Elekta – leading the future of radiation therapy

• **Overview** of Elekta
  - Net sales of approx. USD 1.4 bn
  - Active in over 120 markets
  - 3,800 employees
  - 4,000 customers

• **Leader in innovation** since 1949
  - Stereotaxy, IGRT, VMAT etc.
  - Leading linac program
  - No. 1 in software (OIS)
  - Uniquely positioned with Leksell Gamma Knife® and Atlantic

• **Executing on financial turnaround**
  - Back to growth this fiscal year
  - 6 percentage points margin improvement in 3 years
Cancer is growing and driving need for cost efficient care

Demographics, higher life expectancy, lifestyle and Improved diagnosis,

WHO forecast of new cancer, excluding melanoma

Today **33** million cancer patients worldwide (within 5 years of diagnosis)
Radiation therapy is currently recommended to be used to treat >60% of indications

Source: WHO Globocan 2012
Radiation therapy is cost efficient, supported by literature and set to increase in importance

1. **Cost efficient modality**
   (Relative cost per treatment)

2. **Increasing support in literature**

3. **New technology will drive higher usage**
   - Imaging
   - Improved precision
   - Software

Example: Elekta Atlantic project; i) improve current treatments ii) new indications

Source: Elekta analysis
Elekta has a market leading portfolio of solutions
Priorities for short-, mid- and long-term

Priorities:

- Growth
- Profitability
- Cash flow
Favorable market for radiation therapy

• North America
  – Consolidation drives large and complex orders with long sales processes
  – Replacement market with growth potential in software and services

• Western Europe
  – Stable and growing in line with GDP

• Emerging markets
  – Increased risk in some markets due to political instability

• Asia Pacific
  – Continued good growth in China
  – Stable in Japan
  – Decline in Far East Asia

• Good growth opportunities within service and software

Current market growth
3-5%
Double-digit growth in service revenues

- Increased value in the customer offering
- Elekta care
  - Cost-efficient service concept
- Upgrades in software and services

Service revenues*

*MSEK

FY11/12 FY12/13 FY13/14 FY14/15 Rolling 12-months

CAGR: 12%

* Technical service and recurring software

FY11/12 FY12/13 FY13/14 FY14/15 Rolling 12-months
Leverage on leading market position in China

- Market growth expected to continue, but lower pace than historic levels
  - Unmet need – 1.4 linacs/million, vs target of 2 to 3 linacs/million

- Growth within private sector
  - Growing trend of acquisition of hospitals
  - Target of 20% capacity for private sector
Leksell Gamma Knife® Icon™

*Ultra-precise Microradiosurgery™ with Online Adaptive DoseControl™*

- Significant interest from new customers
- Upgrade potential:
  - 200 installed Leksell Gamma Knife® Perfexion™

**Regulatory status:**
- 510k clearance from FDA in August
- CE-mark in June
- Expected approval in China and Japan in 2016
Atlantic – game changer in radiation therapy

"Clinical trials involving patients under the care of The Royal Marsden Hospital are expected to start in 2017, with 20 to 30 patients a day”

“It will offer new hope to patients with advanced breast, prostate and lung cancer, and could eradicate the need for kidney cancer surgery”

“There are two broad goals. The first is to make radiation far more accurate so we are hitting the target with far greater precision”. “Secondly, not only can we use the MRI to see where the tumour is, we can look at the biological processes within the tumour. We will be watching what the tumour is doing second by second, how it is responding to the radiation.”

“Being able to radiate a tumour in real time is a huge step forward because many tumours move in unpredictable ways within the body.”
Atlantic – project according to plan and on time

Atlantic status

• Assembly and test of 12 systems over the next 10 months
• Delivery to all consortium members within 16 months
• Second system in installation
R&D investments for future growth

- Gross R&D investments will normalize
- Net R&D trailing behind due to amortizations

* Start of amortization for Atlantic and LGK Icon drives increase in amortization in FY15/16
Action program to drive efficiency

- Two-year plan for improved margins
- Several activities and actions launched. More to come
  - support from external consultants
- New organization in place

**TARGET**

- 2-year cost reduction program of **450 MSEK**
- EBITA-margin improvement of **6 ppts** until 2017/18
- Lowering net working capital by **200 MSEK** with full effect 2016/17
Initiated efficiency programs

1. Reduce costs and increase efficiency in administration

2. Increase efficiency and productivity in:
   - Marketing
   - Product development
   - Service operations

3. COGS - reduction of product costs

4. Reduce working capital

5. Consolidate sites and functions
Net working capital at 11% of net sales

**Net working capital / net sales**

- Ambition: <10%
- 11%

**DSO* development**

- Ambition: 65

*DSO calculation based on: Accounts receivables, Accrued income, advances from customers, prepaid income

**Inventory increase in Q1**

**Improvement in USA**
Cash conversion – ambition > 70%

- High period of investments, will decrease
- Working Capital <10% of sales
Our financial ambitions

**Short-term**
(2015/16)
- Return to growth in H2 2015/16*
- Improve EBITA margin
  - Cost reductions
  - Product mix and recurring revenue

**Mid-term**
(2016/17 – 2017/18)
- 3-5%* net sales growth per year
- Improve EBITA margin with more than 6** percentage points

**Long-term**
- >10%* net sales growth per year
- Growth in EBITA to exceed sales growth in SEK
- ROCE >20%
- Net debt / equity <0.5x

* In local currency
** Base year 2014/15, excluding currency effects