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Elekta AB (EKTAY.SE)

Capital Markets Day
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 MANAGEMENT DISCUSSION SECTION

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

In our busy daily life, when stressing to work and being in back-to-back meetings, we seldom stop and reflect about our health. We take that for granted. Well, last year, over 18 million people were forced to reflect on their health as they received the message, you got cancer. We at Elekta want these patients to feel that they are not alone in their fight. Our legacy in fighting cancer started almost 50 years ago and great innovation has taken us where we are today, the largest independent radiotherapy company globally.

Good afternoon, everyone and warm welcome to Elekta's Capital Markets Day 2021. My name is Cecilia Ketels and I will guide you to today's event. Also a warm welcome to Gustaf Salford, our President and CEO.

Gustaf Salford  
*President & Chief Executive Officer, Elekta AB*

Thank you, Cecilia and it's truly great to be here again in a sunny Stockholm to have a Capital Markets today, even though if it's digital this time.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

That's true. And we have an exciting agenda. In brief, what are the teams?

Gustaf Salford  
*President & Chief Executive Officer, Elekta AB*

Yes. So, I will kick off with discussing based on the market trends and – and how cancer is evolving as well. Then also discussing precision radiation medicines role in cancer care and then highlight some key drivers and growth drivers going forward.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

And then most essential largest part of the agenda, right.

Gustaf Salford  
*President & Chief Executive Officer, Elekta AB*

Yes, of course. It's our strategy that we will announce today ACCESS 2025. So I will kick off describing some strategic initiatives and strategic pillars. And then members of the Elekta management team are representatives from around the organization will describe different parts of it. So, my colleague, Maurits Wolleswinkel will discuss the innovation agenda going forward, then we will have Lionel Hadjadjeba and Thijs van Bommel, describing Unity journey, then describing Unity journey; then we'll have Paul Bergström, describing and talking about the Service business and then Habib Nehme, who will be describe the opportunities in emerging markets. And finally Johan Adebäck, our CFO will link the strategy to our financial outlook.
Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

And at the end we all of course also want to have a Q&A session.

Gustaf Salford  
*President & Chief Executive Officer, Elekta AB*

Of course.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

So please those are listening in and want to ask questions, use the telephone number that you received upon registration. But Gustaf before we jump into the market dynamics, can you please give us an introduction of to Elekta as of today?

Gustaf Salford  
*President & Chief Executive Officer, Elekta AB*

Absolutely. Happy to do so Cecilia. So I just want to give a brief introduction to Elekta. And we are truly a global organization with a global business and we are continuously growing. So if you look at Elekta, we are headquartered here in Stockholm, Sweden. We have around 4,500 employees around the world and we also have offices in more than 40 countries and growing. We’re also treating more than 2 million cancer patients every year. And it’s installed in more than 7,000 hospitals around the world. And we’re actually selling our products to more than 120 countries. So truly global business. And we keep growing.

We have now annual sales of around SEK 14 billion and our installed base is now up to 4,750 linear accelerators, Gamma Knives and MR-Linacs unities around the world. And this has actually doubled since the last 10 years. How we are organized, how we drive Elekta forward is really about our business lines and also our regions. And if we look at how we report the regions externally is three different regions, it’s Americas, EMEA and Asia-Pacific. And you can see the revenue split is fairly well distributed between the three different regions in the 30s. There you have our business lines, the leading dimension in the organization with the clear profit and loss accountability that we introduced a couple of years ago. The oncology informatics solutions really software focused. You have a largest business line. The Linac solution business line and then you have the fastest growing business lines, of course, the MR-Linac Unity, Brachy solutions and Neuro solutions, we are clear number one positions on the market. And across this business lines and regions, we have a Global Service business, servicing all our customers and the installed base.

But it could also be interesting to look a bit differently on the on the splits of our revenues. If you look at the emerging markets versus mature markets, Elekta has a strong footprint in emerging markets, 30% and mature 70%. Software versus non-software then we had 25% of software business across the different business lines and non-software is around 75%. And then as you’ve heard me saying many times, we have a recurring business or Service business around 40% of the overall Elekta revenue and then our solutions or our devices is more around the 60%. But what are we all about? What is the purpose of this organization to do is really about cancer oncology and cancer impacts all of us.

It is personal. I think many of you have been impacted and many of your relatives and friends and one in five people will actually develop cancer throughout their life time. But it’s also about that people live longer with cancer
and the five year survival rate has actually gone from 50% to 70% over the last decades. And it's also growing. So cancer is actually growing twice as fast as most other diseases and it's likely to become the leading cause of death globally in the next decades. So how Elekta is working with this and our purpose is really to give hope for everyone dealing with cancer. And how we do this is really about improving the lives of patients around the world with cancer. And we've worked together with our customers, but also with our partners. That's a key part of how Elekta has been successful throughout the years. And our vision is really about a world where everyone has access to the best cancer care. And all of this must of course be delivered in a sustainable way.

Cecilia Ketels
Head-Investor Relations, Elekta AB

More than a year ago, we changed management team in North America. Let us now hear our Head of North and South America, Larry Biscotti, talk about the change the success as well as the development in the US market.

Larry Biscotti
Head-North Central America Region, Elekta AB

Hello. My name is Larry Biscotti and I'm Elekta's Executive Vice President and Head of North and South America. Today I will share some highlights of the US business and the improvements we have made since I assume this role 12 months ago. As a company, we have a history of investing in innovative technologies that drive shorter, more precise courses of treatment with developments like Gamma Knife and MR-Linac. As such in our largest market, the US our product portfolio is uniquely positioned to support customers as they look to increase efficiency and reduce the number of treatment fractions.

Over the past 10 years, the average number of fractions per patient in the US has decreased from 22 to 16. We fully expect this trend to continue based on several market conditions. In the US, the reimbursement model is expected to change from a fee for service model to payment of treatment per cancer type. Due to this upcoming alternative payment model, the US market is highly focused on value based care. The alternative payment model is likely to drive that number of fractions per patient further down. We also expect the US installed base to remain stable as we expect a 10% rise in both cancer incidences and prevalence over the next five years as well as seeing a wider array of cancer cases treated with cost effective radiotherapy. The US has the largest installed base of Linacs both in absolute numbers and per capita. Today we see that 84% of Linac purchases are planned with stereotactic capabilities to reduce treatment fractions.

Additionally, given the highly competitive nature of the US market, differentiating technologies are also in demand such as real-time imaging and adaptive radiotherapy. As such, our investment in MR-Linac with Elekta Unity has differentiated our portfolio in the market and opened doors to new clients. During the last 12 months, we have grown our orders volume, installed base and share in the US market. I believe this is also a direct result of organizational improvements and new commercial strategies. First, we've implemented what we refer to as the zone community structure to build an agile and more intimate customer facing organization, it's a full geographic alignment between all customer facing functions such as sales, service, training, contracting and accounts receivable into five zones, so that the local teams can quickly make decisions and better serve each zone's customer base.

Second, we are focused on strengthening the internal culture in the US, based on Elekta's values, we've added some specific cultural pillars to energize the team and build the foundation for success in our zone communities. These pillars permeate organization at every level and have led to some of the highest employee satisfaction scores in US history at Elekta.
Third, we've initiated new models for sales channels and market segmentation strategies. We specifically targeted some of our largest, most significant customers based on two areas, service and software, where we have assembled dedicated sales teams and a renewed commercial focus. We view services and expansion of services as a significant growth opportunity, focusing both on existing and new product offerings. We're additionally heavily focused on Oncology Informatics Solutions, which is our largest installed base and an area of the portfolio that will continue to strengthen in years to come.

Lastly, we have ambitious plans and continued focus on strategic accounts, large group purchasing organizations, niche segments and other consolidators in the US market. All these commercial actions continue to strengthen our position of visibility to the overall radiation oncology market in the US. We will continue to improve Elekta’s competitive edge in a market that needs an innovative, flexible and responsive provider.

Given the recent changes in the competitive landscape, we are the largest full portfolio independent company focused on radiotherapy and have a great opportunity to better serve our customers in a fast intimate way. As you can tell, I'm very optimistic for Elekta's outlook and future in the US market. Our product offerings, commercial structure and culture of positivity have better positioned Elekta to consistently grow our business in the US.

Thank you for your time.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

Sounds good to hear. Larry talked about value-based care and more cancer type being treated with radiation therapy. All important trends driving Elekta's industry. Well, Gustaf, in reflecting on the market dynamic let's take the patient's perspective first. And you said previously that people live longer and that their survival rate has increased. How does this development look like?

Gustaf Salford  
*President & Chief Executive Officer, Elekta AB*

Yeah. If you've seen as I mentioned before over the last couple of decades, it's been amazing trend that the improvements in cancer care have resulted in longer life expectancy and people live longer with cancer. So you can see on the picture here in the back that the cancer survival rates has gone from 50% up to 70%. And you have certain cancer types like breast or prostate or skin that is now over 90%. And we expect this to continue. But at the same time the picture is very mixed. So if you look at the cancer types like pancreas or lung or liver, the survival rates are much lower. So I think the key thing here is improving operational efficiency when you think about cancers like breast and prostate, so more people get access to it and new innovations in that areas to further give accessibility to cancer patients around the world. But if you look at the cancer types that is with lower survival rates is really about improving the clinical outcome. And I think Unity, the MR-Linac is a key trend here and a key differentiator that will help patients going forward.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

Yeah. That's really an encouraging trend for the cancer patients around the globe. And how are you thinking when it comes to the access of radiation therapy in the different parts of the world?

Gustaf Salford  
*President & Chief Executive Officer, Elekta AB*
Yeah. So, if we take the more read in our perspective, counter perspective, is also very mixed picture because you will have countries with good accessibility to linear accelerators and you can see on this picture that countries like the US or Japan or Western Europe, they are often more than 4 Linacs per million of population. But at the same time for the rest of the 85% of the world’s population it is really a limited accessibility to cancer care but also for radiation therapy. And the trends are a bit different as well. So, I think for the more mature countries with the large installed base it is really about improving the clinical efficiency with better innovations, but also local proximity because you can take a reader like Europe is big variations in accessibility in quite a mature region as well. But if you think about the 85% of the world's population is truly about developing the infrastructure and also improve availability across those regions. In some countries today I should do not have access to radiation therapy at all.

Cecilia Ketels  
Head-Investor Relations, Elekta AB

It's really tough. And how large is the gap there?

Gustaf Salford  
President & Chief Executive Officer, Elekta AB

Yeah. So, if we quantify these two pictures we see a gap of around 15,000 linear accelerators around the world. I often say that every second cancer patient should receive radiation therapy and actually part of the 40% of the curative treatments. But that's – that access is not there today. So, that's what we are really focusing on and supporting our customers and their patients to close this gap.

Cecilia Ketels  
Head-Investor Relations, Elekta AB

So what do we elected due to improve their access around the globe?

Gustaf Salford  
President & Chief Executive Officer, Elekta AB

Yeah. We do a lot of things, of course, is through innovation. So we develop products that this is a good fit with closing this gap. And I think Harmony is a great example about – around that. But it's also about supporting customers with customer finance helping to get to the right reimbursement levels around the world. And also – but education and training is actually one of the biggest issues there is in many markets that we need to help our customers to be trained in radiation therapy procedures and processes. And it's important to say if you think about the full cancer care budgets around the world, radiation therapy is actually only 5% to 7%. And I believe that should increase going forward.

Cecilia Ketels  
Head-Investor Relations, Elekta AB

I see. So what are the key drivers going forward as you see it?

Gustaf Salford  
President & Chief Executive Officer, Elekta AB

Yeah. I think key drivers for me and I try to summarize it here in four key drivers. And I mentioned improved infrastructure and radiation therapy access run in the world is also about the growing cancer burden that this gap. If we don’t do anything about it we’ll just widen is about continued adoption of cost efficient and value based care.
And you heard Larry Biscotti talking about a couple of these trends in a very matured markets the US with the alternative payment model. We've also seen during COVID that radiation therapy has been used in a more surgical way in parts of Europe like the UK as well reducing the number of hospital visits for cancer patients and then breakthrough technology advancements. I think something Elekta always has been standing for. It's our legacy and what we drive forward. And I think you have examples of Unity, you have examples of Harmony and with lots of example around the software portfolio. But we cannot do this alone. And I think cancer care is truly a team sport. So market collaboration throughout the cancer care ecosystem is increasingly important, as well.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

So if we reflect on this market trend and try to qualify them, quantify them.

Gustaf Salford  
*President & Chief Executive Officer, Elekta AB*

Yes.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

How would that look like?

Gustaf Salford  
*President & Chief Executive Officer, Elekta AB*

Yes, we've worked hard to quantify this trends and looking forward what we expect from health care expenditure, GDP development and so on. And there are two markets in totality is above $7 billion. And the growth rates going forward what we have in our mid-term outlook is 6% to 8% of CAGR until 2024, 2025. We expect emerging markets to grow 8% to 10% and more to mature markets, more around 2% to 4%. Software has been shown to during COVID but those are going forward, we expect to be a key growth driver at 7% to 9%, and then the solutions or devices more around 5% to 7%.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

Great. So that was the update on the market strength. Now I know that you want to present our new strategy that you and the management team has developed.

Gustaf Salford  
*President & Chief Executive Officer, Elekta AB*

Absolutely. Thank you. So really happy and proud today to present our new strategy. Access 2025, is something Elekta and the management team has been working on throughout the spring here. And it's really linked to our vision towards a world where everyone has access to the best cancer care. And if you think, what do we mean about, what does Access to the best cancer care mean for Elekta? It's really about three things. We say it's availability of care and we've set a very ambitious future milestone in 2025 that 300 million people should get access to radiation therapy through Elekta solutions with 800 to 1,000 additional Elekta Linacs in underserved markets. We also see elevation of care.
So elevation of care for Elekta means that we should double the clinical usage of short-course treatment or hyper-fractionation, and we should quadruple the adapted treatments among Elekta's customer. And the third trend is really about participation in care. It's about the patient's journey. So 20% of Elekta's customers' patients are actively interacting with their own care journey. And today, it's only 1%, and Kaiku, our new offering, will have a key role to play here.

So our strategy and how we've built it up is really linked to a world where everyone has access to the best cancer care. And the first pillar, of course, is around innovation. It's the key thing that Elekta always had stand for and will also link it to the customer utilization in mind. That's a vital part of our strategy and how we develop our innovations, always in partnership. But we've also seen the need for partnerships and partner integration increase across the cancer care continuum. And it's a key also to be the customer lifetime companion and our service offering and our installed base is absolutely vital. Linear accelerators are often out in installed base for 10 years, 15 years, maybe something – sometimes 20 years. So we are truly our customers' companion throughout this journey.

And lastly drive adoption across the globe. We have this gap of more than 15,000 Linacs as we work hard, the whole of Elekta to close every day. So who are doing it? It's of course are people. Our people are absolutely vitally crucial for us to deliver on this strategy of more than 4,500 employees. And we've also shown throughout the pandemic that we've initiated a lot of resilience and process excellence activities around the organization, making us coming out from COVID as a stronger company.

All of this needs to of course be delivered in a sustainable way. All of our strategy is linked to sustainability initiatives. And if you take the sustainability lens on our strategy is really the flipside of the same coin. Strategy is linked to sustainability. So we need to have a long-term growth from a strategy but it needs to be delivered in a sustainable way. And it's about the ESG targets environmental, social and governance. So if we start with the environmental targets, Elekta has just signed up for science-based targets to cut our CO2 emissions in half until 2030. We've also supporting green procurement and circular business models across our business lines and regions.

On the social side, we will initiate the sustainability linked bond [indiscernible] (00:23:42) linked to our target or a milestone that more than 300 million people in underserved markets should get access to our products. We are building diversified teams and addressing the human capital challenge in different markets. And of course, as the foundation for everything, we do is the governance aspect, is about ensuring a market free from bribery and corruption and also safeguard a culture of high business ethics and integrity.

So how will we launch this? How will we operationalize and implement our strategy? And I think it's good to start in last year in a way where we had a year of adjusting to the new normal. It was about launches. We launched Harmony, we launched software across our business lines and portfolio and we've booked the 100 Unity order here in Q4. Today, we announced the deepened strategic partnership with Philips. We strengthened our direct sales network in many countries and regions and we also drove a lot of resilience and digitalization efforts across our organization.

So what's next? If we look into the mid-term perspective, the mid-term outlook is really about profitable growth, but it needs to be delivered in a sustainable way. We will drive our initiative around our new software platform. We will accelerate our journey with adaptive technology with Unity in the lead. We're also deepening existing and form new partnerships. We will expand our services offering and will also further optimize our sales network establishing direct presence in key growth market and we'll drive operational leverage throughout our P&L. All of this needs to be delivered and support what we've signed up to the science based targets until 2030. But if we
look ahead, if we take the long-term perspective, it's really to continue as Elekta always have been, doing driving paradigm shifts. So it's about developing a next-generation treatment workflows and customer engagement models to improve patient access to the best cancer care.

And today this morning I'm really, really excited to say that we announced a strategic partnership, a comprehensive partnership from innovation to distribution between Elekta and Philips. And we share the view about procession, the procession in oncology. And we are two companies, but we share one vision. And if you break this vision down a bit, we focus on three key areas is about the breadth and depth of our solutions together. So it's really about end to end cancer care continuum and coverage, our best-in-class solutions both from the Elekta side and the Philips side.

This is also about personalized therapy and I think that's a key word. Because we need to streamline the workflows and also have that adaptive treatments to really truly personalize cancer treatment with precision radiation medicine. It's also about the informatics, it's about integrated informatics and historically and today in all our discussions that's been ongoing now for almost more than six months, we share a view on open architecture and vendor agnostic solutions. So, I think it's amazing that we've today launched this partnership and it's build upon our Unity partnership of course, but also expand that into new areas.

And Maurits will talk more about that in the coming session here. Thank you.

Cecilia Ketels
Head-Investor Relations, Elekta AB

We just heard Gustaf emphasizing the acceleration of our innovation. So, let's do a deep dive into this segment and talk to the person, who is driving these project, but first look at this.

I'd like to welcome Maurits Wolleswinkel, our Chief Product Officer and also the Head of the Business Line, Linac Solutions. So to start off with, when we talk about product segment, we split it into two segments. Can you start by stressing the difference between these two and why it's important to keep in mind?

Maurits Wolleswinkel
President-Linac Solutions, Elekta AB

Thank you, Cecilia. Absolutely. I love to do that. So, two distinct segments, comprehensive oncology care solutions on one hand and the RT treatment solutions on the other hand. So starting here, what characterize this segment? It distresses beyond radiation therapy and that's important to mention that as well and really it looks at the entire cancer care journey. The second element related to this is that you see a much higher level of customer configuration. You see new emerging applications in that space, like the patient reported outcome patient engagement in general clinical decision support and all these new capabilities and need also offer the potential for more professional services. So that's this side of – of the segment.

The other segment you could say is a more traditional device segment, device with a much more stronger role of software moving forward. So we see our treatment management software as part of this device is becoming much more integrated and the interplay between the devices and the software becoming more and more important moving forward.

Cecilia Ketels
Head-Investor Relations, Elekta AB
Yeah. And before we will go to the future which we, of course, everybody's waiting for, can you please reflect on the past year?

Maurits Wolleswinkel  
*President, Linac Solutions, Elekta AB*

Absolutely. But I have to say this is something that really fills me with pride, because it wasn't that easy. A lot of us have been working from our home office, also our engineers, they had to innovate from home. That's a new experience. But what really fills me with – with pride is that we have been able to introduce a number of new solutions, of course the entire portfolio over the past year we introduce them a little bit differently in a fully digital way, but not less successful, I would say. And let me mention a few Gamma Knife Lightning, a new solution for the Gamma Knife to really accelerate the treatment and makes planning simpler. We also introduced a brand new Monaco release, Monaco release that is really packed with a number of new clinical capability as well as workflow advancements. We introduced Elekta Studio, an integrated suite of imaging and brachytherapy that we also launched this year. And then of course, Harmony, the new Linac that we brought to the market and finally a brand new MOSAIQ release. So, all in all, this shows also the resilience of Elekta as a company.

Cecilia Ketels  
*Head, Investor Relations, Elekta AB*

Great. And can you now lead us through how the Access 2025 will transfer to innovation?

Maurits Wolleswinkel  
*President, Linac Solutions, Elekta AB*

Happy to do that. And essentially and then I go back to the two segments in the market is really details down to three focus areas. And let me go through them one by one. So, the first one is really about personalized precision. And personalized precision in the RT treatment solution space means something different. It's really about integration of imaging and the adoption of adaptive treatment and we really believe that we are on the brink of a new wave of innovation and adoption of novel new workflows in radiation therapy. On the other hand, we see the role of combination therapies emerging the need for clinical decision support but also the role of the patient evolving. So personalized position is the first one.

The second one is really about elevated productivity. And again elevated productivity means different things in different spaces. But what they have in common the software a place an increasing important tool and how we manage productivity by streamlining workflow, by smarter capacity management but also by bringing mobility of care to our customers as well. And the third one is maybe the most important one because that really ties all the spaces together is, what we call integrated informatics. And integrated informatics derives from the fact that intensive care, we have enormous amount of data being generated by the devices, but also by the supported software. And what we believe is by basically unlocking that information and turn that into novel applications, we actually can accelerate position and productivity on the other hand. So that's why it's also important that Elekta as a company continues to aim to play in both spaces because it's so important to connect them together. And this is not only a story around the future, a future strategy, a future direction, but we are already bringing that to life in today's solutions.

And let me give you a few examples. And the first one is the Elekta Harmony. The Elekta Harmony was actually innovated and developed with a very simple aim in mind. How can we improve the productivity with 25%? And as a result, we have completely redesigned the in-room workflow. Harmony is doing very well. It's CE approved.
expect 510k any moment. We're currently sold in 11 countries already. We have treated the first patient, but you also think that actually Harmony will contribute to further improve the profitability of the Linac segment. Another point to maybe stress as well that Harmony actually is addressing two market segments. That's we have the Harmony and the value segment, but we have another Harmony Pro configuration version that is addressing the performance segment. So it's really a very important introduction for us at Elekta.

Let me give you a second example, an example in the evolving what we call the treatment management software. As said we just launched a new version of Monaco and that's a very large substantial release and it contains a number of new things. The product by device as MDR release is FDA release as well cleared. So we're really ready to sell the product. But one of the things that is in Monaco 6 is that we bring back proton therapy planning through our collaboration with IBA back in treatment planning. And we're extremely pleased by that. Proton therapy planning is an area that we believe is important. Still we want to support our customers. We started our strategic collaboration a couple of years ago and now we see it coming to life in this product.

Monaco also contains a number of workflow improvements and the best way to demonstrate that is to have a customer talk for you and in this case, it is GenesisCare, one of our largest partners and customers at Elekta that are also one of the first adopters of Monaco 6.0 And they're extremely pleased in how Monaco 6.0 is helping them increase their workflow and productivity. And they are currently expanding the rollout of Monaco across their network. So that's the TPS side of things. Now we're also moving in new areas when we talk about treatment management software.

Another product that we are having very much related is what you call ProKnow. ProKnow is a cloud-based review application where analytics are completely integrated to continuously elevate care. And recently, we closed an agreement with the Department of Veterans Affairs in the US to adopt ProKnow across their entire network. All their treatment plans will be uploaded into ProKnow and use as a basis to continuously improve their care. We see the role of ProKnow evolving and we see more and more a stronger interplay between ProKnow on one hand and Monaco to a blended set of treatment management applications. And this fall, for example, we will introduce one of the first artificial intelligence based [indiscernible] (00:37:45) applications on this platform.

The third example I wanted to give is MOSAIQ Plaza. And I like to stress here the word Plaza. So why did we come up with this concept of MOSAIQ Plaza introduce the round two years ago. It really relates to this notion of integrated informatics where we have more and more partners and new applications sort of hooping on to that same core called MOSAIQ. That's why we call it MOSAIQ Plaza. And to give you two examples in this respect, SmartClinic, a new application that Elekta brought to market. Very successfully simplifies workflows, efficiency brings mobility of care also to the user. You can use it everywhere. We're a very successful with it. We have almost 150 orders, 50 clinical sites live, and more recently we added Kaiku Health, a patient reported outcome tool also to the Plaza. So just two examples in that space as well.

But the next part of the journey is what. So where are we going moving forward. And my simple word is acceleration. Acceleration is that's what's right after. How? By partnering, by new software platform, by also simply investing more money. So let me explain it in a little bit more detail. So if we take these three focus areas around precision productivity and integration, these three elements, we are really focusing on the three things I just mentioned.

So the first one is really about the digital software transformation that is already ongoing. And one key point to mention that is the digital transformation is not only about future proofing our software, but also to bring new capabilities to our customers and new services as well. The second one is that on strategic partnerships and we have a lot to announce of course today, strategic partnerships while staying agile and customer focused in the
meantime. But we believe that these strategic partnerships are essential for our future as well to have access to certain capabilities we don't have, but also to team up in enlarger comprehensive commercial relationships.

The third element is about capability expansion, investing in more people and capabilities. The one point to take out there as well, that we specifically will focus on artificial intelligence and really are going to – and are in the process of doubling our efforts there. And as a consequence, yes, we will increase our innovation spend moving forward.

So, let me go through these topics one by one in a little bit more detail. Starting by the digital software transformation. But then it's important that you first take a step back that are already started my first introduction as well that the role of informatics is changing and it's good to mention that, as well. So the traditional role of an OIS, that's how MOSAIQ as a product started, is really changing and expanding. We see more need for multidisciplinary decisions, clinical productivity tools, patients will more actively interact and the mobility of care being able to work anywhere anytime.

So that's more on the OIS space that we need to enable that is more – that this new platform. And we look at the treatment solutions on the other hand, we see other trends and other trend of more closer integration of treatment management self-software with the device for a good reason. First of all, the role of imaging has become so important moving forward, that image guidance is essentially standard, we see.

Secondly, we see also a continued involvement of real time motion management. Currently really spearheaded by Unity, but we see that trickling down in all our treatment solutions. Then the third element is the emergence of adaptive radio therapy, and adaptive radio therapy basically means that you continuously change the plan based on the anatomy at that moment of the time. And finally what we see also more and more that software becomes smarter and can really unleash all the capabilities of the hardware by deeper integration and interoperability. So we took this sort of future needs into minds when thinking about the new software platform that we're currently building. And we defined three sort of core aims for this platform to innovate faster. Secondly, that we created smoother and more unified use of experience across our solution. And thirdly, that we streamline our workflows; and that is really important to also support the increased productivity that all our customers are asking for.

So what are we doing? We have already established a central platform organization, and we're pretty far down the road. And we now start to build the first applications on top of that a software platform. And just to give you an indication, today around 20% of our engineering base is already working on this new software. And in the next couple of years, we will further expand our engineering base with over 25% mainly in software.

Then let's talk about partnership and strategic partnership. And of course today, we have a big announcements to share with everyone, and that's our partnership with Pillar Phillips. And I like to stress here as well that this relationship and what we agreed and announced today is very comprehensive in nature. We've been working for eight months behind the scenes to really work through a number of things and closed a number of agreements with each other. And now today finally, we are ready to announce the partnership. And it's really ranging from commercial to joint innovation. But here I like to mention one specific commercial arrangement is that MOSAIQ Plaza that I already talked about will be expanded with three products from the Philips portfolio and Elekta will be the distributor for that product. Tumor board orchestration, genetic tumor board and oncology pathway software.

So as said, it's severely comprehensive agreement that we announced today, what I would like to do now is to drill down a little bit deeper on the innovation side of that. So, there are essentially four areas where we will extend and deepen our relationship. The first one is basically sending what you already have in place, expanding our collaboration on magnetic resonance radiation therapy. The second thing what we are working on is what we
call an integrated simulation planning treatment workflow. So both companies Elekta and Phillips recognize that the days of an independent treatment planning systems maybe will be over in a decade from now. And we are going to team up a work together to really build this world-class simulation planning treatment workflow together. Thirdly, we will further expand of integrated imaging and image guidance capabilities. So yes, we are already working on Unity, but we see capabilities in other modalities as well. And finally, clinical decision support. We will distribute the products we have today, but we also see joint opportunities to deepen integrated software products with each other and develop new opportunities along the way.

My final part was about AI and the elevated investments we are doing and really we have a clear vision of where we want to go. And AI is really enabling a number of things in our field that it is helping to enable adaptive radiotherapy, smarter resource management, automation of non-clinical tasks or clinical and operational inside. We see a lot of opportunities moving forward. We also announced this week a close collaboration with the NCI, the Amsterdam Free University an Elekta and the Dutch Government called POP-ART Partnership for Online Personalized AI-enabled Adaptive Radiation Therapy. It's just one of the example of how we are accelerating our efforts in AI. A lot of investment also happening on the infrastructure side. Working with partners on the technology, but also to access specific end to date, end to end data sets to really apply AI to it. So all in all, a very comprehensive activity.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

All right. It sounds like plenty of exciting initiatives to shape the future innovation. But before we leave this subject, can you please highlight the effect these initiatives will have on our product portfolio?

Maurits Wolleswinkel  
*President-Linac Solutions, Elekta AB*

Absolutely, Cecilia. And I said it's all about acceleration but how does the acceleration translate to our products. That's the question. I make it very simple, just starting with the First slide almost. Linacs, it's really about bringing new Linac systems to the market. New Linac systems including adaptive workflows. For MR-Linac, it's really about further expansion of real time capabilities, that what we see over there.

For the Gamma Knife, it's about efficiency and also bringing in AI and automation to it. Brachy will continue to expand its image guided capabilities. And finally, the informatics business line will continue to work on these new applications that are added to the plaza for patients engagement, workflow management, and clinical decision support. And all-in-all, fairly important to stress at the end is being supported by joint software foundation to streamline workflow, automation and productivity. So, exciting.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

Thank you very much, Maurits. And it's great to hear about the next part of Elekta's innovation journey. Another innovation has been on the market since 2018 is our Unity, driving a paradigm shift has many dimensions and that's why we put up an organization around this product. And in just a minute, you will meet the head of this business line, Lionel Hadjadjeba and his colleague Thijs van Bommel, who is the Head of MR-Linac Marketing and Sales. But first, let's listen to some of our customers have to say about Unity.

[Video Presentation] (00:49:42-00:51:58)
Thijs van Bommel  
*Vice President & Head of Marketing and Sales MR-Linac Solutions, Elekta AB*

It’s inspiring to hear those enthusiastic customers talking about Unity and with MR-Linac for the first time in history we actually see what we treat. And I’m extremely happy to update you on this successful journey together with Dr. Lionel Hadjadjeba.

Lionel Hadjadjeba  
*President MR-Linac Solutions, Elekta AB*

Thank you, Thijs. At our last Capital Market Day back in 2018 we celebrated the C certification as well as Unity going clinical. Since then a lot has happened. We’re now in the second phase of our commercialization. And while we usually do not disclose the number of Unity sold the contract number 100 was signed in April with St. George in Christchurch New Zealand back in April.

Thijs van Bommel  
*Vice President & Head of Marketing and Sales MR-Linac Solutions, Elekta AB*

This is really a great celebration we have here and as global footprint is clearly showing the worldwide confidence and the capabilities of the Unity system. In the Americas region, we sold over 30 systems so this region is very important in the MR-guided radiotherapy message. But also in Europe, we see the footprint in all major countries. And in China after receiving regulatory approval in the second half of 2020, we have already sold 10 systems. The market adoption in the Asia-Pacific and in Japan is also taking off. Despite COVID we’ve sold 20 systems in this region of the world.

Lionel Hadjadjeba  
*President MR-Linac Solutions, Elekta AB*

This is really a great geographical expansion in such a short period of time. But let’s talk about how Unity is used nowadays.

Thijs van Bommel  
*Vice President & Head of Marketing and Sales MR-Linac Solutions, Elekta AB*

Of course, so we’ve treated over 40 clinical indications. And this really helps us in understanding the clinical value of the Unity system. So, on one hand, we are bringing down the number of treatment sessions per patient which we call hypofractionation or ultra-hypofractionation for instance used with prostate. And on the other hand we are addressing the difficult to treat cancers like liver and pancreas for instance.

One specific indication I like to mention is the oligometastatic treatments. Due to cancer recurrence this is – this indication is rapidly increasing. And our consortium has done a phenomenal job in using the Unity system for this clinical indication. This is highly impactful. To date we have more than 500 clinical abstracts and over 350 peer-reviewed articles. So the consortium and momentum form the powerful infrastructure for this clinical evidence journey we have with Unity. And over 50 consortium sites and more than 600 researchers are working on a day-to-day basis to unleash the potential of the system.

Lionel Hadjadjeba  
*President MR-Linac Solutions, Elekta AB*

As a matter of fact those very good clinical results are the foundations of our plan for reimbursement specific to MR-guided radiation therapy. The first step was to get access to all major markets, which is that the result has
been achieved. Then we are focusing now on pancreas, liver, prostate and oligometastatic as you mentioned. And the plan is to ensure that we will file for reimbursement in the major countries and regions namely the USA, China, Japan as well as Europe. And we plan to file our first reimbursement submission already this year. And we also have a fully dedicated health technology assessment/reimbursement team at Elekta to ensure that we rollout our plans according to our strategic planning.

Thijs van Bommel  
Vice President & Head of Marketing and Sales MR-Linac Solutions, Elekta AB

It's really, really good to hear that we are working on that reimbursement because we know it's crucial for the success of Unity. On the other hand, we also work on proceeding the technological developments of the system. And when we initially designed Unity, we distinguished ourselves in a market by taking a very detailed look at the choices we have made from the beginning and to assure that this is a future proof of concept. So we combined a high quality Linac together with a high quality imaging device, the MRI, without any interference between the Linac and the MRI. So design technically no compromises were made. And this is very important to provide our caregivers with the best diagnostic image quality to enable them to targeted tumor and to safe the healthy tissue by real-time visualization.

This platform also enables us to do further workflow optimizations. For instance, the high quality auto controlling module, which will significantly reduce the treatment time for patient. And also the high image quality will enables us to automatically respond to motion. The first step here is to automatically switch off the beam, which we would call automatic gating. But the Unity design allows Elekta to take the next step which is following the tumor real-time with the beam. This will significantly change radiotherapy practice. Another unique feature I'd like to mention is the tumor response assessment. This is really to look for patient, if the tumor response to the radiotherapy treatment and this is the ultimate form of personalized radiotherapy treatment.

Lionel Hadjadjeba  
President MR-Linac Solutions, Elekta AB

As an oncologist myself I find those prospect amazing and also very exciting. And while we work with our customers, our partners to push out the boundaries of medical and technical boundaries, we as a company are also working on improving our margins. I will give you a few example. The first one is installation. We reduced our installation time by 65% since the first commercial installation. Reducing installation time means also less bunker time blocked for the customers, but also for us much less installation cost. We also are reducing our cost of goods sold, the famous COGS and we have a plan to further reduce them over the next few years. And if you add all those together with the fact that we have 100% attachment rate of service and service is a very good margin business for us. And you multiply by the number of Unity that we're going to be selling in the near future, our future is bright.

Thijs van Bommel  
Vice President & Head of Marketing and Sales MR-Linac Solutions, Elekta AB

That's really nice to hear and important to hear. But can you also tell a little bit more about the install base we have today?

Lionel Hadjadjeba  
President MR-Linac Solutions, Elekta AB

Yeah sure. Thijs. We have today registered in most major countries. We have also installed over 40 system, of which 26 are clinically treating patients. Many centers are ramping up to treat over 10 patients a day with five
fractions or less that mean that the patient will only come five time or less compared to regularly like treatment time which require patients to come to up to 35 even 40 time, so a lot of time saved for the patients. One of our customers is leading a study called the HERMES study, which is a prostate cancer study and they will compare five fractions versus two fractions, which is an amazing move towards better quality of life for patient.

Thijs van Bommel  
*Vice President & Head of Marketing and Sales MR-Linac Solutions, Elekta AB*

Impressive to hear. And in other words this is really a paradigm shift in radiotherapy. We — as I mentioned in the beginning we really see what we treat and we are able to act on the motion. And this is also confirmed by recent market analysis. We've taken a detailed look at the clinical indications that could benefit from Unity treatments. And we've taken a realistic approach where we see that 12% to 15% of all cancer incidences would benefit from MR-Linac treatments and that translates to 25% to 30% of all radiotherapy treatments. So, this really confirms the huge potential of Unity MR-Linac.

Lionel Hadjadjeba  
*President MR-Linac Solutions, Elekta AB*

Indeed Thijs. Let me conclude MR-Linac is a real paradigm shift in radiation therapy. Join us in the seeing is believing revolution with Unity. Thank you.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

Thank you, Thijs and Lionel for this update. You heard them briefly talking about the benefits of the MR-Linac. Let us now connect to one of our customer. Dr. Arjun Sahgal at the Sunnybrook Health Sciences Centre in Toronto and here get a deeper understanding of his view of this benefit. And Dr. Sahgal will be in a discussion with John Christodouleas who is sharing his time between being an oncologist in Philadelphia and working for Elekta as the Head of Medical Affairs. Over to you, John.

John Christodouleas  
*Senior Vice President of Medical Affairs, Elekta AB*

Thank you, Cecilia. My name is John Christodouleas. I'm one of the radiation oncologists in Elekta's Medical Affairs team. I'm here today with Dr. Arjun Sahgal from Sunnybrook at the University of Toronto in Canada. Thank you, Dr. Sahgal for your time.

Arjun Sahgal  
*Scientist, Sunnybrook Health Sciences Centre*

Thank you very much, John.

John Christodouleas  
*Senior Vice President of Medical Affairs, Elekta AB*

So, we are here to talk a little bit about MR-guided radiation therapy and Unity. And the first question that I'd like to ask you Dr. Sahgal is how do you explain to your patients the value or the benefits of online adaptive therapy and in particular online adaptive with onboard MRI?
Arjun Sahgal  
*Scientist, Sunnybrook Health Sciences Centre*

Really the way that I explain patients is that, for the first, we're basically opening our eyes. In the past, we get an MRI and three months later, so you'd have radiation say for six weeks, then you have a month off and then by three months later is your next MRI or your next image. And patients ask me, oh, how's treatment going? And I can say, well, you're doing pretty good. And now I can tell you exactly how it's going every single day. And you know, before we even to delve into the benefits of adoption and understanding the radiation map just the mere fact that they're getting feedback in real time about their tumor what makes patients want to go on that unit.

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John Christodouleas  
*Senior Vice President of Medical Affairs, Elekta AB*

So let me ask you, many radiotherapy departments have MR simulators in the department. And of course, you know, most hospitals in the west will have access to diagnostic MRIs. Do you think that, you know, the benefits of sort of seeing what you treat could be replicated by sending patients to the diagnostic radiology department?

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Arjun Sahgal  
*Scientist, Sunnybrook Health Sciences Centre*

Yeah. So that's a great question, and it's again one that comes up very often. And I can tell you after having done it, first of all, we're not going to be able to send a patient every week to diagnostic imaging for a full-blown MRI and nor should you. You don't need the whole battery of MRI images on a weekly basis. Forget daily basis. But even if you said once a weekly, you can't do it. A, it's not appropriate medical resource allocation. It's expensive to the system. And I don't need all that information. What I need is that snapshot every day to verify the tumor, make sure I'm hitting it and make changes as I want to. And that's why it cannot be replaced by the simple understanding of, oh, I could just put them on MRI simulator or send them to diagnostic imaging if something changes clinically. First of all, how would you even know with a cone beam CT.

So I think that paradigm changes dramatically once you start using it. And once you start using it, you are not going to go back. The evolution was 2D, so x-rays to 3D based on bone anatomy only to now seeing the tumor. And so we're following that trajectory as the technology improves and we are never going to go back. Once you start seeing the tumor, you're never going to go back to a place where its CT bone based magic.

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John Christodouleas  
*Senior Vice President of Medical Affairs, Elekta AB*

Yeah I think that's a very powerful way of describing it through the history of radiotherapy and in terms of its imaging, the natural progression in here. And of course we don't go backwards in that progression. Once you start to see, it's hard to go back like you say.

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Arjun Sahgal  
*Scientist, Sunnybrook Health Sciences Centre*

Absolutely. And even for us in the brain, I mean it's – it was very intuitive to us because we use MR all the time as opposed to some other indications or anatomic organs. But now that you've been able to do it and see it even those nonbelievers that said oh, we could do it a CT we see it enough, now they are actually asking for it because they want to see. It's the same thing. You're delivering better care. You are doing more for your patient and you are getting to the where we need to be.
And I'll tell you in a relatively controversial statement that we are getting towards a more surgical specialty, especially with hypofractionation or stereotactic body radiotherapy, the word ablative gets used a lot. And the only way that you can really say you're delivering in ablative therapy now and having that mode of therapy like an intervention when you put a probe in and burn a tumor in real time is the only way that we actually can truly say we know what we're doing. We're approaching in a surgical way is if you can see the tumor every single day and blast it with a high dose of radiation every day.

John Christodouleas  
Senior Vice President of Medical Affairs, Elekta AB

Right, right. You can see it while you're doing it in a way that a surgeon sees while they are cutting.

Arjun Sahgal  
Scientist, Sunnybrook Health Sciences Centre

And that's a big departure for radiation quality because we weren't trained like that. And now we've had to retrain and think like that and be their hands on and do it. And once you start doing it, it changes the game of radiation oncology globally.

John Christodouleas  
Senior Vice President of Medical Affairs, Elekta AB

Let's just think for a moment here. Let's just fast forward 20 years since we're talking about the future. In 20 years' time what proportion of patients do you think might be treated with online MRI guided adaptive therapy? A wild guess obviously won't hold you to it.

Arjun Sahgal  
Scientist, Sunnybrook Health Sciences Centre

Well, the theory is that 20 years hopefully everyone's alive and not susceptible to COVID anymore. But at the end of the day, when we start treating curative patients, I think every single patient's going to need tumor directed radiotherapy. And so by meaning you want to see the target. So it's not going to be a situation where we accept not being able to treat the actual tumor and using a bone surrogate. There may be some palliative indications, still there will always be some degree of simple radiotherapy. But my anticipation in 20 years is that cone beam CT will be completely phased out.

John Christodouleas  
Senior Vice President of Medical Affairs, Elekta AB

Interesting. So I mean do you see merit in the strategy of doing CT and cone beam CT based online adaptive for the things that might be visual visible with CT?

Arjun Sahgal  
Scientist, Sunnybrook Health Sciences Centre

So it's an interesting question because if you think of some tumors where you could see a CT – over the CT and some of the CT image guidance is getting better. So you can at least see it enough to know you're hitting it. But are you able to see it enough to understand the pattern or progression of how that tumor is changing. And you cannot, you can't do it unless you have an MRI. And with the advances in the MRI and that's why we want a high field strength MRI, we're not going to go for something that doesn't allow us to be in the future now. And that's what a high field strength MRI does. You can actually see how that tumor is changing and then make your
adoption. On a CT you could maybe adapt to the position, but you cannot adapt to the tumor morphology and pattern of spread.

John Christodouleas  
Senior Vice President of Medical Affairs, Elekta AB

You obviously made the decision to go for a high field versus a low field. What was your thought process there?

Arjun Sahgal  
Scientist, Sunnybrook Health Sciences Centre

Well, the thought process was this. When we looked at some of the technologies with low field strength MRI, it was too crude. You know just the – the ability and the flexibility in the imaging was too crude. So, right away if it was a simple situation where we'd simply maybe wanted to gate and use some crude marker of how things are moving and then adapt radiotherapy plans on that, maybe you would have been okay but we weren't interested in that. We wanted to go for the future now. We wanted to also develop advanced MRI. So, with our research institute, we want to be where we are going to be in 10, 20 years in the next three years. And the only way we're going to do that is with the high field strength MRI. And even that is a challenge at 1.5 Tesla MRI, but we are getting there. And that's because the computing power is so great now that we can actually use those MR images and understand them better. You will not be able to do that on a low field strength MRI.

John Christodouleas  
Senior Vice President of Medical Affairs, Elekta AB

So, how would you – I think you're alluding to you know biologic adaptive radiotherapy and sort of the potential of using quantitative or functional imaging or biological imaging. How do you explain that to a patient or how – do you – do you feel like patients will understand that story?

Arjun Sahgal  
Scientist, Sunnybrook Health Sciences Centre

I think so. When you explain to them that look the entire tumor doesn't behave necessarily the same. There are going to be pockets that are aggressive. There are going to be pockets that are not aggressive. We simply treat the whole thing as one, because we don't know. But if we could understand where the aggressiveness and non-aggressive is, then we can differentially radiate the regions of the tumor. And this has been kind of the holy grail of reducing toxicity and improving cure rates with radiation. But we've never been able to do it. And the only reason why you're able to get into this paradigm is because of MR image guidance.

John Christodouleas  
Senior Vice President of Medical Affairs, Elekta AB

So how do you feel now going into the treatment? How do you feel differently going to the treatment knowing that you have all this information available to you? What's that like for you as a physician?

Arjun Sahgal  
Scientist, Sunnybrook Health Sciences Centre

I'll give you one word, it's called relief. When I know my patients going on the MR-Linac, I feel the sense of relief, because I know that patient is getting the best care possible. And I'm going to know what's happening to that tumor through that journey. And when they say, oh, I got a little bit more headache, I turned to the image and say, no, everything's actually okay, you just have a headache. But if I see a lot of swelling, I'm going to be like we've
got to start the medication and let's figure it out. So it's a sense of relief that I have. And that's an overwhelming feeling, not only for the physician, but also for the patient.

John Christodouleas  
*Senior Vice President of Medical Affairs, Elekta AB*

I bet if your patients hear you say that they will feel great relief, as well. Dr. Sahgal, thank you so much for your time this evening. Really appreciate it.

With that, I'll pass it back to you Cecilia. Thank you very much.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

Thank you John and Dr. Sahgal for sharing your view with us. Last Friday, we had the last MR-Linac consortia meeting. And in this meeting, there were more than 650 participants from 19 countries discussing the use and the process and research paper of our MR-Linac. Gustaf, what is your reflections after this meeting?

Gustaf Salford  
*President & Chief Executive Officer, Elekta AB*

Absolutely fantastic to follow the progress of the journey with Unity, but also how our users continue to come up with new ways of treating, new ways of doing the studies, with MR-Linac technology and the Unity. So here I have a picture on kind of the Unity evidence development journey. And I think it's important to say that it's three key phases. It is the technical studies phase that started already from 2017. What can you actually do with the machine diffusion weighted imaging, for example, how you can track multi-leaf collimator. Then we kicked off the Unity study and also the MOMENTUM study in 2019 really building the data generation 6,000 patients over five years. And we're well into that study right now. And you see all this published papers and also the patients treated.

And then we've just kicked off and started the superiority studies. That's really about building the clinical evidence that we of course get a lot of questions about. And here we can see a couple of studies on the slide I'll show here. Throughout this period, our customers can use their existing reimbursement code. That's a question I often get from – from people, okay, so how is this actually reimbursed? But today you can use the existing and then often our customers have their own private insurer schemes and so on reimbursement setups. But going forward, the ambition of course is to go into the third phase of Unity and that this when we have the reimbursement in place. And that's what you'll see in this kind of slide as we go for proof of concept to data generation to clinical evidence. And we've said that that's post-2022 where we go into that data journey.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

And I know during the Consortium Meeting that was the whole week last week, there were more than a 100 abstract that was submitted, can you give us any research updates?

Gustaf Salford  
*President & Chief Executive Officer, Elekta AB*

Yeah. So I have a bit of breaking news from Canada Consorts and some of the studies that came up. And we really see a great progress in the clinical journey. And we have a couple of new studies and they showed some of the Q2 and Q3 as well. But we have a very interesting study on head and neck cancers, that's the combination of
immunotherapy and MR-Linac guided radiation therapy and we see that's a big promise of this technology where you can be so precise and also combine it with immunotherapy for head and neck.

Another study is around kidney cancer and kidney cancer is the cancer type that's very resistant to radiation. So – but when you can become so precise, then you can treat kidney cancer also in a better way. And there was a study on that as well. And the third area that I think is really promising and very interesting as well is rectal cancer, because rectal cancer often do a combination of radiation therapy and surgery. But I think being so precise as you can be with a moving target with Unity-enabled treatments then it can become more surgical as well. So I think here we have a couple of examples from the studies that came out from the lost events and the lost MR-Linac Consortium meetings.

**Cecilia Ketels**

*Head-Investor Relations, Elekta AB*

Thank you very much for this very latest news.

**Gustaf Salford**

*President & Chief Executive Officer, Elekta AB*

Thank you.

**Cecilia Ketels**

*Head-Investor Relations, Elekta AB*

And now, we will make a short break. And after the break we will be talking about the business that accounts for 40% of Elekta’s revenue. Stay with us.

Another key element of our strategy is our Service business. And with me here, I have a Head of Global Service, Paul Bergström. Welcome.

**Paul Bergström**

*Executive Vice President-Global Services, Elekta AB*

Thank you.

**Cecilia Ketels**

*Head-Investor Relations, Elekta AB*

Paul. The service is an important part of Elekta’s business. Can you tell us your view of our services today?

**Paul Bergström**

*Executive Vice President-Global Services, Elekta AB*

Absolutely. It’s extremely important both for Elekta as well as our customers. And I mean we have seen the last year now during the pandemic of just supporting our clinicians and customers or keeping the solutions up and working during the pandemics and receiving an all-time high on customer satisfaction. So both from the customer perspective and then on Elekta, you spoke earlier about the 40%. So the last 10 years we have had a substantial growth. And we came from roughly 25% of the total turnover and now we're up to a little bit more than 40%.
Cecilia Ketels
*Head-Investor Relations, Elekta AB*

But it's not equally distributed is it?

Paul Bergström
*Executive Vice President-Global Services, Elekta AB*

No, it's – the growth has been equally distributed across all the different geographies and markets. But we see large variations. And these variations are really coming from what kind of attach rate we have. So how many contracts we have in each market and then really the product and the price mix. So, Lionel, for example, brought up how he views Unity and the service contract and the essential piece. We heard Larry as well talking in Americas mentioned service as one of the key aspects. And it is more than 50% in Americas. In EMEA and APAC, a little bit less of a share. But as I said, the growth has been there earlier, so really double up. So, yes we do have a large potential increase in this.

Cecilia Ketels
*Head-Investor Relations, Elekta AB*

So what are the customer looking for when closing service contract?

Paul Bergström
*Executive Vice President-Global Services, Elekta AB*

It's really three things. So I mean clinical availability. And the second one is predictability to treat. And I mean we've talked a lot about the patient and the patient journey here as well. And then, the last and the third one is really how do we make sure that we run the operations as efficient as possible together with the clinicians. And then as Gustaf mentioned, we're becoming a lifetime companion, being extremely close and bringing in the customer feedback into product development.

Cecilia Ketels
*Head-Investor Relations, Elekta AB*

Can you describe the revenue streams from the contract?

Paul Bergström
*Executive Vice President-Global Services, Elekta AB*

Yeah. So that's the good thing with if we just take on the contract side, so very predictable and recurrent. And if we look upon the charter that we have, a product is roughly 10, 12 years out in the market. And with the contract then halving every year a revenue strong stream coming in, it becomes then predictive. And across the full sales, half of the revenue basically goes to the product and half of it goes to service.

Cecilia Ketels
*Head-Investor Relations, Elekta AB*

It gets very clear when it's visualized like this.
Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

And how is the correlation between the service revenue and the installed base?

Paul Bergström  
*Executive Vice President-Global Services, Elekta AB*

So I think it's good to really have a look on the installed base because we want to grow with the installed base. And that's also why it's so important that we have the solution sites that is really growing the business and we have a growth in installed base. If you look up on the last 10 years, we have had a installed base growth of roughly 8% in average per year whereas we've seen the service revenue growing with roughly 12%. But behind these figures, we have really outgrown installed base. But behind these figures it's really exchange rate because service is always a local business. It is about what we saw in the beginning about the service share depending on the different markets and then, of course, the product and price mix.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

So based on what you just said, what is your strategy going forward?

Paul Bergström  
*Executive Vice President-Global Services, Elekta AB*

The most important is which are the customer targets that we're following; clinical availability, predictability to treat and operational efficiency. So we've done it in four different areas: digitalization, growth, people and process and platforms.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

And how do you measure your success?

Paul Bergström  
*Executive Vice President-Global Services, Elekta AB*

On the top one, customer satisfaction, of course, to have that as their first critical piece and the service quality there. Financials, so the revenue that we went through and then operational efficiency, both on our side, as well as on our customer clinician side.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

So the first thing you mentioned was digitalization. And you also stress that in the beginning that it was important during COVID. Can you give some more color on the digitalization?
Yeah, digitalization. Digitalization and innovation [ph] and truly a forerun (01:20:11) and if I take one of the examples here, how do we connect all our installed base? We have 18,000 devices connected and is roughly 80% of all the Linacs out there. So we take all the sensors and we then see the usage of the machines as well as we can predict the failure. So we're using AI, artificial intelligence. We're using all the big data that we're bringing in, having algorithms coming in to – in order to predict the failure, so, also having patterns that we've filed on these algorithms. And with this, we've been able to save 200,000 patient slots per year. So if I just want to show this is IntelliMax in a movie.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

It really shows us we make progress and the transformation of digitalization.

Paul Bergström  
*Executive Vice President-Global Services, Elekta AB*

Yes. And I'm extremely happy that we started this digitalization already before the pandemic and if we look upon just some statistics on the left hand side here, we really see this is the uptime of the solution. So we really kept it on the same level as we did before pandemic. Thanks to digitalization. On the right hand side, we've also seen how much we've been able to do remote. So we had a huge leap from 55% to 66%.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

So that is really an impressive increase, but not everything can be measured in hard figures. Can you tell us how this meant during or what this meant during COVID? Do you have any examples?

Paul Bergström  
*Executive Vice President-Global Services, Elekta AB*

Yeah, a few. Because I mean that's really when it becomes interesting taking the example. So if we then just take the digitalization of a whole logistics chain together with IntelliMax that you just saw, we can predict failures. We can send the right spare parts before it actually fails and then plan it with the customers, so there is no downtime for the actual patient. If we look upon all the Elekta Care support centers around the globe, we had digitalized it. So over and night, we can actually turn everybody into homeworkers and take it all from each homes and following the sun. And if we look upon education and training, thanks to the digital platform. We've always kept very, very close relation with our customers in all courses, all courses open.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

So it do means that you increased one or two target that you mentioned earlier, the customer satisfaction one?

Paul Bergström  
*Executive Vice President-Global Services, Elekta AB*

Yeah, it's been, I mean, very humble and I'm very, very pleased to see all the efforts. So we reached an all-time high on customer satisfaction this year.
Cecilia Ketels
Head-Investor Relations, Elekta AB

So I understand the maintenance is absolutely key when it comes to providing service. But what is else in our service offering or more importantly, are there any changes going forward?

Paul Bergström
Executive Vice President-Global Services, Elekta AB

I think it's been absolutely fantastic journey. Let's go to the slide and I'll get through a little bit of the plan and my views ahead.

Cecilia Ketels
Head-Investor Relations, Elekta AB

What do we have here?

Paul Bergström
Executive Vice President-Global Services, Elekta AB

So this is really the kind of business that you can do from a service perspective. And if I then start here, we are doing or rather what you mentioned regarding maintenance. What we have further down (01:23:24) repair support and maintenance, sort of the absolutely most essential, clinical uptime, really making sure that everybody – everything is really working out.

Going further, I would just sort of highlight the operational expenditure on a clinic is roughly 70% in radiotherapy which means that absolutely cost and optimizing it is extremely important. So then taken and going into the next step and what can we then expand. The first one, value added services. I mean for Maurits spoke about it earlier as well. How do we really drive workflow optimization, how can we further do with education and training startup services, physics as a service? So there is a lot of things within the value added services, it's also how do we leverage all the data that I spoke about earlier.

Cecilia Ketels
Head-Investor Relations, Elekta AB

So what about the paper use and the other ones?

Paul Bergström
Executive Vice President-Global Services, Elekta AB

So if we take the next three one, it's even more looking upon the business models as such. And I mean now during the pandemic as well. How do we make sure that we or that customer-close company that are looking upon the business model that makes it easy for both of us actually make this business happen. And then of course, we have already started from a software perspective. We're doing the subscription services and then I mean it will be a continuation here and it will also be managed services outsourcing, managed equipment services, et cetera.

Cecilia Ketels
Head-Investor Relations, Elekta AB

But, of course, as variation in business model will be small in the beginning, so it will be a very gradual transition.
Paul Bergström  
*Executive Vice President-Global Services, Elekta AB*

Absolutely. From a financial perspective, I mean that will be gradual for us and the customer that will be a large focus here going forward.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

So, Paul, can you give us and summarize our three messages that is important to service going forward?

Paul Bergström  
*Executive Vice President-Global Services, Elekta AB*

Absolutely. So we've had a absolutely tremendous journey coming here and is an even better journey going forward. So we will continue to grow faster than the installed base on the different geographical areas. Of course, [ph] margin (01:25:33) is an absolutely key from a service business. It will be supported by three things; digitalization that I started off with, being the forerunner to making sure that we really leverage this. The lifetime companion making sure that we are that close making all the customer feedback loop into the product development that we spoke about and then really expanding our service offering.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

Thank you very much, Paul, for highlighting these aspects. Now let us [indiscernible] (01:26:04) and focusing on the geographic perspective instead. And we start by moving to India and meet some Indian women who have beaten their cancer with brachytherapy and got their normal life back. Watch this.

[Video Presentation] (01:26:19-01:27:44)

Access to radiation therapy is particular challenging in emerging markets where the need for building up capacity is the greatest. Consequently, it's also where we have the largest growth opportunity. And, therefore, I would like to welcome Habib Nehme...

Habib Nehme  
*Executive Vice President-Turkey, India, Middle East, Africa, APAC & Japan, Elekta AB*

Hello. Hello, Cecilia.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

...who is responsible for Middle East, Africa and emerging markets in the Asia-Pacific region except China.

Habib Nehme  
*Executive Vice President-Turkey, India, Middle East, Africa, APAC & Japan, Elekta AB*

Absolutely.
Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

So just to clarify today you will be talking about the emerging market in total, not only the areas you’re responsible for.

Habib Nehme  
*Executive Vice President-Turkey, India, Middle East, Africa, APAC & Japan, Elekta AB*

Yes. We're going to talk, Cecilia, about the emerging market in general. Some of the emerging markets share the same patterns. But even I don't cover all these emerging markets. But in general, we're going to talk about that.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

So can you please start by describing the situation in this countries and the impact it has on the health systems?

Habib Nehme  
*Executive Vice President-Turkey, India, Middle East, Africa, APAC & Japan, Elekta AB*

Absolutely. It's very interesting situation there because I mean emerging markets is like 155 countries and only the kind of 37 countries developed markets. So in these 85 countries there are – they host 85% of the global population, 65% if you take out China. However, 40% only of the cumulative global GDPs are in these countries. So you can imagine that 60% of the GDP is in the 37 countries. So – but what's interesting about the emerging market is that the GDP growth pre-COVID was faster than the developed markets like by 1 points. However, they still spend around 5% of their GDP on healthcare, but this is evolving year-after-year and definitely they will reach a certain stage, the converging points of double-digit expenditure on versus GDP on their healthcare.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

So what is the status of the installed base in the emerging markets?

Habib Nehme  
*Executive Vice President-Turkey, India, Middle East, Africa, APAC & Japan, Elekta AB*

Yeah. We can say when we look at the numbers like 40% of the global radiotherapy or the radiotherapy installed base is in these emerging markets. You can say they are underserved, especially when you see that 10 million new cases per year are registered in these markets. And almost double of this number is the number of patients living with cancer. So it's a huge, so underserved.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

So often many patients. So how important is then emerging markets to Elekta?

Habib Nehme  
*Executive Vice President-Turkey, India, Middle East, Africa, APAC & Japan, Elekta AB*

Oh, it's very, very important. I mean the last 10 to 13 years since the [ph] BRICS (01:30:28) these markets are developing more and more, and 30% of the revenue of Elekta are in these markets. And how important is we
have more than 50% of market share. So it's very, very important. And we have a network of distributors there – where 25% of the revenue of this 30% is coming from this network of distributors. So extremely important for us.

Cecilia Ketels
*Head-Investor Relations, Elekta AB*

So what has driven this large share then?

Habib Nehme
*Executive Vice President-Turkey, India, Middle East, Africa, APAC & Japan, Elekta AB*

Yeah. Elekta has a large portfolio and large spectrum of solutions and services in the line of the radiotherapy either internal beam, external beam, informatics or radiosurgery or pioneering a radiosurgery. And – but two important drivers are the software and the services. And you've heard Paul before talking about service and the uptime. Our customers are asking more and more about uptime, about efficiency, clinicians, because of the human capital scarcity as well asking for support in decision taking – decision making, and this is enabled by software. So the mix between software and services making that – we have a good mix of margin as well and profitability there.

Cecilia Ketels
*Head-Investor Relations, Elekta AB*

But it doesn't mean that the market, the emerging markets are homogeneous, does it?

Habib Nehme
*Executive Vice President-Turkey, India, Middle East, Africa, APAC & Japan, Elekta AB*

I wish. I wish they were. You have a large spectrum as well – of diversity in the emerging market. You have countries that are waiting to have their first Linac and countries like Turkey having three to four Linac per million of inhabitants. So it's very diverse. And we're working country by country it's very important to adapt the solution to the need of the country.

Cecilia Ketels
*Head-Investor Relations, Elekta AB*

So, thank you for clarifying that. So, how bad is then the gap between the installed base and the need that is there?

Habib Nehme
*Executive Vice President-Turkey, India, Middle East, Africa, APAC & Japan, Elekta AB*

Right. It’s a good question. We think that the needs is like twofold to threefold. So if you say that there is around 12,000 Linac actually in these markets, so should need the double or between double and triple.

Cecilia Ketels
*Head-Investor Relations, Elekta AB*

So how will you approach this market going forward, Habib?

Habib Nehme
*Executive Vice President-Turkey, India, Middle East, Africa, APAC & Japan, Elekta AB*
Yeah. So I think there are two important points which is the involvement of the government is needed. And second point as a prerequisite is a partnering with the private sector and the private operators. So we are working on these two angles.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

And how does your sales strategy look like? Can you give some more color on that please?

Habib Nehme  
*Executive Vice President-Turkey, India, Middle East, Africa, APAC & Japan, Elekta AB*

Right. So to simplify this I mean I would summarize them around five points. The first point is the smart coverage and the local presence. So we have 650 employees in these markets, 350 if we exclude China. So it is very important to be present in this market depending on the size and on the needs as well. However, we are looking more and more to be local in important market. We’ve been recently I’ve been with Gustaf in Egypt two years ago and we started the market trend and the needs and we have a sizable installed base. So we went direct there. So, same in Indonesia there. So the other one we think that being direct, it will allow us to have more visibility on the market to develop the solution. We talked about customer centricity and this is being closer to the customer and more Paul talked about services. Service being direct having the installed base on a ship allow us to have a recurrent service revenue.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

And what about the second element?

Habib Nehme  
*Executive Vice President-Turkey, India, Middle East, Africa, APAC & Japan, Elekta AB*

Second element. The second element is the education, education training and building the human capital especially important for sustainability. So we have developed training academies. I mean, the large spectrum from a pre-sales to post-sales for our healthcare, for the customers, healthcare professionals. So we have training academies in Turkey, in Malaysia in other countries. And service, service training is a cornerstone as well to enable the field engineer to have the best service and uptime for our installed base. So this is part as well of our strategy.

Now, the third one before you asked me, is the partnering with the MOH and – the Ministry of Health. So to drive the adoption of radiotherapy in many countries, the government, the Ministry of Health need consultancy. They need trainings. They need technology planning. And we have invested a lot in governmental affair to be the consultant of some governments. And we’ve successfully achieved the national cancer plan like in Algeria, in Morocco, in India and in Egypt as well and some other countries. So this is important.

Now, we continue with the fourth one absolutely. The fourth one is partnering with the operators. The oncology operators who have developed this know-how in developed countries and they will transfer it to the emerging markets. So this is transfer of knowledge and trainings. And we have many examples like European operators who have invested in Africa [indiscernible] (01:36:40) or in Morocco or Indian operators like [indiscernible] (01:36:45) invested in Rwanda and Mauritius. So we have made many example of successful, I would say, cross-border investment driven by these enterprise and operators.
Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

So now we are, of course, very curious about the last and the fifth one.

Habib Nehme  
*Executive Vice President-Turkey, India, Middle East, Africa, APAC & Japan, Elekta AB*

The fifth one? The fifth one, the products is our best salesman. And taking this into consideration and the needs of the emerging market, we developed products like Harmony, I think Maurits talked about that, that fits the clinical need and the clinical application in the emerging market. Why? Because I mean it’s serviceable, I mean, it’s a small footprint, it’s ideal to transfer from cobalt bunkers to radiotherapy bunkers with minimum cost and refurbishment. So, actually I’m proud to say that which is one of the operators as well that invest across borders. We have the clinical Harmony working there actually. So extremely, the five points that you talked about.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

Great. So we've talked about the installed base when it comes to Linacs, which of course, is the vast majority of the market. What about other RT solutions?

Habib Nehme  
*Executive Vice President-Turkey, India, Middle East, Africa, APAC & Japan, Elekta AB*

Yeah, I think – we watch altogether, the video of brachytherapy in India. The mix of cancer in the emerging markets, specifically in Africa is more driven by cervix cancer and breast and prostate. So this is the cancer where they benefit a lot, it benefit a lot – the treatment benefits from the brachytherapy. And Elekta has a leading technology in the brachytherapy more than 70% of market share or between 60% and 70%. And in our emerging market, we sell more than 60 systems a year. So, it’s – the lifecycle profitability is big because of the accessory sources we sell there. So brachytherapy is extremely important as well. And this is strands of Elekta that covers all the spectrum of the radiotherapy.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

So Habib, very brief, how would you summarize the emerging market and its prospects for Elekta?

Habib Nehme  
*Executive Vice President-Turkey, India, Middle East, Africa, APAC & Japan, Elekta AB*

Let me simplify and if you want to remember one thing four points. First is there is a huge gap of needs in the emerging markets for radiotherapy. Second point is increasing demand, yeah. Third point Elekta is extremely strong and we are continuously investing and growing in this market. So you step back and we think effectively in the emerging market Elekta is pursuing the tasks of delivering precision radiation medicine to radiotherapy to all the patients that have cancer.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

I think they are great closing remarks, Habib. Thank you very much.
Habib Nehme  
*Executive Vice President - Turkey, India, Middle East, Africa, APAC & Japan, Elekta AB*

Thank you.

Cecilia Ketels  
*Head - Investor Relations, Elekta AB*

And with that we close the general part of the emerging market. But let us dig down into one country, China. And now we hear the message from our Head of China, Anming Gong.

Anming Gong  
*Executive Vice President - Region China, Elekta AB*

Good afternoon. My name is Anming Gong, I'm Executive Head of China. I would like to share some reflections regarding China with you. China is Elekta's second largest market. We have been in this country for many years. In fact according to our market share has trends to further in relation to main international competitor. In China, growth is derived from both public and private sectors. But during this last fiscal year the strong momentum comes from the public sector, pinpointed by China's Linac capacity, coming to the number. This is clearly a fitting Linac capacity in the China's radiation therapy market.

[Indiscernible] focus in the region has been on capacity expansions even from replacement investments that we increased. There is extensive unmet demand for cancer care in China and there is likely continue estimates by the World Health Organization suggest that cancer instance in China will grow by around 50% until 2040. For this [indiscernible] medicine is in the region. And the increased number of hand systems leveling in clinics. For growing demand for the radiation therapy is not only expected from the Tier 3 hospitals which are the top segment in China where China healthcare in 2030 is facing the challenge to improve the cancer survival rate. While the central government has set targets to expand the radiation treatment and capacity to clinics outside of the large cities.

The government is releasing quotas for those qualified to apply for a license. However, qualified radiotherapy professionals are limited. So, in addition, we needed to help industry to train radiation therapy professionals. The Elekta Learning and Innovation Center, LINC, are located in Beijing. We trained more than 3,700 professionals in 2020 providing good support to expand the know-how and the technology transformation.

The interest for Elekta Unity is also strong in the Chinese market. The top radiation therapy symptoms and the general hospitals have chosen Elekta Unity and leading the way for this paradigm shift. Several Tier III hospitals, i.e., in Beijing. Elekta has one of our two lines. Through the several months we have stepped up our ability to deliver systems, support not only in Chinese market, also shipping to the rest of the market. In terms of innovation capacity, alternate R&D, engineers developed our newest Linac Harmony here in China. As of today, Elekta has over 700 employees in China, of which almost 40% are with the production and another 20% in R&D.

Going forward, we will continue to strengthen our local organizations through further investment and cooperation. We are especially focused on the localized intelligent radiation therapy solutions for the Chinese market. This increased importance of development of workflow efficiency and the precision within radiotherapy. More investments are planned for training and education further support competence of the radiotherapy treatment. We
will also continue to drive [ph] MR-Linac (01:44:24) and I'm looking forward to receiving approval to start marketing Harmony. In summary, we have a clear strategy for maintaining our leadership and [ph] delivering (01:44:37) double-digit growth also in the future. Cecilia?

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

Thank you too, Anming. The last almost two hours now we heard about the market and how Elekta will meet this opportunity and how Elekta will meet this opportunity with ACCESS 2025. This strategy will have an effect on the company's future financials and how Elekta CFO, John Adebäck will tell us. But first, Johan, can you please remind us about the mid-term outlook for the period until and including 2024 and 2025?

Johan Adebäck  
*Chief Financial Officer, Elekta AB*

Sure, Cecilia. So we have three targets on growth, it's on margin and capital allocation. And for growth, we're targeting compounded average growth rate of more than 7%. For margins, we're targeting an EBIT margin expansion over the period and for capital allocation, we said we will pay more than 50% on net profit in dividends.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

And can you tell us how these will be achieved and how it's connected to the initiatives with the strategy that we just heard about?

Johan Adebäck  
*Chief Financial Officer, Elekta AB*

Of course. So let me start with the first target, with the growth target grow more than 7%. And this is based on the initiatives we've talked about today. But it's also based on the market growth of 6% to 8%. So we are targeting to grow faster than the market.

Let me talk a bit about the key drivers for this growth and starting with Unity. So Unity is – with the adoption and more installations will be a key driver for growth for the outlook period. Secondly, emerging markets as we talked about emerging markets has increased its percentage of sales. We see that continuing. And it's also linked to our sustainability goal of increasing access to radiation therapy in emerging markets. Third one is software and as Maurits described, we are increasing and accelerating our investments into software and that will lead to more growth in the after period. The fourth one is service, as we said, we're growing service sales faster than the installed base, installed base of some 4,750 devices. And that will also be a key driver for growth for the period.

We're also launching – talking about the fifth item, as-a-service solutions primarily for software, but also selectively for devices and this will decrease the capital investment for our customers and we see this as a growth driver, not least in emerging markets. And finally, new products. We talked about Harmony and MOSAIQ 3.0 and so on. All of these will come in and contribute to the growth, we will see for the period. So to summarize, innovation, partnerships and precision radiation medicine adoption will drive top line growth for the next four years.

The second target we had was margin and expanding EBIT margin over the period. If you can see, we ended last year with 14% EBIT margin and the three key components for the outlook here is gross margin, we've had stable gross margin for number of years and we foresee having continuing to have stable gross margins for the outlook...
period. Second, SG&A. We've had good improvements in SG&A coming down as a percentage of sales and we do see that continuing for the outlook period as well. The third one, R&D. And as we said, we will accelerate investments into R&D. But on a net R&D expense level, we don't see any dramatic shift. We'll see it – it will be roughly unchanged.

So let me talk a bit in more detail on each of these components, starting with gross margin. As you can see, it's been around 41%, 42% for the last four years, five years. We've seen a good increase in gross income in absolute terms. And going forward, there are a number of items affecting gross margin, some positive, some negative and one unknown. And I'll talk a bit about that starting with the positive one. So Unity as I said, Unity is a key driver for sales. It will also increase gross income in absolute terms from Unity. But given the strong sales increase we expect, the net effect on group net gross margin will be neutral. The second one is new products and we talked about that, Harmony. And we expect and we do see gross margin improvements from new products, both on the pricing but also on costs.

The third item service and softwares. As these high margin products grow and increase to grow as a percentage of sales, that will have a positive impact on our gross margin. The last positive one is COGS initiatives. We divide this into material cost and variable cost. The material cost is very much around sourcing initiatives, working closely with our suppliers to continuously drive down the material cost of all of our products. On the variable side, it's very much working long processes in order fulfillment and in service. For order fulfillment, we had one example where we are decreasing installation time for Unity that has a positive impact on material or variable margin, variable cost. For service, it's very much about doing more remote and preventive service, which will also positively impact the variable cost we have.

If we then turn to couple of items negatively impacting gross margin for the outlook period and I'll start with price pressure on existing platforms. We do have a small continuous price pressure on existing and owned platforms and we see that continuing in the outlook period. The second one with a negative impact is emerging markets and all we seeing as they grow the percentage of sales, total sales and we do see a good momentum in the margins in emerging markets as we sell more comprehensive solutions. But on a net basis, it will over time, we think, have a negative impact on gross margin. The unknown item as I started talking about is foreign exchange. It's difficult to predict what the foreign exchange effect will be on gross margin. If we put this all together, we see that the trend or the stable gross margin we've had for the last few years will continue into the outlook period.

So let me switch to another component that SG&A as a percentage of sales. So we're seeing a very good trend here going from 20% to 16% over the last few years 2021 clearly impacted by the extremely low levels we've seen in travel and sales costs due to the pandemic. That means we will not be on stay on these levels and we'll see an increase in SG&A in this year we're in now. But post the COVID recovery phase, we do see good fundamentals for keeping that good trend with lowering SG&A as a percentage of sales throughout the period.

So let me talk about some of the key drivers for this development and starting with reduced T&E percentage. So both from a sustainability but also and also partly from our signing up to the science-based targets initiative, but also from a cost and efficiency perspective, we will permanently lower travel and – T&E cost with 25% compared to pre-COVID levels. Sales and marketing will also permanently lower those as a percentage of sales by continuing to use more digital solutions as we have learned to do now during the pandemic.

Talking about process efficiencies, digitalization and centralization, this is very much around having global processes, global solutions and systems, and we're quite far ahead in this area. So we have, for example, one global shared service center, we have one global ERP system, we've one global HR system and one global
customer management systems. All of this creates a good foundation to continue to drive efficiencies in our organization in this regard as we grow and expand into new markets.

The third component I talked about is R&D that’s a growth enabler for us. And as you can see, we’ve been around 11% on gross R&D for the last few years. We will accelerate that and we will spend more, gross R&D will go up in 2021-2022. And the drivers to this, as Maurits talked about, a personalized precision, elevated productivity and integrated informatics.

Let me also talk a bit about the move we’re making from EBITDA to EBIT. And EBIT is a preferred earnings metric. It’s a more comprehensive measure covers all operational parts of the P&L and we don’t have any significant amortizations related to acquisitions. So we want to go to EBIT. And yes there’s a recap. We were at EBIT and went to EBITDA in connection with the large unit investment we did a number of years ago. That was an investment into one single platform with related capitalizations and amortizations. We’re now, as you can see here, in balance and we’ve paused this Unity investments and now both gross and net R&D ended up at 11% last year. So we think this is a good moment to go back to EBIT.

Talking a bit forward-looking on R&D. So as I said, gross R&D will increase in 2021-2022. We will stay on relatively high levels when it comes to absolute numbers, but it will decrease over time from the increased sales. Net R&D will go down in 2021-2022 and then will be on a continuous increase for the outlook period. But as I said, on a net basis we don’t see any real big change in the R&D expense.

So moving into working capital and cash flow, really happy to be able to show this graph with stable working capital now for two years in a row, minus 7% we ended last year and we’ll continue to drive efficiencies and improvements here primarily in accounts receivables and in inventory. But as I said, we’re also launching as a service and that will over time have some negative impact on working capital. Looking at a cash flow and operational cash conversion, we have over time had strong and stable cash flow. Looking at the operational cash conversion rates for 5 and 10 years they’ve been 77% and 78% respectively. We had 82% last year, a very strong year and we’ve our best cash flow in absolute terms ever. So we do generate strong and stable cash flow over time and we expect to continue to do so.

A bit about the balance sheet and our net debt to EBITDA level – leverage. We have a very low net debt and we were 0.25% end of end of last year. We see this continue. We’ll continue to operate with a low leverage level and we will use the strong position we have with negative working capital, strong cash flow and low net debt. We can and we will use that to support our growth and innovation agenda or strategy.

Gustaf mentioned earlier that we will – we’re planning to launch a sustainability bond and we’ll plan to do that after the summer in a Swedish bond market. It will be tied to the target I talked about access to radiation therapy in emerging markets and we’ll use the proceeds to repay some of our maturing debt.

Cecilia Ketels
Head-Investor Relations, Elekta AB

Thank you, Johan, for connecting the financials to the strategy. So finally, if we look at the capital allocation how will you spend the cash going forward?

Johan Adebäck
Chief Financial Officer, Elekta AB
So there's three main items there. It's dividends as we talked about. We will pay more than 50% on net profit in dividend. And we see – with a strong financial position we have, we can do both high dividend payments and grow fast. So we can book both of it. The second one is the selective acquisitions and investments that will go primarily into software and innovation as we have done before. And thirdly, geographic expansion, we will continue with the geographic expansion as Habib talked about where we go direct into more emerging markets and that will increase our footprint in those markets. And both the last two ones will support our growth agenda.

Cecilia Ketels  
Head-Investor Relations, Elekta AB

Okay. So any closing remarks from your side?

Johan Adebäck  
Chief Financial Officer, Elekta AB

Absolutely. So, I think we have an attractive value creation model supporting our plan for profitable growth in a sustainable way. And it's based on the two objectives I mentioned. So high growth, the margin expansion, but also supported by the innovation we are investing heavily into. The strong balance sheet, our asset-light business model and a strong market position. So, a fundamentally strong financial position to support our strategy going forward.

Cecilia Ketels  
Head-Investor Relations, Elekta AB

Thank you very much, Johan.

Johan Adebäck  
Chief Financial Officer, Elekta AB

Thank you.

Cecilia Ketels  
Head-Investor Relations, Elekta AB

And now we have made room for those of you who listening who have questions. And please use the telephone number that you have received and let us know your question. We will be right back.
QUESTION AND ANSWER SECTION

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

So we will do this in the following way. We have already listeners who are queued up for questions. And we also got some written questions. And please when you ask the question do it one at a time. And let us answer the question before you take the next one. And the first question comes from Kristofer Liljeberg at Carnegie.

Kristofer Liljeberg-Svensson  
*Analyst, Carnegie Investment Bank AB*

Yeah. Thank you. I have a few, but I'll stop with one. You talked about filing for Unity reimbursement already this year. Could you tell us a bit when you expect to have the first reimbursement in place and what market that will be? Thank you.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

That's a question for Gustaf, I think.

Gustaf Salford  
*President & Chief Executive Officer, Elekta AB*

Yes. Hi, Kristofer. Thank you for the question. So, I mean the reimbursement process, as I mentioned, on the slide previously is more a [ph] gradual (01:59:36) process. And we're driving it country-by-country. And of course, a big focus on US and then we also have Japan and China and also European countries. It's a very local and nationalized process. But the initial focus is on the US but that's more the filing parts of it. The key thing is then when you get it, of course, and they will take a bit after the 2022-2023.

Kristofer Liljeberg-Svensson  
*Analyst, Carnegie Investment Bank AB*

Okay. Another question, at the beginning of the presentation you talked about the new software platform. I'm not sure I understand. Is this something that will replace MOSAIQ or Monaco, or is it something else?

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

I would pass this question to Maurits.

Maurits Wolleswinkel  
*President-Linac Solutions, Elekta AB*

Yeah. So it's a completely brand new software platform that we built from the ground up. And what we expect in the next couple of years that one after the other, we will bring new applications onto the platform. So essentially in five-plus years, it will replace all the existing software.
Okay. That's very clear. Two more questions. One is about the Unity COGS savings program. And if you could comment about the potential there and at the same time, put them in relationship or relation to the average selling price and whether you see an opportunity maybe to lower that price going forward and by that trying to take [ph] larger share of (02:01:12) the market potential?

Gustaf Salford  
President & Chief Executive Officer, Elekta AB

Yeah, now a great question, Gustaf. And I'm happy to say that throughout the year, we have been able to reduce the COGS and COGS for Elekta is two things in a way, is the material cost where we've been through better procurement processes, et cetera, been able to reduce the AMR and Unity COGS, but it's also the installation process. And if you remember one of the slides Lionel showed, is a quite the dramatic reduction in the time for the installation and that's also part of the COGS. So, that will continue going forward because the key thing for Unity is scale. We've talked about this 24 unities in a year, so to say, we didn't fully reached last year due to COVID, but we see that coming into next year and then you get to scale on gross margin and the EBIT margin as well in that business line. So, I think price-wise we have always said since day one that we started off with 8 to 10, but we would share some of these benefits we can drive in COGS reduction and process excellence with our customers as well, of course. And I think we have done that to some extent throughout this period.

Cecilia Ketels  
Head-Investor Relations, Elekta AB

And I'm sorry, Kristofer. I'm going to stop you there. We want to limit the question to three at a time. So, we move on to the next caller, which is Lisa Clive from Bernstein. Lisa do you have a question for us? No question from Lisa. Then, we can take a question that we got during this Capital Markets Day through e-mail and that goes to Habib and the question is how will this competitive landscape that changed last summer impact the emerging market in your view?

Habib Nehme  
Executive Vice President-Turkey, India, Middle East, Africa, APAC & Japan, Elekta AB

Yeah. I mean, thank you for the question. The thing is that having imaging as well will necessarily result into treatment. So it's reinforcing the fact that the needs of the treatment, on cancer treatment. But from our side we didn't see acceleration of the – or the impacts from the competition point of view, we didn't see this effect. However, we think that we are still the only company which is nimble, agile, focused on the oncology treatment. And I mean it's beneficial. Like for us, it's a good growth journey.

Cecilia Ketels  
Head-Investor Relations, Elekta AB

Thank you, Habib. And in the meantime I think we have Lisa on the line. Lisa, can you hear us.

Lisa Bedell Clive  
Analyst, Bernstein Autonomous LLP

Oh, yes. Hi.

Cecilia Ketels  
Head-Investor Relations, Elekta AB

Hi.
Lisa Bedell Clive  
Analyst, Bernstein Autonomous LLP

I was listening to the webcast and trying to figure out how to connect with you. It was very frustrating. Anyway, just a question on the sort of software side of things. As you get more involved in software, can you just talk about how this potentially expands your total addressable market? In particular, there are a number of adjacent sales areas that go with Linac, namely treatment planning, patient positioning, quality assurance. Some of these you’re involved in, but you have a lot of smaller competitors as sort of software becomes more of your sort of calling card. How much market share can you gain in each one of these segments? Are there segments here that you don't particularly participate in today?

Cecilia Ketels  
Head-Investor Relations, Elekta AB

Maurits, do you want to take this?

Maurits Wolleswinkel  
President-Linac Solutions, Elekta AB

Happy to. I think as I explained there are two sorts of software what we are talking about. The treatment – management-related software where definitely we’re expanding and actually the collaboration with Phillips is also a way to accelerate that as well in this space. And then, we have the software in our Informatics portfolio that’s more about a traditional way as business is today. And I would say, in both areas we see opportunities. I would say, the software around the treatment devices, there is a little bit more of a consolidation taking place. We’ve seen it in the QA space, et cetera, since this integration with the treatment devices are becoming more and more important. While on the Informatics space, we see a lot of new initiatives in companies still moving around. So that were clearly in another phase. But, both spaces, I would say, form definitely an opportunity for Elekta.

Gustaf Salford  
President & Chief Executive Officer, Elekta AB

Yeah. And I think we’ve shown as well that throughout the last couple of years we’ve acquired a quality assurance software...

Maurits Wolleswinkel  
President-Linac Solutions, Elekta AB

Yeah.

Gustaf Salford  
President & Chief Executive Officer, Elekta AB

I mean patient reported outcome software. So we’re broadening our offering on the software side as well. And it is the fastest growing part of the market. So we will continue to focus on it. But, the core will continue to be precision relation medicine and the software around it.

Cecilia Ketels  
Head-Investor Relations, Elekta AB

Lisa, do you have a second question?
Lisa Bedell Clive  
*Analyst, Bernstein Autonomous LLP*

Great. Yes. Just a related question, what are your thoughts on interventional oncology? Obviously, that's a fairly adjacent market that you are not currently very active in.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

Gustaf?

Gustaf Salford  
*President & Chief Executive Officer, Elekta AB*

I can start and please chip in, Maurits. But the interventional oncology is an area that we've been part of in a way through brachytherapy as well. But it is a field that's very interesting because there's many different applications and many different companies driving that field. So we are looking at many of those opportunities. But I think the core of what we do right now is within the Brachytherapy space, I would say.

Maurits Wolleswinkel  
*President-Linac Solutions, Elekta AB*

Yeah. Just to add to that, I would say, interventional radiation type of application is definitely beyond brachytherapy. But we don't have currently plans to go into interventional radiology. That is that – we see that today as a space that we don't need to go into.

Lisa Bedell Clive  
*Analyst, Bernstein Autonomous LLP*

Great. And just final question, the MR-Linac units that you expect to place in the next 12 months. What proportion of those are going into research institutions versus other institutions?

Maurits Wolleswinkel  
*President-Linac Solutions, Elekta AB*

The majority will go to what you say other institutions. I think we've come to that phase – I mean it's leading cancer care institutions of course. But the focus for the way we're in right now is to quickly come up and treat big patients' volumes. But there's very often, of course, also a research component to it because it is a new way of treating. It is processes where I think a lot of clinicians in radiation therapy department also need to get used to what you can do with MR functionality. So I think it's a combination, but primarily into treating hospitals, I should say.

Lisa Bedell Clive  
*Analyst, Bernstein Autonomous LLP*

Great. Thanks very much.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

Thank you, Lisa. Next on the line is Veronika Dubajova from Goldman Sachs. Please, Veronika. I don't think we can – okay, Veronika, are you on the line?
Veronika Dubajova
Analyst, Goldman Sachs International

Excellent. Hi. I hope you guys can hear me okay.

Cecilia Ketels
Head-Investor Relations, Elekta AB

We can now. Thank you.

Veronika Dubajova
Analyst, Goldman Sachs International

Very good. Fantastic. I'll have three questions hopefully one very quick and then two slightly more in-depth. The first kind of big picture question is just would love to get your thoughts on what is a reasonable margin improvement to expect from you guys over the mid-term. I appreciate there's quite a lot of movement and you've just given us a very vague guidance for margin improvement in general. It'd be great I think what you think is achievable on a five-year basis on average if you can just help us quantify it or what you'd consider successful or not. So, that's kind of my first question.

My second question...

Cecilia Ketels
Head-Investor Relations, Elekta AB

Let's stop there, Veronika, and I think this was directed to Johan please.

Johan Adebäck
Chief Financial Officer, Elekta AB

Yeah. So, thank you for your question. Yes, as we said we will target an EBIT margin expansion and I went through in some detail I think the key drivers as we see it and we will not qualify that more than what we have already said. But we're – I think and I hope we've been open and transparent on what how we see the different drivers for this margin expansion.

Veronika Dubajova
Analyst, Goldman Sachs International

Okay. Thank you. I guess can I just ask a follow-up around that because if I look at the drivers that you've outlined, it sort of seems like it's predominantly SG&A leverage and then the amortization around R&D. Is that a fair way to think about the lever that you see?

Johan Adebäck
Chief Financial Officer, Elekta AB

I would say, the SG&A leverage, I would agree with to a lesser extent I don't think the amortizations in such or in any key driver for the margin expansion we see in this period.

Veronika Dubajova
Analyst, Goldman Sachs International

Okay. That's great. Thank you for that. My second question, if I can, is just a follow-up on the timeline for differentiated reimbursement for Unity. I just want to understand exactly what the next steps here are, to what extent you guys already have data that you can submit, to what extent you still need to generate the data. And I
President & Chief Executive Officer, Elekta AB

sort of expansion of the collaboration really more on the R&D software imaging side of things? at all? What I mean by that is there a greater incentive on Philips' part to sell your systems or vice versa or is the color around R&D and availability of additional software. Just curious

Okay. Thank you. And then very quickly, just a quick follow-up on the Philips partnership. Thank you for all the color around R&D and availability of additional software. Just curious does the commercial relationship changed at all? What I mean by that is there a greater incentive on Philips' part to sell your systems or vice versa or is the sort of expansion of the collaboration really more on the R&D software imaging side of things?

Veronika Dubajova
Analyst, Goldman Sachs International

Okay. Gustaf. Can I clarify? So you will not be doing any of the filing. This is purely done by folks who have Unity and would like to pursue differentiated reimbursement. And it's up to them to get the data and get the filing done and get the agreement?

Gustaf Salford
President & Chief Executive Officer, Elekta AB

Yeah. So the key thing for us that we support — we facilitate through the MOMENTUM study that I think in radiation therapy is quite a new and novel way to kind of collect the data needed and also the clinical evidence that then could go to the payers to then get the reimbursements. So that's how the process will look like over the next year or so.

Veronika Dubajova
Analyst, Goldman Sachs International

Okay. Thank you. And then very quickly, just a quick follow-up on the Philips partnership. Thank you for all the color around R&D and availability of additional software. Just curious does the commercial relationship changed at all? What I mean by that is there a greater incentive on Philips' part to sell your systems or vice versa or is the sort of expansion of the collaboration really more on the R&D software imaging side of things?
I think the key thing is, it's both. It's both innovation. And, Maurits, you talked a lot about the innovation side but it's also on a commercial side. We see -- Elekta should be easy to do business when we talk about these larger deals. But throughout the innovation initiatives, we also see that there are solutions that we can offer together will be better integrated. And, therefore, we also see that that's a big commercial opportunity actually going forward, so both.

**Veronika Dubajova**  
*Analyst, Goldman Sachs International*  
Okay. Thank you guys.

**Cecilia Ketels**  
*Head-Investor Relations, Elekta AB*  
Thank you, Veronika. And the next caller is Scott Bardo from Berenberg. Please, Scott, go ahead. Can you hear us?

**Scott Bardo**  
*Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)*  
Hello?

**Cecilia Ketels**  
*Head-Investor Relations, Elekta AB*  
Scott?

**Scott Bardo**  
*Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)*  
[indiscernible] (02:13:38)

**Cecilia Ketels**  
*Head-Investor Relations, Elekta AB*  
Great. I hear you. What is your question?

**Scott Bardo**  
*Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)*  
Thanks, Cecilia. Sorry, [indiscernible] (02:13:45) Yes, thanks. Two questions please. So the first one, I just wonder if you could give us a bit of an update on the Unity set, function set, please? I think in your presentation you mentioned gating function was something you're working on. I think previously you've communicated that that should be ready around now as well as the automated tracking function. I wonder if you could just clarify when we would likely see those features on the system, please?

**Gustaf Salford**  
*President & Chief Executive Officer, Elekta AB*  
Absolutely, Scott. Thanks for the question. And so, automated gating, the plan is to file in the first half of 2022. So that's the plan. And then, of course, what we discussed about motion management, that would be the journey off the automated gating. But the automated gating is the first step, filing in first half of 2022.
Scott Bardo
Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)

Okay. Thank you. And you've made quite some discussion of personalized radiotherapy and I know, for Unity, there's lots of projects going on for the ability to do functional imaging. And can you help us – provide an update on where we are within that journey? How close we are to getting tangible personalized approaches for Unity?

Gustaf Salford
President & Chief Executive Officer, Elekta AB

If I got the questions right, Scott, it was kind of the functional imaging capabilities of Unity and how that is driven out in the studies. And I think it's part of the studies right now. So when you look that kind of looks technical studies I mentioned on one of the slides, that was diffusion-weighted imaging, that's already now part of the studies that some of our sites are doing at the moment. So it's ongoing.

Scott Bardo
Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)

Okay. And maybe last question on Unity please, which I think plays into a broader question on the gross margin development. And [indiscernible] (02:15:41) the progress [indiscernible] (02:15:44) concept to nationalization. I think the full system [indiscernible] (02:15:49) Unity had positive gross margin mix for the group. I think I understood you are saying it's more than needful effect and we have more needful for gross margin expectations for the group. I guess the question will be is that conservatism or does that lack aspiration? Can you help us understand why your new products are not comparing mix advantage? Thank you.

Cecilia Ketels
Head-Investor Relations, Elekta AB

You want to take this Johan?

Johan Adebäck
Chief Financial Officer, Elekta AB

Yeah, yes. So it was a bit difficult to hear, but I've understood a question or to be on the Unity, gross margin and the effect on the total gross margin? So, we do see strong sales coming from Unity. We see strong gross income improvements, and we'll also see strong gross margin improvements for Unity over the period. But given the strong sales and the increasing portion of our total sales that entails, if you do that math – that calculation, the net effect on our total gross margin, we estimate is to be neutral over the outlook period, we have for next four years.

Gustaf Salford
President & Chief Executive Officer, Elekta AB

And I think it's fair to say, we need the service revenue on Unity as well, and that's building up as we speak. So leverage and service is what we'll get to the level that you mentioned, Scott. But I mean we're in this build-up phase and we invested a lot in installers, service, engineers to support Unity. But so that will come. But of course, it's not on the same level of profitability, as if you say, our software offerings or maybe neuro and brachy as more specialized offerings. But we will take it over to profitability of the Linacs [indiscernible] (02:17:27)

Scott Bardo
Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)

Thanks very much.
Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

Thank you, Scott. And we also have some question from Michael Jüngling from Morgan Stanley. Please, Michael, can you hear us? And can we take your questions please?

Michael K. Jüngling  
*Analyst, Morgan Stanley & Co. International Plc*

Yes, thank you. Can you hear me?

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

Yes, we can.

Gustaf Salford  
*President & Chief Executive Officer, Elekta AB*

Yes.

Michael K. Jüngling  
*Analyst, Morgan Stanley & Co. International Plc*

Great. I have three questions. Firstly, on the Philip's partnership. I think you said that the revised agreement with Phillips happened around six months ago, which is not too far away from when the Siemens and the Varian deal happened. I think at the time you suggested it would be a positive for Elekta. The revised agreement today, how should one view this; is this a competitive response to Siemens and Varian and effectively an endorsement that the market between imaging and radiation oncology is closing and therefore, it's a powerful combination. Or is it just coincidental that you had signed this Philips, this revised Philips agreement. I'll ask my question two and three later.

Cecilia Ketels  
*Head-Investor Relations, Elekta AB*

So, Gustaf, please.

Gustaf Salford  
*President & Chief Executive Officer, Elekta AB*

Thank you, Michael. I will start and then I will hand over to Maurits also worked a lot with this partnership of last months here, of course. So the industry landscape changed last summer and I sometimes describe it as a chessboard that was shuffled a bit and you need to find a different position. So we've had a lot of discussions on the partnership side and so on to see what the impact would be. We see it still as a positive for Elekta, and if you follow our numbers in the last quarters, you've seen we've grown faster in competition and taking a lot of share especially in the last quarter 18% order growth. So, we still believe that the best thing for Elekta is to continue to drive world-class precision-radiation medicine solutions. But we also acknowledge and understand that we need to have partnerships with other parts of the cancer care ecosystem. Imaging is one example. Because we believe that that is what the patients and the clinicians are after. But it's also about the integration of the solutions and I think, Maurits, please, say a few word about that.
Maurits Wolleswinkel  
*President-Linac Solutions, Elekta AB*

Yeah. I mean – a couple of things there. We have been continuously discussing with Philips. This has been a long-term relationship as you all know, even beyond Unity. So it's not that we just started the conversation. Maybe the change in the industry has accelerated some things, that's maybe fair to say. But we definitely were exploring different areas and one of the areas I also like to stress is that the investments that Philips has done over the past five-plus years in informatics is I think really differentiating versus the other imaging vendors as well. So, we believe we really gained something with this partnerships.

Philips has already, on comparison to the other large image investors, has already a play into radiation oncology and by sort of combining these efforts more together, we believe there are benefits. So I see it more as a natural evolution and a logic to continue or strengthen our position. But to Gustaf point, it's two companies with one vision because we also believe that even more than this phase, radiation therapy and radiation oncology is a complex environment, that customer focus and more dedication to a customer still can be a different shade [indiscernible] (02:20:55) for us moving forward, while they continue to partner, that is really matters.

Gustaf Salford  
*President & Chief Executive Officer, Elekta AB*

And I think it's fair to say, Maurits, as well that it's quite a small proportion of the deals we see today. That is kind of comprehensive deals.

Maurits Wolleswinkel  
*President-Linac Solutions, Elekta AB*

Yeah.

Gustaf Salford  
*President & Chief Executive Officer, Elekta AB*

But of course we expect that to grow over time. And we need to be part of that growth, of course. So that's another reason...

Maurits Wolleswinkel  
*President-Linac Solutions, Elekta AB*

Yeah.

Gustaf Salford  
*President & Chief Executive Officer, Elekta AB*

...why we're doing this right now.

Michael K. Jüngling  
*Analyst, Morgan Stanley & Co. International Plc*

Okay. And question two is also on the Phillips partnership. And if I look at the previous partnerships that we've seen in the industry I think there was one also between – initially Siemens and Varian didn't quite work out, I think, is a fair statement. At what point, do you think you have to follow in the footsteps of the Varian and become more entwined with Philips whether that is a merger or not, but something far more meaningful. What would you need to see for this to happen?
I think it's about company cultures. I think Elekta since day one has always been very open to partnerships, we have always had kind of an agnostic approach, open architecture and that is what has made us successful. And that's why we also were able to outcompete part of the competition 10 years ago. So I believe in this kind of an open perspective. And I think we share that culture with Philips. That's in all the discussions we've had. And I think Unity, we have developed Unity to largely stand together, but also with a customer. So I think it depends on what company culture you have and how you partner and collaborate. And I think, as I said, Elekta has always been quite open to partnerships and collaborations.

Okay. Thank you. And the last question is on the growth drivers that you mentioned for revenues over the medium term. You mentioned Unity emerging markets and software, et cetera. It would be helpful to get a sense of how important you think each are. And maybe you could just assign a number, is Unity 30%, 40% or so of how investors should be thinking about this organic growth target similar for emerging markets and software. So just some sort of guidance so we can get a feel for how relevant and important each of those components are?

Let's start with Johan.

Yeah. Yeah good question. And I don't think we can quantify that as you want but looking at how we will listed it is how we look at it in importance. So, we're having Unity in emerging markets at the top, I think, is a real indication where we see the biggest drivers for the top line growth for the outlook period. Software and service and as well then as-a-service is something we're getting started. It's being launched. So I wouldn't expect a very significant contribution from that. The new products, if look at Harmony, for example, or others or to some extent replacing existing ones, so that is a growth driver. But I would take it as in the way we listed it from top to bottom.

Great. Thank you for that.
Thank you, Michael. And we have received another question here earlier and it's from [indiscernible] (02:24:26) and it's to you, Paul, and concerns services. So how do you think that your remote fixed rate can become?

**Paul Bergström**  
*Executive Vice President-Global Services, Elekta AB*

Extremely interesting. First of all, how much you can do with remote. I mean in the end it's a physical solution. I think there are a few parts to reflect on. It's been a great leap now what we've done here. Now just the last year reaching up to 66%. And I mean that directly has impacted customer because it's a lot faster responses and we can do everything remote than we just do the last piece in order to fix it and get the machines up.

Now what we're doing? You can only sort of drive it to a certain extent. We can get faster and faster, getting better quality which then, of course, will also impact both customer satisfaction as well as financial. Other things also, I mean what you alluded to earlier, we're getting so much closer to our customer, the feedback loop, so we can drive that into the product development hands driving even more of this remote as history. But it's sort of – you reach a certain level.

**Cecilia Ketels**  
*Head-Investor Relations, Elekta AB*

Thank you, Paul, for clarifying that. And we have another call from David Adlington. Can you hear us? Can you please state the first question David from JPMorgan.

**David Adlington**  
*Analyst, JPMorgan Securities Plc*

Hi. Hi guys. Hope you can hear me?

**Cecilia Ketels**  
*Head-Investor Relations, Elekta AB*

Yes.

**David Adlington**  
*Analyst, JPMorgan Securities Plc*

Yeah. Just going back to the unity reimbursement, I think, Gustaf, you just pointed towards a gradual process a little bit – starting little bit after 2022, 2023. So a couple of years out. Presuming that starts on an indication-by-indication basis, so presumably something early like maybe pancreatic and then evolving from there. Do you think as a tipping point when your customers will need to see a certain number of indications coming through before they can place an order? Just trying to gauge sort of at what point do you think customers will be putting off making an order because they want to see the reimbursement and then will we see a wave of orders once that investment starts to gain some traction? Thanks.

**Cecilia Ketels**  
*Head-Investor Relations, Elekta AB*

Yeah, Gustaf?

**Gustaf Salford**  
*President & Chief Executive Officer, Elekta AB*
Yes. David, I see it, of course, reimbursement is key, a high reimbursement rate to take – for some of the customers, to take the investment decision. But we see that – that's the third phase. I think the second phase we're in right now is really big interest to be part of this shift to be able to treat in a different way. And we still see good growth potential and sales funnels as well for Unity order base on that phase as well. We – our customers can use the regular SBRT or SRS reimbursement codes and then many of them also have specific agreements. So they can be support reimbursement more specifically for Unity, for private health insurers, and so. However, the next phase will be when we get to the different reimbursement caused cancer type by cancer type. And then we see a further growth trajectory and a further uptake of the technology to a larger installed base. And as we've said today as well and reconfirmed, we believe that at least 25% of the installed base and new orders should be able to be targeted with MR-Linac technology.

David Adlington
Analyst, JPMorgan Securities Plc

Perfect. Thank you.

Cecilia Ketels
Head Investor Relations, Elekta AB

Okay. So it's time to wrap this up. Thank you so much all for participating in our Capital Markets Day. It has been a pleasure. And this recording and the slides will be available on our website after. And, Gustaf, maybe – do you want to summarize the discussion we have had here today. So what are the key takeaways?

Gustaf Salford
President & Chief Executive Officer, Elekta AB

Thank you for listening to our Capital Markets Day today. We have talked about the markets and the underlying need for cancer care and precision radiation medicine. We also talked about all our innovations that we are driving to help cancer patients around the world. We've also talked about how we as Elekta has come out as a stronger company from COVID. And we also talked a launch our strategy ACCESS 2025 and part of it was a very exciting new partnership with Philips that we see great potential in. Going forward, we expect to grow faster than the market with a margin expansion.

So, Elekta, we're not just building technology. We are building hope. Thank you.