<td>-76</td>
<td>66</td>
<td>20</td>
</tr>
<tr>
<td>Adj. EBIT</td>
<td>132</td>
<td>201</td>
<td>570</td>
</tr>
<tr>
<td>Adj. EBIT margin</td>
<td>4.0%</td>
<td>6.7%</td>
<td>13.4%</td>
</tr>
<tr>
<td>EPS, SEK</td>
<td>0.16</td>
<td>0.33</td>
<td>1.09</td>
</tr>
<tr>
<td>Adj. EPS, SEK</td>
<td>0.19</td>
<td>0.33</td>
<td>1.09</td>
</tr>
</tbody>
</table>

1 Net sales growth based on constant exchange rates.
2 Excluding items affecting comparability (IAC).
Improvements in adjusted gross margin despite higher logistics and supply chain costs

Adjusted gross margin development

<table>
<thead>
<tr>
<th></th>
<th>Q1 LY</th>
<th>Q1 FY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>37.1%</td>
<td>38.9%</td>
</tr>
</tbody>
</table>

Impact vs. LY

- **Net sales growth**: +120 bps
- **Product mix and Solution-Service mix**: +250 bps
- **FX impact**: +110 bps
- **Higher supply chain costs and inflation**: -300 bps

Total impact: +180 bps

Net sales growth based on constant exchange rates. Margin excluding IAC.
Increased activities at higher costs

Higher selling costs
- More in-person customer events and meetings including travel and exhibitions

Higher administrative expenses y-o-y but sequentially decreasing

Continued investments in innovation pipeline
- Net R&D expenditure decreased y-o-y as R&D projects proceeded and amortizations were lower
- Sequentially net R&D increased due to higher gross R&D in Q1

Quarterly expenses

<table>
<thead>
<tr>
<th>Expenses (SEK M)</th>
<th>Q1(^1) 22/23</th>
<th>Q1 21/22</th>
<th>Growth(^2) Y/Y</th>
<th>Q4 21/22</th>
<th>Growth(^1) Q/Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling</td>
<td>-390</td>
<td>-316</td>
<td>14%</td>
<td>-380</td>
<td>0%</td>
</tr>
<tr>
<td>Administrative</td>
<td>-317</td>
<td>-274</td>
<td>9%</td>
<td>-309</td>
<td>-2%</td>
</tr>
<tr>
<td>R&amp;D (Net)</td>
<td>-380</td>
<td>-391</td>
<td>-10%</td>
<td>-331</td>
<td>12%</td>
</tr>
<tr>
<td>Total</td>
<td>-1,088</td>
<td>-981</td>
<td>3%</td>
<td>-1,020</td>
<td>3%</td>
</tr>
</tbody>
</table>

\(^1\) Excluding items affecting comparability (IAC) of SEK 7 M.
\(^2\) Based on constant exchange rates.
**Optimization of innovation pipeline**

Important innovation investments were driving gross R&D (RTM) to 15% as a percentage of net sales.

Gross R&D expected to stabilize and decline during coming quarters. Gradually increase of amortizations throughout the year.
Net working capital (NWC) ratio in line with seasonal pattern despite some inventory build up

NWC changes (SEK M)

Assets

<table>
<thead>
<tr>
<th>OB</th>
<th>Q1 22/23</th>
<th>Inventory</th>
<th>457</th>
<th>Accounts receivable</th>
<th>372</th>
<th>Accrued income</th>
<th>54</th>
<th>Other</th>
<th>60</th>
<th>CB</th>
<th>Q1 22/23</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9,435</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9,634</td>
<td></td>
</tr>
</tbody>
</table>

Liabilities

<table>
<thead>
<tr>
<th>OB</th>
<th>Q1 22/23</th>
<th>Accounts payable</th>
<th>72</th>
<th>Prepaid income</th>
<th>31</th>
<th>Customer Advances</th>
<th>231</th>
<th>Other</th>
<th>364</th>
<th>CB</th>
<th>Q1 22/23</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10,333</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10,159</td>
<td></td>
</tr>
</tbody>
</table>

NWC as % of net sales

<table>
<thead>
<tr>
<th></th>
<th>Q1 20/21</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1 21/22</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1 22/23</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-4%</td>
<td>-3%</td>
<td>-3%</td>
<td>-7%</td>
<td>-4%</td>
<td>-2%</td>
<td>-3%</td>
<td>-6%</td>
<td>-4%</td>
</tr>
</tbody>
</table>
Cash conversion close to target of 70 percent

Q1 Cash flow (SEK M)

<table>
<thead>
<tr>
<th>EBITDA</th>
<th>Taxes, interest net and other</th>
<th>Change in WC</th>
<th>Cash flow from operating activities</th>
<th>Continuous investments</th>
<th>Cash flow after continuous investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>379</td>
<td></td>
<td>-549</td>
<td>-198</td>
<td>-396</td>
<td>-594</td>
</tr>
</tbody>
</table>

Operational cash conversion, RTM

1) Of which SEK 348 M related to investments in innovations
2) Cash conversion = Cash flow from operating activities/EBITDA
# Introducing Cost-reduction Initiative to secure profitable growth

<table>
<thead>
<tr>
<th>Estimated reduction spend, SEK M</th>
<th>2022/23</th>
<th>Yearly run-rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase productivity in operations and service (COGS)</td>
<td>~50</td>
<td>~150</td>
</tr>
<tr>
<td>Optimize innovation pipeline and leverage global product organization (Gross R&amp;D)</td>
<td>~110</td>
<td>~200</td>
</tr>
<tr>
<td>Drive efficiencies in selling and administration functions</td>
<td>~40</td>
<td>~100</td>
</tr>
<tr>
<td>Selling Admin.</td>
<td>50% 50%</td>
<td>60% 40%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>~200</td>
<td>~450</td>
</tr>
</tbody>
</table>

*Implementation costs of up to SEK ~400 M (defined as items affecting comparability)*
Outlook – Q2 FY 22/23 and midterm
Outlook Q2 FY 22/23

• Uncertain macroeconomic environment and supply chain challenges to continue to impact installations, costs and margins

• Installation volumes expected to be in line with LY

• Long-term market trends to support growth and investment in high-end radiotherapy equipment and margin expansion
Midterm outlook until 2024/25 unchanged

- **Net sales**: >7% CAGR over period
- **EBIT margin**: expansion over period
- **Dividend policy**: ≥50% of annual net income
Summary Q1

• Continued revenue growth and strong order intake in EMEA and APAC

• Increased market activities and continued higher supply chain costs and inflation impacting margins

• Cost-reduction Initiative launched to expand margins and support profitable growth

• Reiterate outlook to 2024/25 and continue to deliver on ACCESS 2025
We don’t just build technology

We build hope
Q&A