

Growth and improved margins

Q3 report 2022/23

Gustaf Salford, President and CEO

Tobias Hägglov, CFO

Feb 24, 2023



Agenda

- Delivering on our strategy
- Q3 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.

Delivering on our strategy

Delivering on our strategy ACCESS 2025



Returning to healthy order growth

9%

in Q3 22/23

Americas

3%

Growth in both North and Latin America

EMEA

0%

Good growth in Europe with strong order win in Italy and Spain. Weaker development in the Middle East and Africa

APAC

27%

Strong growth in China, East Asia and Australia

Strong order backlog of SEK 43 B supporting growth going forward

Strong order backlog conversion driving revenue growth

8%

in Q3 22/23

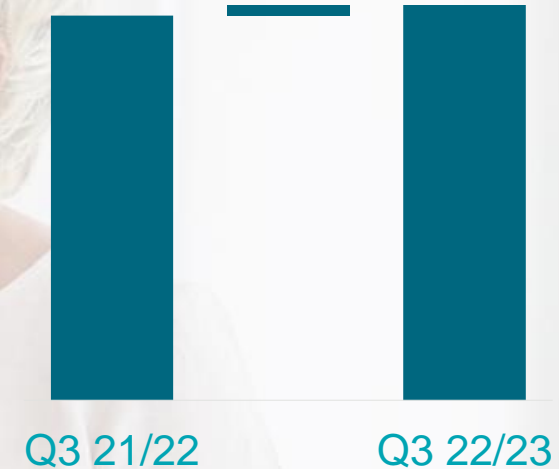
- Revenue growth in all business lines
- Regional growth
 - Americas +15%
 - EMEA +16%
 - APAC -3%
- China impacted by Covid wave in Nov/Dec

12%
Solutions

3%
Service

Installed base

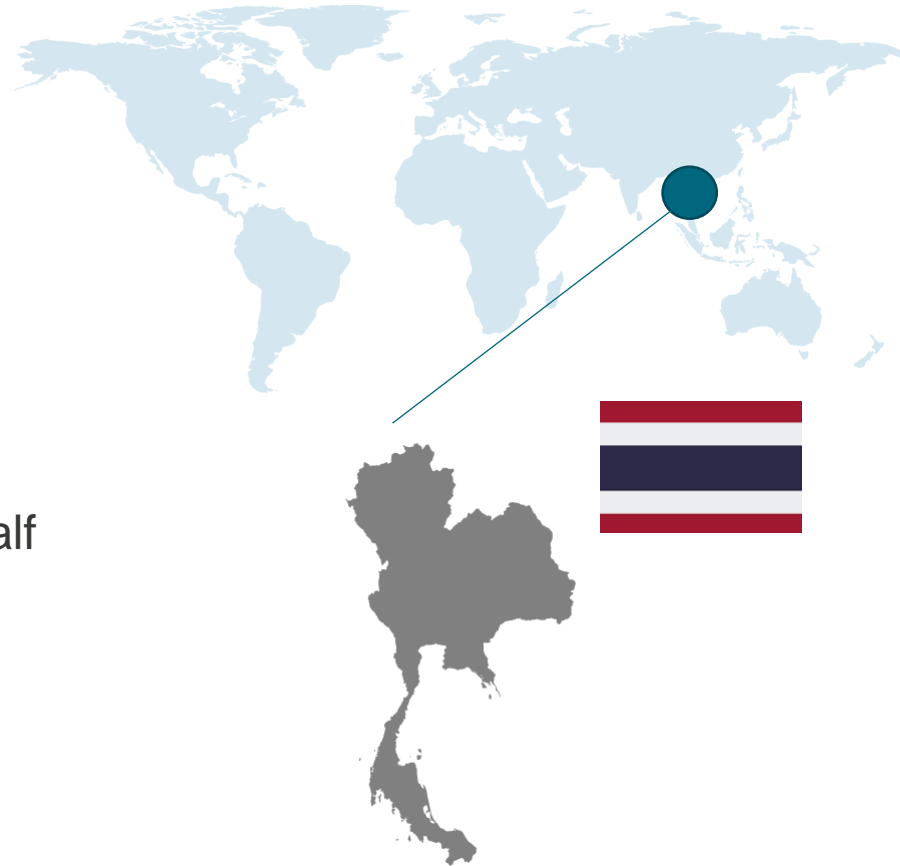
5%



Strengthening market position in Thailand

Market characteristics

- Population of ~70 million
- Underserved market: some 100 linacs serving the population
- Governmental initiative to reduce RT waiting time by half



Elekta in Thailand

- Acquiring business assets from current distributor
- Strong footprint of ~50 employees
- Current installed base of >40 linacs

Revolutionizing cancer care with Elekta Unity

The MRL Consortium paves the way in prostate SBRT treatment

MOMENTUM

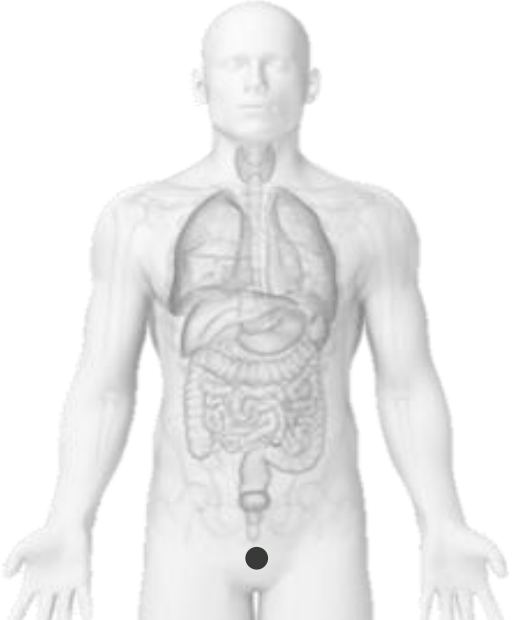


Published results from MOMENTUM¹

- Largest prostate 5 fraction SBRT cohort study (425 patients) reporting very low toxicity
- Excellent outcomes motivates study of 2 fraction SBRT

World first simulation-free SBRT treatment²

- Workflow from evaluation direct to treatment
- No need for separate simulation visit on diagnostic scanner

- 
- Reduced treatment period
 - Fewer patient hospital visits
 - Lower overall healthcare costs

Sustainability: Science-based targets validated

SCOPE 1 + 2

SCOPE 3

SBT 1

Cut emissions by 46.2% from scope 1 and 2 over 10 years¹
(from base year 2021/22)

SBT 2

Move to using 100% renewable electricity by end of calendar year 2030



SBT 3

Cut emissions from the use of Elekta's products² by 55% per RT course over 10 years
(from base year 2021/22)

SBT 4

Engage 27.5% of our suppliers by emissions to have SBTs³ by end of FY26/27

¹ Scope 1: Facility gas, car fleet, SF6 in manufacturing; Scope 2: Purchased electricity and district heating

² Emissions from power consumption, SF6, end of life waste and packaging waste

³ Suppliers representing 27.5% of the emissions in our supply chain should have SBTs

Q3 financials

Strong revenue growth and adj. gross margin improvement

Net sales increased by 8% y-o-y¹ with 12% growth in Solutions

Adj. gross margin and adj. EBIT margin improved both sequentially and y-o-y

Decreased **expenses**¹ both sequentially and y-o-y

FX positive on a gross-margin level. Slight negative impact on EBIT level due to hedges

(SEK M)	Q3 22/23	Q3 21/22	Q2 22/23
Net sales	4,337	3,602	4,081
Solutions	2,628	2,109	2,322
Service	1,709	1,494	1,759
COGS ²	-2,674	-2,279	-2,557
Adj. gross margin	38.4%	36.7%	37.3%
Expenses ²	-1,052	-985	-1,050
Exchange rate diff and other	-148	1	-157
Adj. EBIT	463	340	316
Adj. EBIT margin	10.7%	9.4% ³	7.7%
EPS⁴, SEK	0.57	0.60	0.32
Adj. EPS⁴, SEK	0.84	0.60	0.55

¹ Based on constant exchange rates.

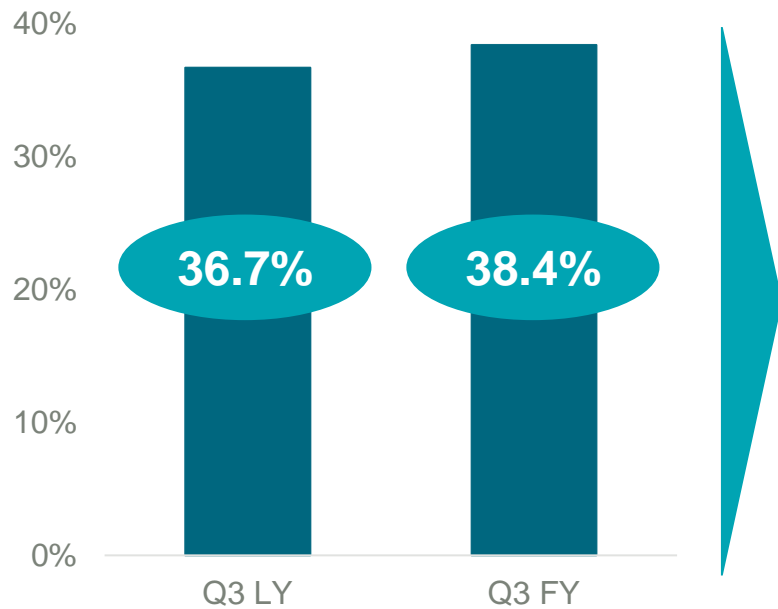
² Excluding items affecting comparability (IAC) in Q3 2022/23 of SEK 132 M, of which SEK 12 M is related to COGS.

³ Excluding the contribution to Elekta Foundation the EBIT margin was 10.4%.

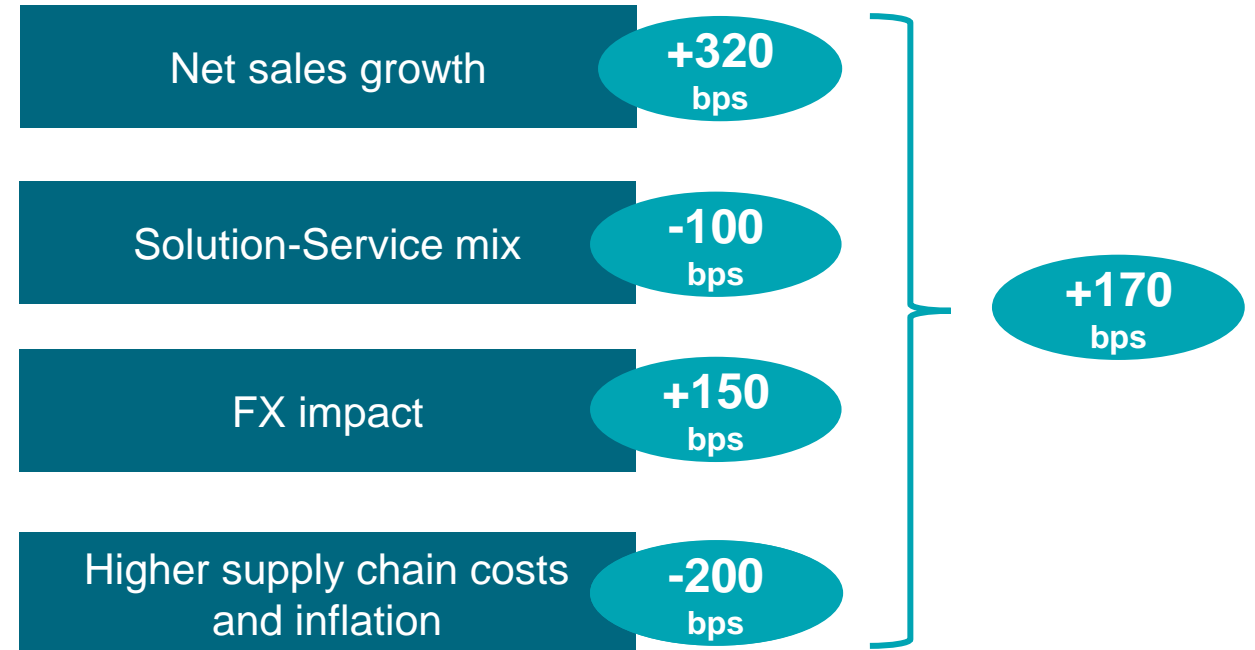
⁴ Before dilution

Improved adjusted gross margin primarily driven by net sales growth

Adj. gross margin development



Impact vs. Q3 LY



Decreased expenses both y-o-y and sequentially

Somewhat higher **selling expenses**² y-o-y due to more in-person activities, but sequentially declining

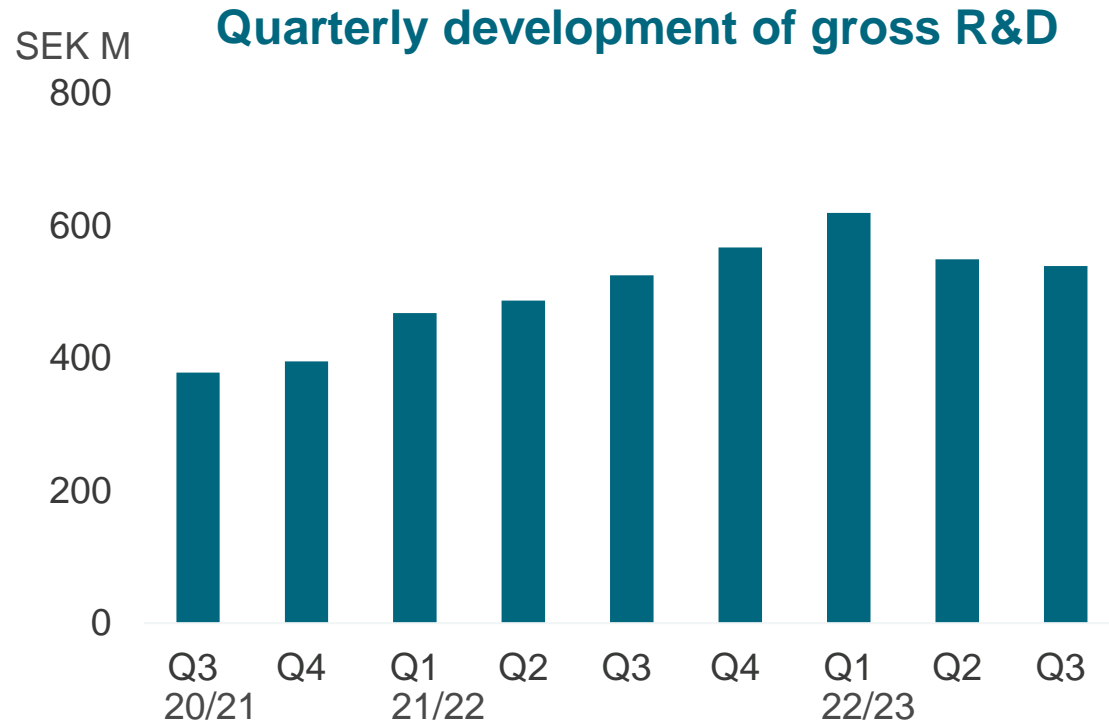
Administrative expenses² decreased y-o-y, but increased sequentially due to investments in digitalization

Net R&D expenses² decreased y-o-y, and increased sequentially in accordance with plan as a result of lower gross R&D and higher amortization

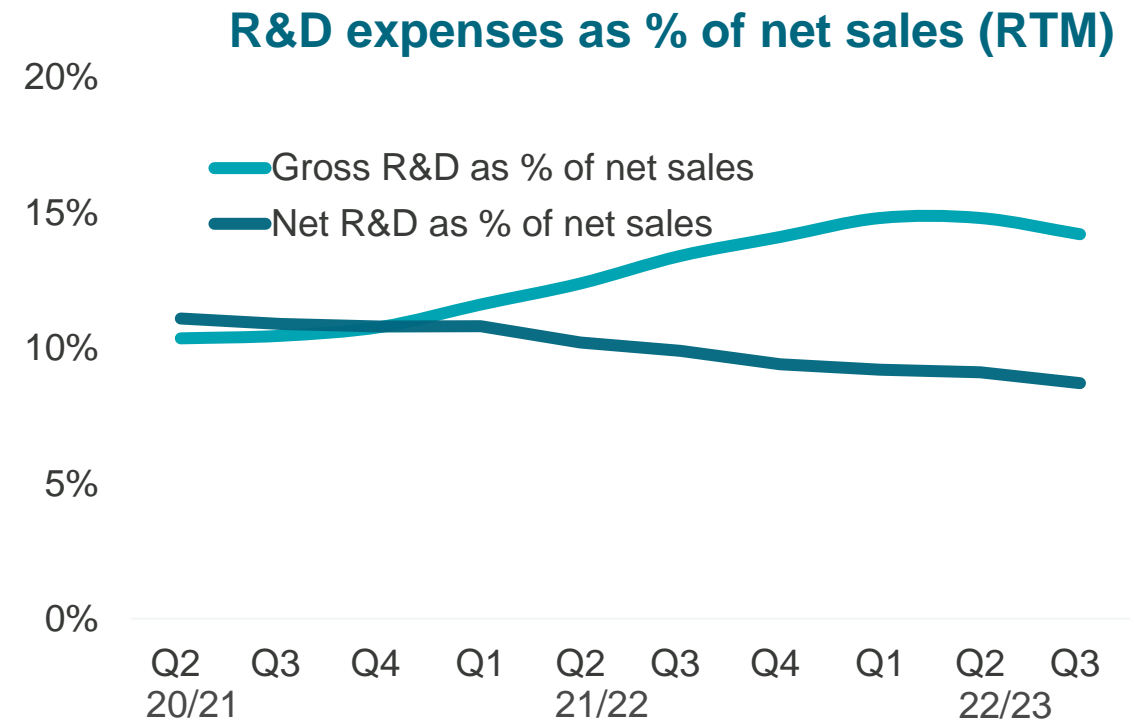
Quarterly expenses

Expenses (SEK M)	Q3 ¹ 22/23	Q3 21/22	Growth ² Y/Y	Q2 ¹ 22/23	Growth ² Q/Q
Selling	374	342	➔ 1%	397	➔ -6%
Administrative	330	303	➔ -2%	320	➔ 2%
Net R&D	348	339	➔ -4%	333	➔ 4%
Total	1,052	985	➔ -1%	1,050	➔ -1%

Continued strong investments in innovation



In accordance with plan somewhat lower gross R&D in Q3



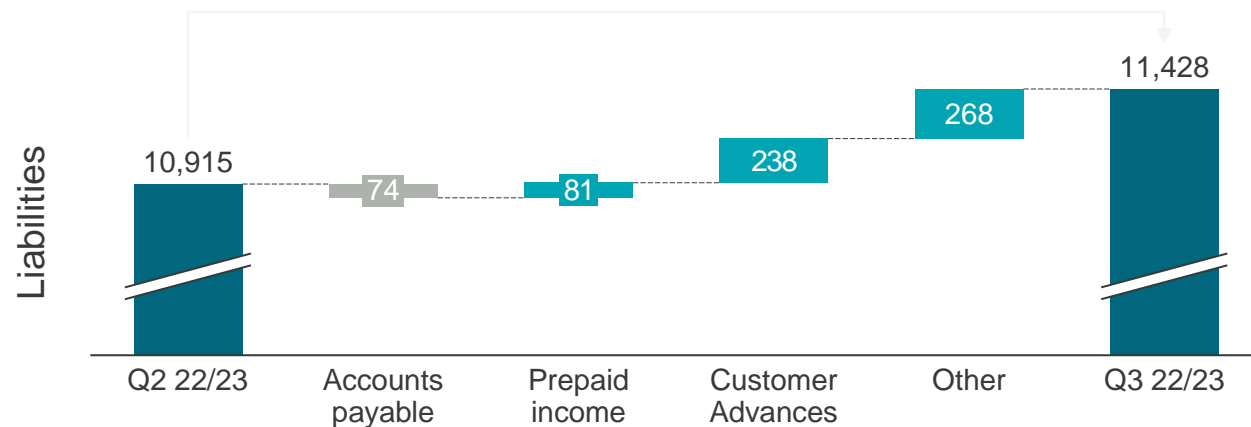
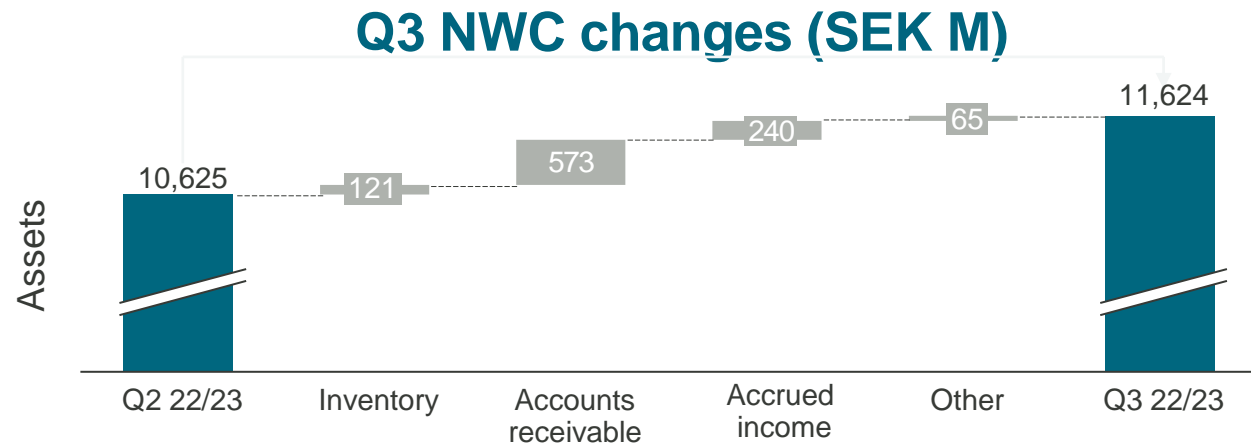
Gross R&D as % of net sales expected to decline and amortizations to increase during coming quarters

Cost-reduction Initiative savings well on track with increased impact in Q3

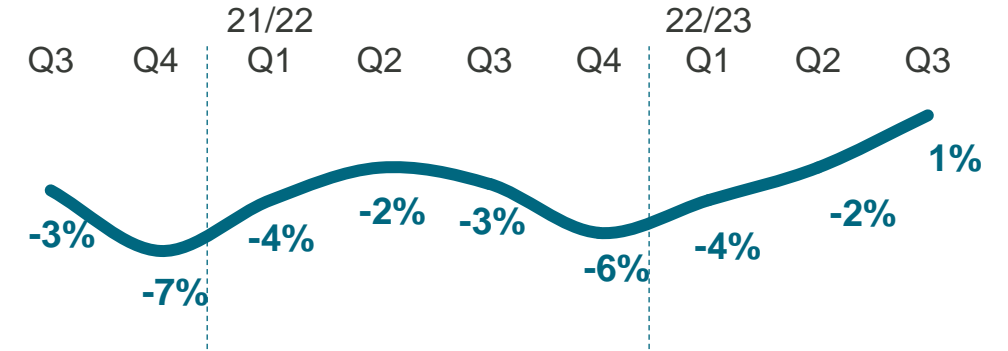
Estimated spend reduction, SEK M	YTD	2022/23E	Yearly run-rate reduction end of 2022/23E
Increase productivity in operations and service (COGS)	30	~50	~150
Optimize innovation pipeline and leverage global product organization (Gross R&D)	70	~110	~200
Drive efficiencies in selling and administration functions	20	~40	~100
Total	120	~200	~450

YTD implementation costs amounted to SEK 263 M, of which SEK 64 M on COGS. Total cost is estimated to amount to up to SEK ~400 M when fully implemented.

Net working capital impacted by more installations



NWC as % of net sales (RTM)



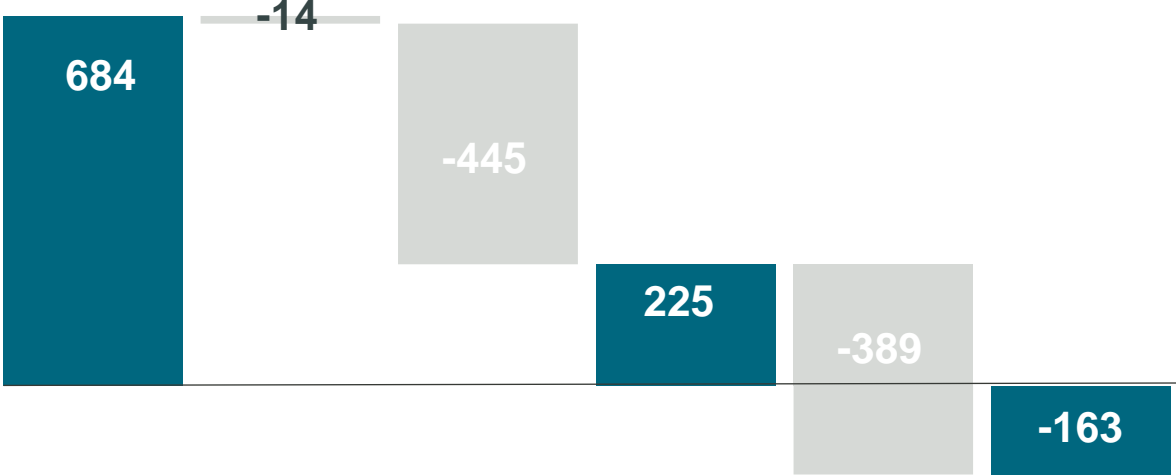
Receivable and **advances** increased due to more installations

To secure future installations **inventory** continued to increase sequentially as response to supply chain challenges

Accrued income increased due to large tenders in southern Europe and MR-Linac systems

Cash flow impacted by working capital build up and investments

Q3 Cash flow (SEK M)



EBITDA Taxes, interest net and other Change in WC **Cash flow from operating activities** Continuous investments¹⁾ **Cash flow after continuous investments**

Working capital driven by more installations and higher inventory

Continuous investments increased due to investments in innovation pipeline and strengthening of product offering



¹ Of which SEK 326 M related to investments in innovations.

Strong balance sheet and refinancing

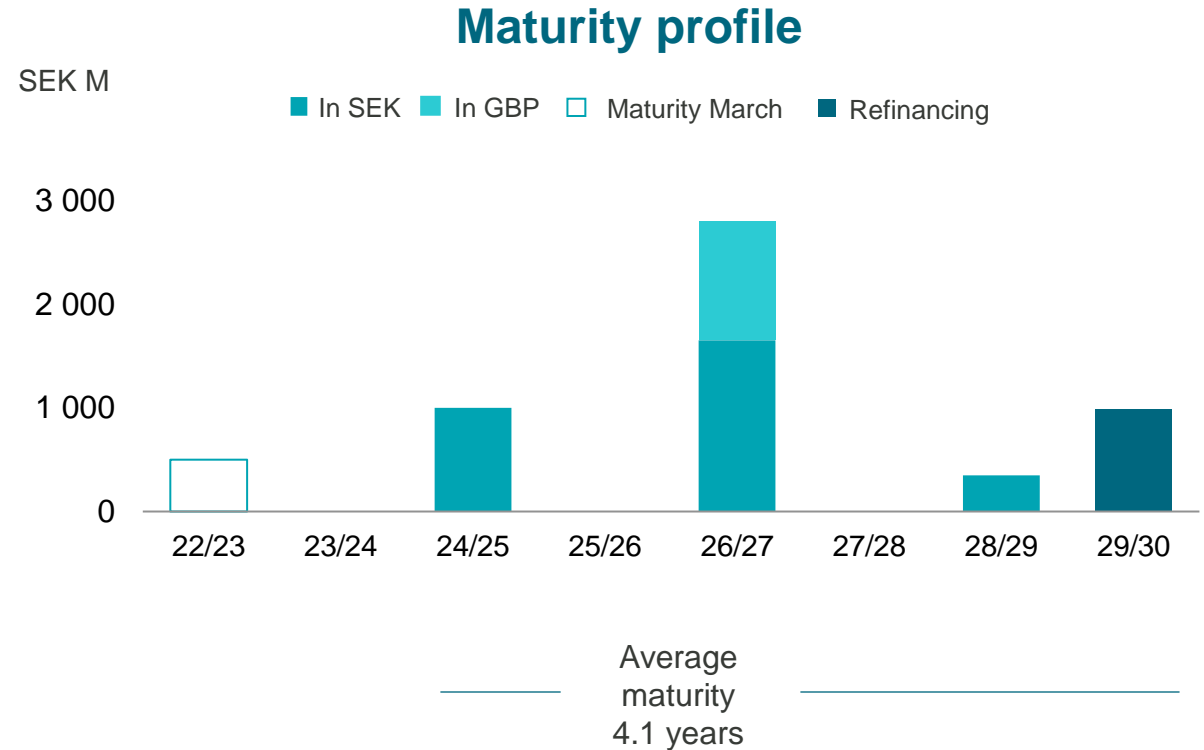
Net debt¹⁾/EBITDA ratio 1.46

Low refinancing risk

After Q3 closing refinanced SEK 500 M (maturity March 22/23) with SEK 990 M in 7 years tenor

Average **duration** of 3.3 years before refinancing and 4.1 years after refinancing

Available funds²⁾ of more than SEK 3.9 bn



Outlook

Outlook

- Uncertain macroeconomic environment continue to impact coming quarters
- Improved order backlog conversion supporting revenue growth
- Component shortages and inflation will remain, putting pressure on margins, whereas the Cost- reduction Initiative contributing positively
- Long-term market trends to support growth and investment in high-end radiotherapy equipment and margin expansion



Midterm outlook until 2024/25 unchanged

Net sales

>7%
CAGR
over period

EBIT margin


expansion
over period

Dividend policy

≥50%
of annual
net income

Summary Q3

- Demand for radiotherapy continued to improve in the quarter and supported our order growth.
- Managed the supply chain challenges well and strong order backlog conversion driving installation volumes and revenue
- The Cost-reduction Initiative is progressing according to plan, supporting profitable growth going forward.

We don't just build
technology,
We build **hope.**





Save the date:

**CMD June, 20
in Crawley, UK**

Q&A

