Gradual market recovery

Q2 report 2021/22
Gustaf Salford, President and CEO
Johan Adebäck, CFO
November 25, 2021
Agenda

• Towards improved access to the best cancer care, Q2
• Q2 financials
• Outlook
• Q&A
Important information

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

This presentation is intended for investors and analysts only. Some products are still in research and/or not cleared/approved in all markets. Cancer statistics are given to show the potential market in the respective area and does not mean that Elekta currently has products to treat these indications.
Towards improved access to the best cancer care, Q2
Our strategy – ACCESS 2025

A world where everyone has **access** to the **best** cancer care

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

People

Resilience & Process Excellence across the value chain

Delivered in a sustainable way
Delivering on our strategy ACCESS 2025 in Q2

Accelerate innovation
- Increased innovation investment, focus on software
- Elekta Unity - towards motion management
- 510k clearance of AI auto contouring

Be the customer companion
- ESTRO ASTRO
- Continued build up of value added services
- Strengthening service organization and digitalization of service offering

Drive partner integration
- Spin-off from collaboration with Philips – acquired key workflow IP
- Kaiku partnering with cancer center in the Netherlands

Drive adoption
- Acquiring Turkish Neuro distributor
- First presentation of Harmony at ASTRO and CIIE\(^1\) with great interest

Resilience in our supply chain enables Q2 delivery
Sustainability-linked bond framework established

\(^{1}\) China International Import Expo
Overall good growth in both Solutions and Service, and margins improved vs. Q1

Order development

12\% in Q2 21/22

3\% in H1 21/22

Revenue development

7\% in Q2 21/22

7\% in H1 21/22

Margin development

Gross margin

38.6\%

EBIT margin

14.4\%

Order and revenue development based on constant currency.
Strong order growth in mature markets and India and China, emerging markets still impacted by the pandemic

**Americas**

- **16%**
  - H1: 1%
  - The US and Canadian market returning to normal

**EMEA**

- **3%**
  - H1: 2%
  - Europe strong growth, Middle East & Africa still negative impact

**APAC**

- **19%**
  - H1: 7%
  - Strong growth in India, China and Japan, soft development in many other markets

- **Ghana**
  - Cancer Research Center
  - Unity, linacs, Elekta Studio, service

- **Netherlands**
  - North-West Hospital Alkmaar
  - Unity, linacs, SW, service

- **Denmark**
  - Odense University Hospital
  - 2nd Unity, linacs, OIS

Based on constant currency.
The recovery continues towards pre-pandemic growth levels

Order and revenue growth, RTM

Installed base

Order and revenue development based on constant currency.

*The dip in Q1 2021/22 order growth is explained by Elekta’s largest deal ever in the comparing period.
Accelerating innovation investments focused on software

Innovation investment

Run-rate

Next 4 years

1. Personalized Precision
2. Elevated Productivity
3. Integrated Informatics

Acceleration of innovation projects
- Software
- Family of linacs
- Unity platform

Innovation from partnership
- Acquisition of key workflow IP
- Designed to streamline and accelerate radiation oncology workflow

Artificial Intelligence 510k clearance
- Software module: AI auto contouring
Increased focus on service and roll-out of cloud and SaaS solutions

- Equipment as a service
- Financial services
- Pay-per-use
- Value added services
- Maintenance service contracts
- Repair
- Support

Opportunities

Service revenue

Cloud solution on three continents reaching out to +3,000 customers

Significant number of dedicated service sales managers added

Equipment lifecycle

Customer examples

US

Europe

Asia

11

Restricted Information and Basic Personal Data
Elekta Unity. See the difference.

How Elekta Unity helps the clinicians

- **Visualization**: Unprecedented visibility
- **Precision**: Truly precise and personalized radiotherapy
- **Data & insights**: Diagnostic quality MR imaging
- **Productivity**: Unparalled insight, visibility and control
- **Improved outcomes**: Real-time adaptive treatment in presence of motion

**Unity community**

Unique approach to innovation with hundreds of clinical partners
### Steady progress in clinical evidence journey

<table>
<thead>
<tr>
<th>Cancer type:</th>
<th>Head and Neck Cancer¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fraction:</td>
<td>28-33 (Dose: 63-69Gy)</td>
</tr>
<tr>
<td>Outcome:</td>
<td>Daily adaptive RT is safe and clinically feasible using an online workflow</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cancer type:</th>
<th>Pancreas²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fraction:</td>
<td>5 (Dose: 50Gy)</td>
</tr>
<tr>
<td>Outcome:</td>
<td>MR-guided adaptive RT enables delivery of curative dose to pancreatic tumors</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cancer type:</th>
<th>39 indications in the MRL Consortium MOMENTUM Study³</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fraction:</td>
<td>Median fraction 5 Range 1-35 (Dose: 34-71Gy)</td>
</tr>
<tr>
<td>Outcome:</td>
<td>943 patients enrolled, the study representing the largest MRgRT cohort in the literature</td>
</tr>
</tbody>
</table>

Unity release at ASTRO: adding 3 more imaging options
Total 14 options helping to personalize treatments

Visualisation
- Sharper imaging during motion
  - Important step in Comprehensive Motion Management
  - Free breathing imaging that reduces motion impact
  - Image by freezing motion during a breath hold

Productivity
- Faster imaging
  - Technology accelerates image acquisition by 30%
Enhanced sustainable focus

Access to health care
Strategic milestone 2024/25:
+300 million people in underserved markets to get access via Elekta’s installed linac base

Sustainability-Linked Bond Framework

Target

Increase the installed net base of linacs in underserved markets with 825 units until April 30, 2025
Q2 financials
Continued good revenue growth in Q2 with improved margins

Rolling 12 months (RTM) development

<table>
<thead>
<tr>
<th></th>
<th>SEK M</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2</td>
<td>16,000</td>
<td>16</td>
</tr>
<tr>
<td>Q3</td>
<td>12,000</td>
<td>14</td>
</tr>
<tr>
<td>Q4</td>
<td>8,000</td>
<td>12</td>
</tr>
<tr>
<td>Q1</td>
<td>4,000</td>
<td>10</td>
</tr>
</tbody>
</table>

- **Solutions sales**
  - Q2: 10%
  - Q3: 10%
  - Q4: 10%
  - Q1: 10%

- **Service sales**
  - Q2: 4%
  - Q3: 4%
  - Q4: 4%
  - Q1: 4%

- **EBIT margin**
  - Q2: 14.4%

Net sales growth based on constant currency

- **H1**
  - Total net sales: 7%
  - Solutions: 10%
  - Service: 4%
  - EBIT margin: 10.9%

- **Q2**
  - Total net sales: 7%
  - Solutions: 8%
  - Service: 5%
  - EBIT margin: 14.4%
Margins still lower than previous year but improved vs Q1

<table>
<thead>
<tr>
<th>(SEK M)</th>
<th>Q2 21/22</th>
<th>Q2 20/21</th>
<th>Δ</th>
<th>Q1 21/22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>3,697</td>
<td>3,534</td>
<td>7%</td>
<td>3,009</td>
</tr>
<tr>
<td>Solutions</td>
<td>2,254</td>
<td>2,136</td>
<td>8%</td>
<td>1,631</td>
</tr>
<tr>
<td>Service</td>
<td>1,443</td>
<td>1,398</td>
<td>5%</td>
<td>1,378</td>
</tr>
<tr>
<td>COGS</td>
<td>-2,270</td>
<td>-2,089</td>
<td>9%</td>
<td>-1,894</td>
</tr>
<tr>
<td>Gross margin (%)</td>
<td>38.6%</td>
<td>40.9%</td>
<td>-2.3 ppts</td>
<td>37.1%</td>
</tr>
<tr>
<td>Expenses</td>
<td>-913</td>
<td>-916</td>
<td>0%</td>
<td>-981</td>
</tr>
<tr>
<td>Exchange diff and other</td>
<td>19</td>
<td>29</td>
<td>-35%</td>
<td>66</td>
</tr>
<tr>
<td>EBIT</td>
<td>533</td>
<td>559</td>
<td>-5%</td>
<td>201</td>
</tr>
<tr>
<td>EBIT margin (%)</td>
<td>14.4%</td>
<td>15.8%</td>
<td>-1.3 ppts</td>
<td>6.7%</td>
</tr>
<tr>
<td>Net financial items</td>
<td>-30</td>
<td>-68</td>
<td>-55%</td>
<td>-36</td>
</tr>
<tr>
<td>Income taxes</td>
<td>-121</td>
<td>-115</td>
<td>5%</td>
<td>-40</td>
</tr>
<tr>
<td>Net profit</td>
<td>382</td>
<td>375</td>
<td>2%</td>
<td>126</td>
</tr>
<tr>
<td>EPS, SEK</td>
<td>1.00</td>
<td>0.98</td>
<td>2%</td>
<td>0.33</td>
</tr>
</tbody>
</table>

Net sales up 7%
- Americas: 24%
- EMEA: 6%
- APAC: -2%

Mixed effect on gross margin
- High supply-chain, logistics and service costs ~300 bps
- Negative FX impact ~100 bps
- Positive impact by volume and project mix

EBIT margin benefitted from stable opex

Lower financial net contributed to increased EPS
Increased selling activities as the business recovers

**Quarterly expenses**

<table>
<thead>
<tr>
<th>Expenses (SEK M)</th>
<th>Q2 2021/22</th>
<th>Q2 2020/21</th>
<th>Growth(^1)</th>
<th>Q1 2021/22</th>
<th>Growth(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling</td>
<td>-317</td>
<td>-279</td>
<td>⬆️ 14%</td>
<td>-316</td>
<td>⬇️ -2%</td>
</tr>
<tr>
<td>Administrative</td>
<td>-287</td>
<td>-259</td>
<td>⬆️ 8%</td>
<td>-274</td>
<td>⬆️ 3%</td>
</tr>
<tr>
<td>R&amp;D (Net)</td>
<td>-310</td>
<td>-377</td>
<td>⬇️ -19%</td>
<td>-391</td>
<td>⬇️ -24%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>-913</strong></td>
<td><strong>-916</strong></td>
<td>⬇️ -1%</td>
<td><strong>-981</strong></td>
<td>⬇️ -9%</td>
</tr>
</tbody>
</table>

**Selling expenses**
Increased due to more travelling and marketing activities compared to Q2 last year.
Stable vs Q1

**Administrative expenses**
Higher spending in Q2 mainly from one-off costs related to projects.
Increase vs Q1

**R&D expenses (RTM)**
Lower net R&D expenses in Q2 both compared to last year and Q1

---

\(^1\) Based on constant currency.
Accelerated R&D investments forming future growth

- Higher gross R&D due to accelerated investments
- Gross R&D corresponded to 12% of net sales in Q2

Rolling 12 months (RTM)

- Lower net R&D as
  - Unity amortization plan (SW) stepped down in Q2
  - several R&D projects reached capitalization phase

R&D expenses as % of sales (RTM)
NWC negatively impacted by accrued income, inventory and reductions in other liabilities

Net working capital changes (SEK M)

Net working capital as % of net sales
Cash conversion continued on good levels

**H1 Cash flow (SEK M)**

- **EBITDA**: 1,258
- **Other**: -297
- **Change in NWC**: -718
- **Cash flow from operating activities**: 244
- **Continuous investments**: -604
- **Cash flow after continuous investments**: -360

**Operational cash conversion, RTM**

- Q1 2019/20: 47%
- Q2 2019/20: 45%
- Q3 2019/20: 35%
- Q4 2019/20: 61%
- Q1 2020/21: 61%
- Q2 2020/21: 82%
- Q3 2020/21: 82%
- Q4 2020/21: 77%
- Q1 2021/22: 71%
- Q2 2021/22: 71%

---

1) Other = Income tax paid, interest net, interest received and paid, other non-cash items

2) Cash conversion = Cash flow from operating activities/EBITDA
Outlook – Q3 and mid-term
Outlook in Q3

- Market recovery leading to continued strong demand
- Supply chain challenges continue to impact revenue and margins
- Increased risk of component shortages
- 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 Q2

• Strong order growth throughout the business in a recovering market mainly driven by mature markets

• Installations continued on more normalized level driving growth, especially in North America, Europe and China

• Progress in innovation and collaborations, focus on software and Comprehensive Motion Management for Unity

• Improved gross margin from Q1 due to volume increase and improved project mix
We don’t just build technology

We build hope
Q&A