Market recovery with short-term cost challenges

Q1 report 2021/22
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Johan Adebäck, CFO
August 25, 2021
Agenda

• Towards the best cancer care, Q1
• Q1 financials
• Outlook
• Q&A
Important information

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

This presentation is intended for investors and analysts only. Some products are still in research and/or not cleared/approved in all markets. Cancer statistics are given to show the potential market in the respective area and does not mean that Elekta currently has products to treat these indications.
Towards the best cancer care, Q1
ACCESS 2025

TOWARDS A WORLD WHERE EVERYONE HAS ACCESS TO THE BEST CANCER CARE
Our strategy ACCESS 2025

- Accelerate innovation with customer utilization in mind
- Be the customer lifetime companion
- Drive partner integration across the cancer care eco-system
- Drive adoption across the globe

A world where everyone has access to the best cancer care

People

Resilience & Process Excellence across the value chain

Delivered in a sustainable way
### Highlights in Q1

<table>
<thead>
<tr>
<th>Improving patients’ lives by working together with our customers</th>
<th>Performing in challenging market conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deepened strategic partnership with Philips</td>
<td>Improved market demand with large geographic variations</td>
</tr>
<tr>
<td>FDA clearance for Harmony</td>
<td>Increased installation volumes</td>
</tr>
<tr>
<td>Patent received for IntelliMax®</td>
<td>Temporary headwinds to gross margin</td>
</tr>
<tr>
<td>36 research abstracts based on Unity at AAPM</td>
<td>Accelerated innovation investments</td>
</tr>
</tbody>
</table>
Improved market conditions for orders – large variations among regions

**Americas**
-7% 80%
Very strong growth in Americas when excluding largest deal ever

**EMEA**
0%
Europe strong growth, Middle East & Africa still negative impact

**APAC**
-4%
Strong growth in China and India, soft development in Japan

Based on constant currency.
Revenue starting to recover

Revenue development, RTM

Installed base

Revenue development based on constant currency.
Go direct in Indonesia – driving adoption across the globe

Market characteristics
- Population ~275 million
- Highly underserved market
- 80% public care providers
- Private market expected to grow
- Pandemic boosts cancer care within the country

Elekta direct in Indonesia
- Newly established office
- Already double-digit employees
- Market leader
Strong results in sustainability

Strategic milestone 2024/25: +300 million people in underserved\(^1\) markets to get access via Elekta’s installed linac base

Since Q4 2019/20 the installed linac base has increased by 12% in underserved markets

During Q1 2021/22 additional ~20 million people got access

1) = emerging markets, correspond to the countries included in the OECD DAC list of Official Development Assistance (ODA) recipients 2020
Unity market access program focus on evidence generation

**Regulatory**
- Unity registration in all major markets

**Evidence development**
- >500 clinical abstracts
- >350 peer-reviewed articles
- MOMENTUM 2.0

**Reimbursement program**
- U.S., China, Japan, Europe
- First submission made in the U.S.
- Evidence from pancreas, liver, prostate, oligometastases

**Consortium & MOMENTUM:** Powerful infrastructure for the evidence development journey of Unity
Q1 financials
Strong revenue growth in solutions

Rolling 12 months (RTM) development

Q1 figures

Total net sales
8%

Solutions
12%
Service
3%

EBIT margin 6.7%

Net sales growth based on constant currency
Profitability impacted by higher costs

### (SEK M)

<table>
<thead>
<tr>
<th></th>
<th>Q1 21/22</th>
<th>Q1 20/21</th>
<th>Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>3,009</td>
<td>2,981</td>
<td>8%</td>
</tr>
<tr>
<td>Solutions</td>
<td>1,631</td>
<td>1,551</td>
<td>12%</td>
</tr>
<tr>
<td>Service</td>
<td>1,378</td>
<td>1,430</td>
<td>3%</td>
</tr>
<tr>
<td>COGS</td>
<td>-1,894</td>
<td>-1,614</td>
<td>17%</td>
</tr>
<tr>
<td><strong>Gross margin (%)</strong></td>
<td>37.1</td>
<td>45.9</td>
<td>-8.8 ppts</td>
</tr>
<tr>
<td>Expenses</td>
<td>-981</td>
<td>-937</td>
<td>5%</td>
</tr>
<tr>
<td>Exchange diff and other</td>
<td>66</td>
<td>-95</td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>201</td>
<td>335</td>
<td>-40%</td>
</tr>
<tr>
<td><strong>EBIT margin (%)</strong></td>
<td>6.7</td>
<td>11.2</td>
<td>-4.5 ppts</td>
</tr>
<tr>
<td>Net financial items</td>
<td>-36</td>
<td>-52</td>
<td></td>
</tr>
<tr>
<td>Income taxes</td>
<td>-40</td>
<td>-66</td>
<td></td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td>126</td>
<td>216</td>
<td>-42%</td>
</tr>
<tr>
<td><strong>EPS</strong></td>
<td>0.33</td>
<td>0.57</td>
<td>-42%</td>
</tr>
</tbody>
</table>

### Net sales up 8%
- Americas: -4%
- EMEA: 7%
- APAC: 20%

### Gross margin down, temporary impacts
- Supply-chain, logistics and service costs ~500 bps
- FX (mainly weakening of USD) ~140 bps
- Higher share of solutions revenue ~80 bps

### Lower EBIT margin

### Improved net financial items
- Lower debt
Gross margin continue to be impacted by pandemic driven cost increases

Q1 gross margin bridge (%)

- Higher costs for supply-chain, logistics and service
- Positive impact from higher share of solutions revenue
## Acceleration leading to increased costs

### Quarterly expenses

<table>
<thead>
<tr>
<th>Expenses (SEK M)</th>
<th>Q1 2021/22</th>
<th>Q1 2020/21</th>
<th>Growth 1) Y/Y</th>
<th>Growth 1) Q/Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling</td>
<td>-316</td>
<td>-271</td>
<td>22%</td>
<td>2%</td>
</tr>
<tr>
<td>Administrative</td>
<td>-274</td>
<td>-280</td>
<td>1%</td>
<td>-8%</td>
</tr>
<tr>
<td>R&amp;D (Net)</td>
<td>-391</td>
<td>-386</td>
<td>4%</td>
<td>14%</td>
</tr>
<tr>
<td>Total</td>
<td>-981</td>
<td>-937</td>
<td>8%</td>
<td>4%</td>
</tr>
</tbody>
</table>

### Selling expenses
- Higher selling expenses due to increased sales and marketing activities and improved hospital access

### Administrative expenses almost flat

### Rolling 12 months

- Net R&D expenses increased, due to increased investments in innovation
- RTM gross R&D expenses increased and corresponded to 12% of net sales

1) Based on constant currency.
Effects from the pandemic

<table>
<thead>
<tr>
<th>Service Category</th>
<th>Development -1 yr</th>
<th>Development vs pre-Covid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel</td>
<td>↑</td>
<td>↓</td>
</tr>
<tr>
<td>Marketing</td>
<td>↑</td>
<td>↓</td>
</tr>
<tr>
<td>Logistics &amp; service</td>
<td>↑</td>
<td>↑</td>
</tr>
</tbody>
</table>
Weaker cash flow but continued strong cash conversion

Q1 Cash flow (SEK M)

- EBITDA
- Other 1)
- Change in NWC
- Cash flow from operating activities
- Continuous investments
- Cash flow after continuous investments

Operational cash conversion, RTM

1) Other = Income tax paid, interest net, received and paid, other non-cash items
2) Cash conversion = Cash flow from operating activities/EBITDA
NWC negatively impacted by increased inventory to mitigate extended supply-chain lead times and reductions in other liabilities for paid bonus.
Outlook – Q2 and mid-term
Outlook in Q2

• The overall market situation expected to continue to recover and the ability to install to improve

• Continued higher supply-chain and logistics costs and longer lead times impacting margins and installation volumes

• Risk for new waves of pandemic - especially in emerging markets

• Long-term market trends to support growth and investment in high-end RT equipment and margin expansion
Mid-term outlook until 24/25

**Growth**
- >7% net sales CAGR

**Margin**
- EBIT % expansion over period

**Capital allocation**
- >50% of annual net profit in dividend

Elekta’s outlook is based on an average 6-8% market growth during the mid-term period.
Summary Q1

• Continued recovery in the market
• Increased installation volume
• Temporary headwinds to gross margin
• Deepened strategic partnership with Philips
• New direct Elekta market, Indonesia, and FDA clearance for Harmony
We don’t just build technology

We build hope
Q&A