



# Elekta

Nordea Lunch Presentation  
October 6, 2015

Håkan Bergström  
*Chief Financial Officer*



# 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

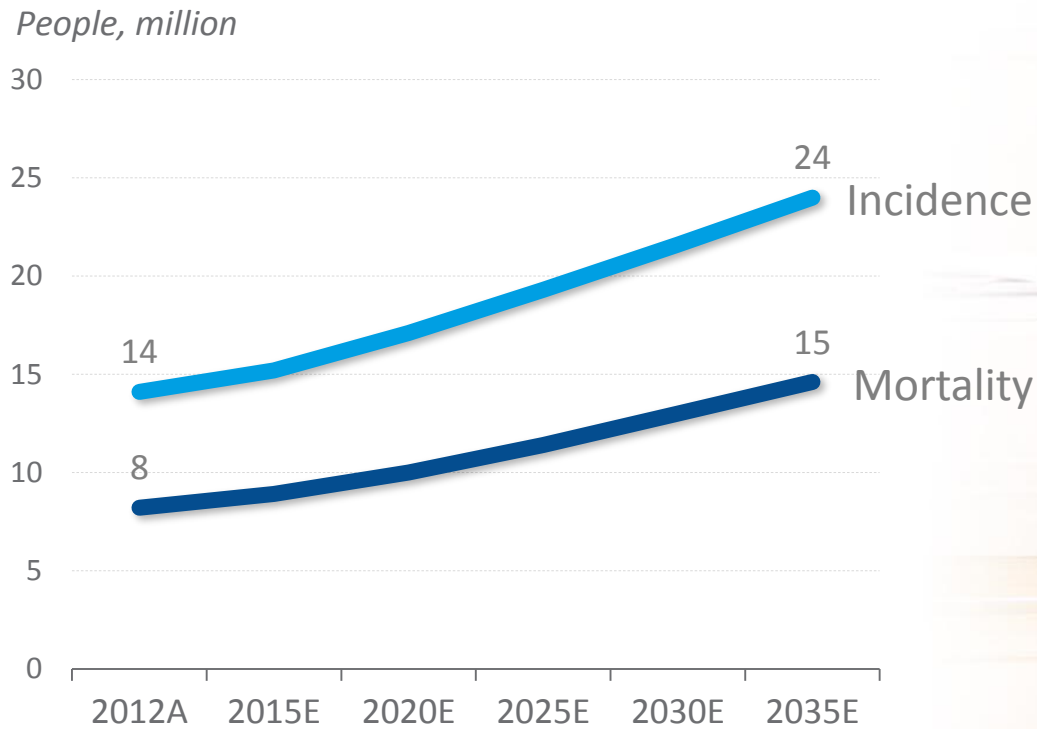
- **Executing** on financial turnaround

- 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,*



Today **33** million  
cancer patients  
worldwide  
(within 5 years of diagnosis)



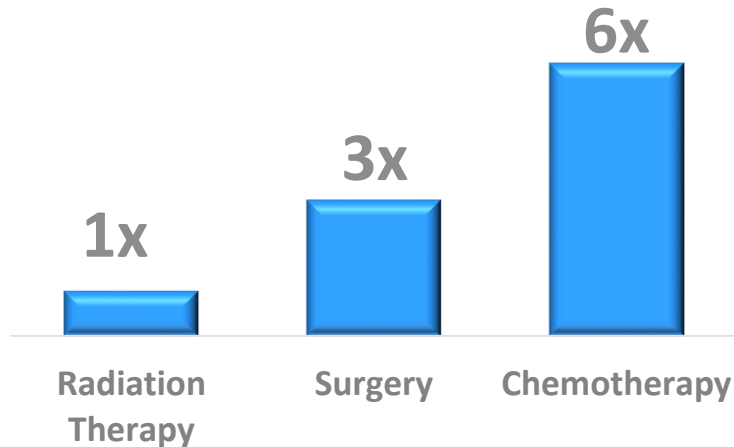
# Radiation therapy is currently recommended to be used to treat >60% of indications



# 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

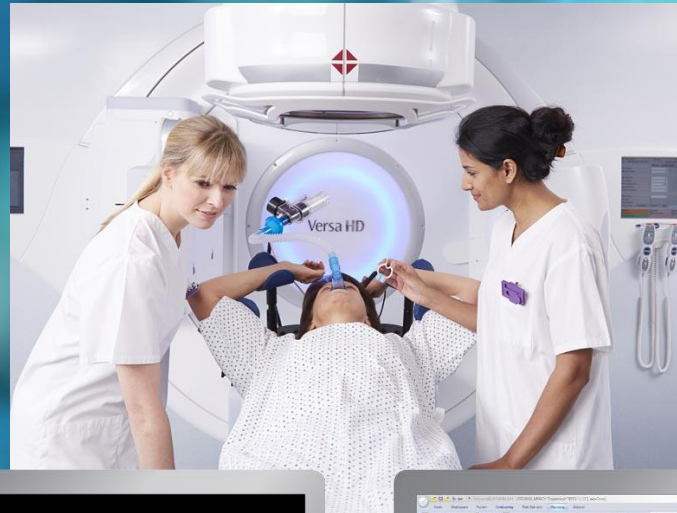
Example: Elekta Atlantic project; i) improve current treatments ii) new indications

# Elekta has a market leading portfolio of solutions



*Atlantic research program*

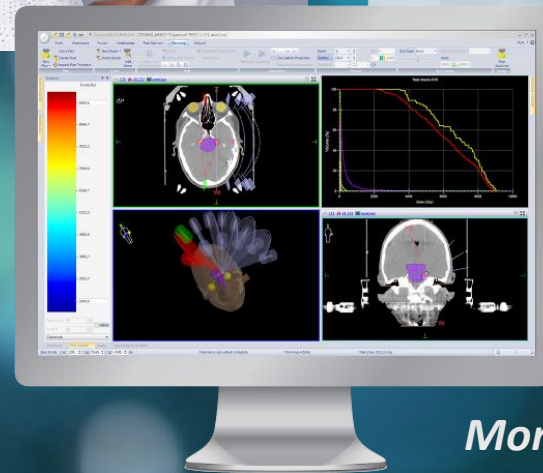
*Versa HD™*



*Leksell Gamma Knife® Icon™*



*MOSAIQ®*



*Monaco®*

# 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

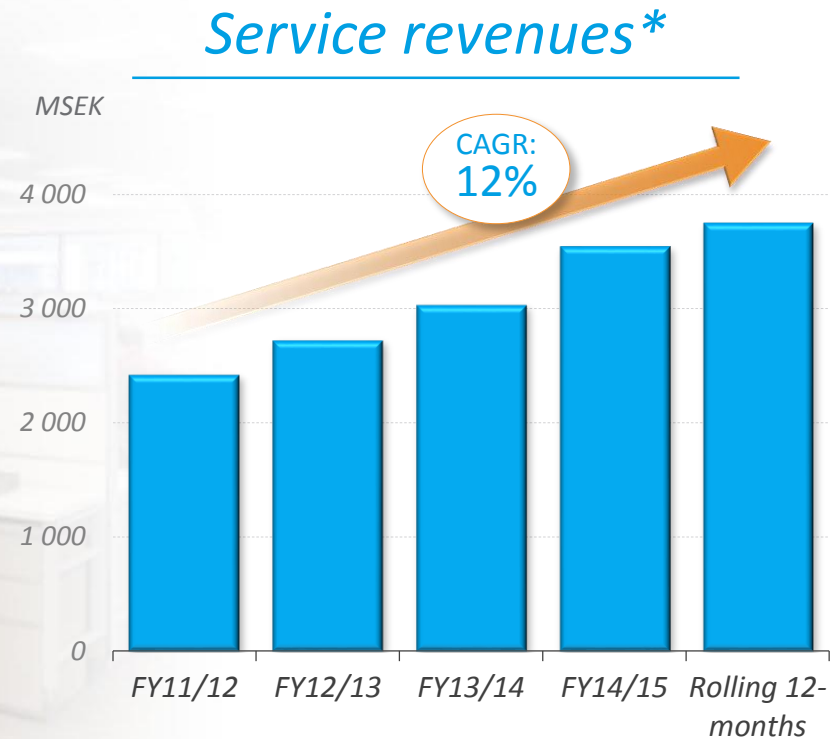
Current market  
growth

3-5%

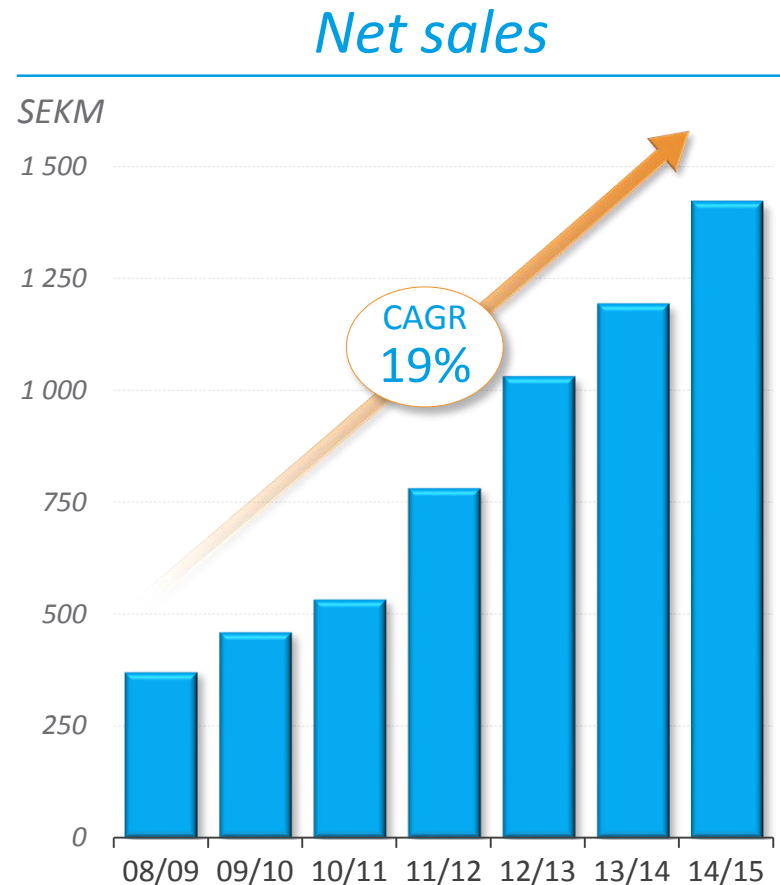


# Double-digit growth in service revenues

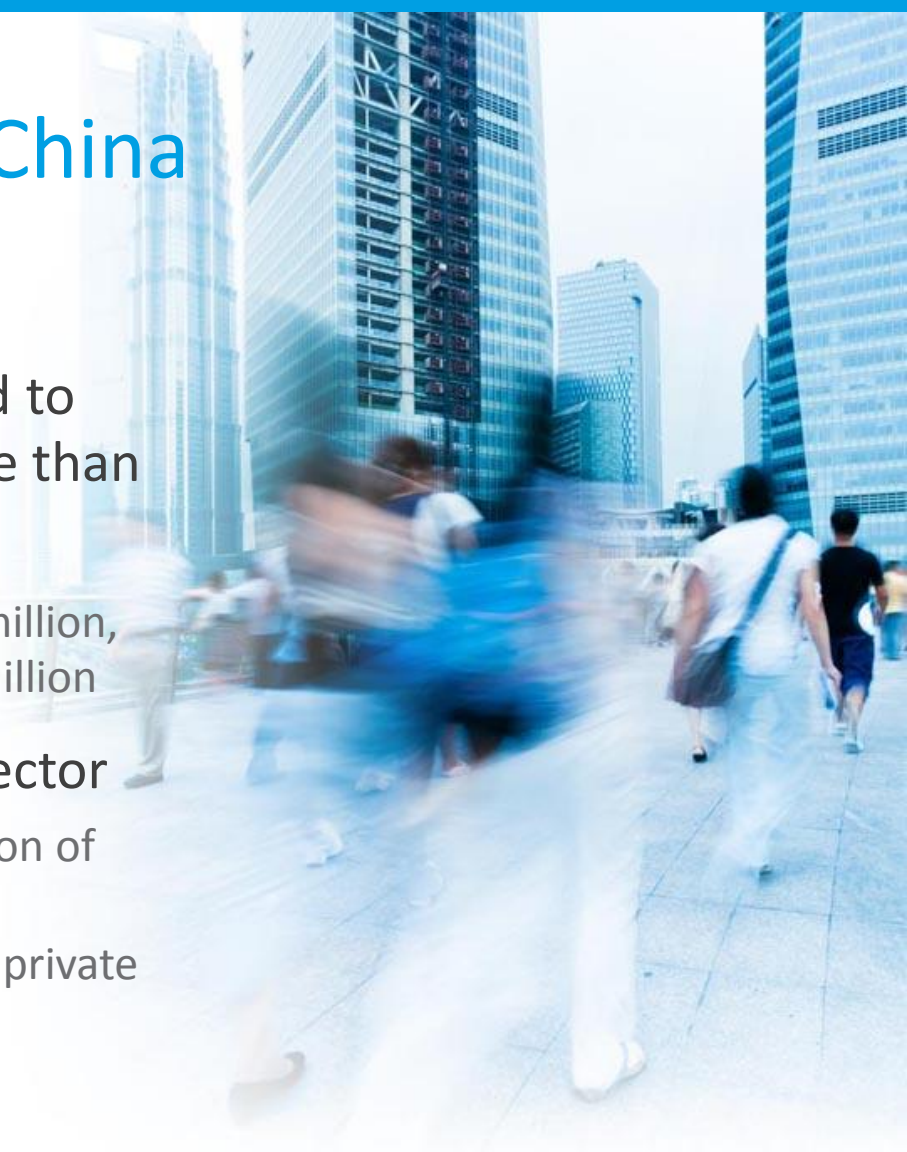
- Increased value in the customer offering
- Elekta care
  - Cost-efficient service concept
- Upgrades in software and services



# 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

Article published October 2 incl. Prof. Kevin Harrington, Clinical Lead, Royal Marsden:

“**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.”



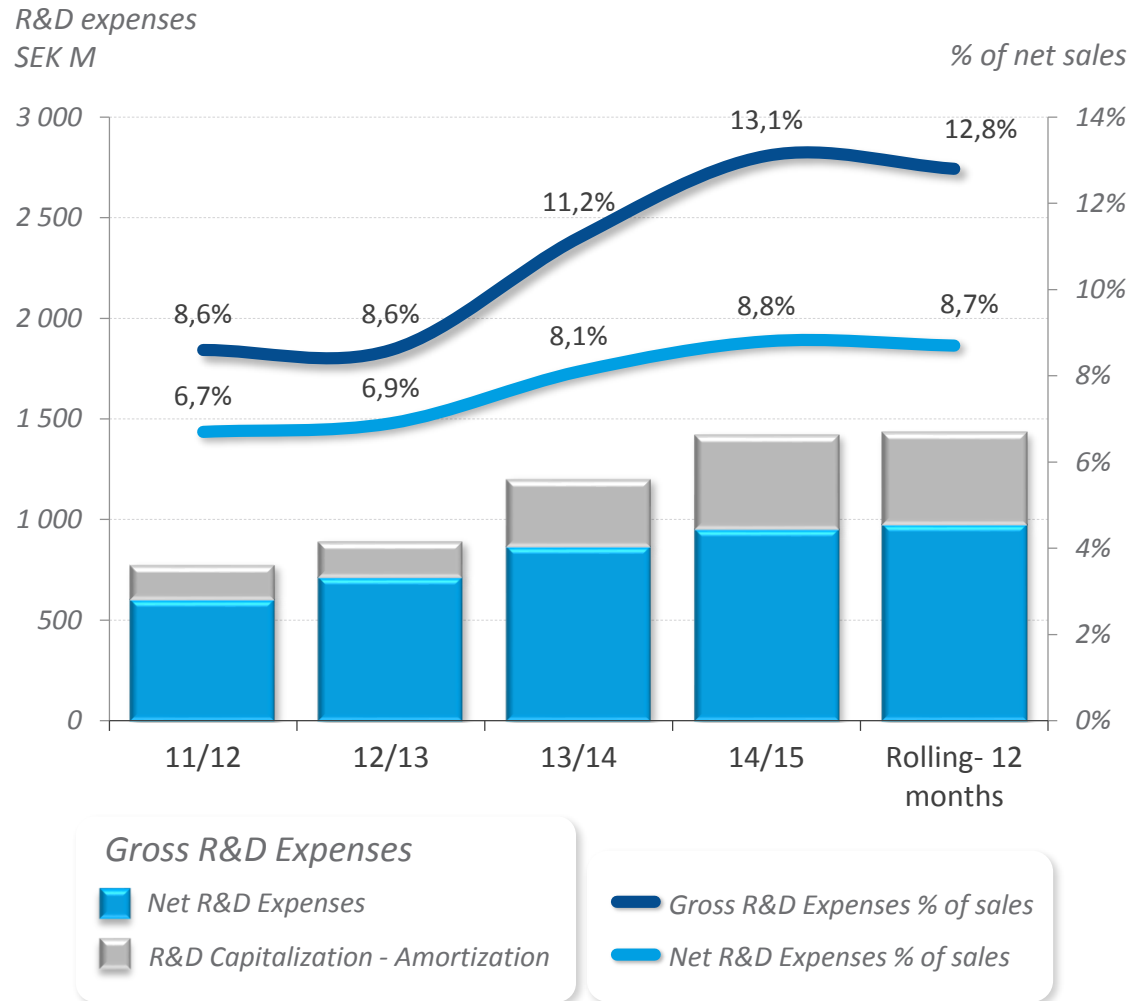
# Atlantic – project according to plan and on time

## *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

# 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**

## TARGET

EBITA-margin  
improvement of

**6 ppt**

until 2017/18

## TARGET

Lowering net working  
capital by

**200 MSEK**

with full effect 2016/17

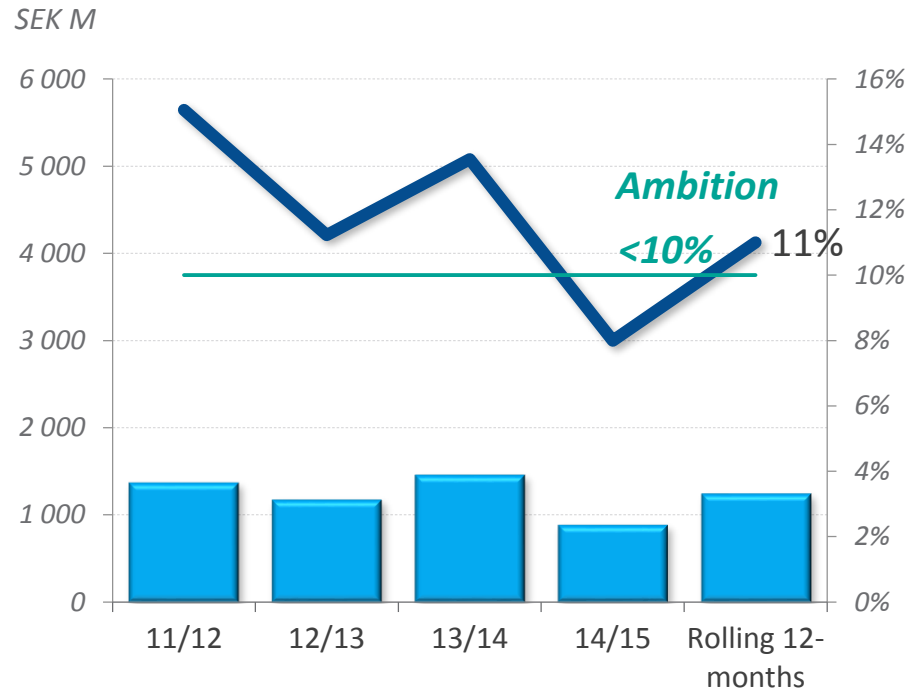
# Initiated efficiency programs

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



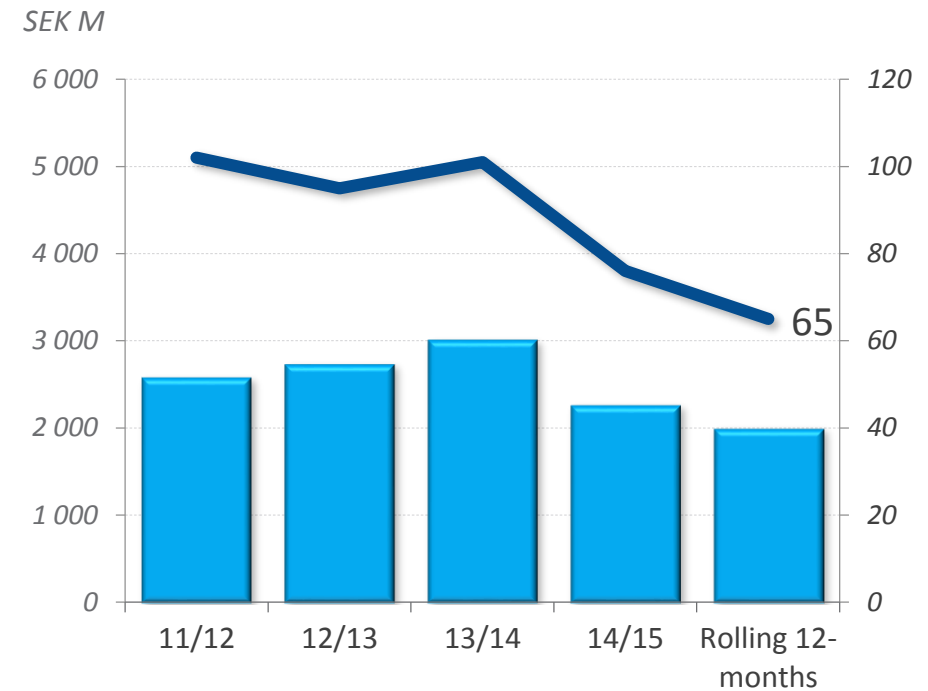
# Net working capital at 11% of net sales

## Net working capital / net sales



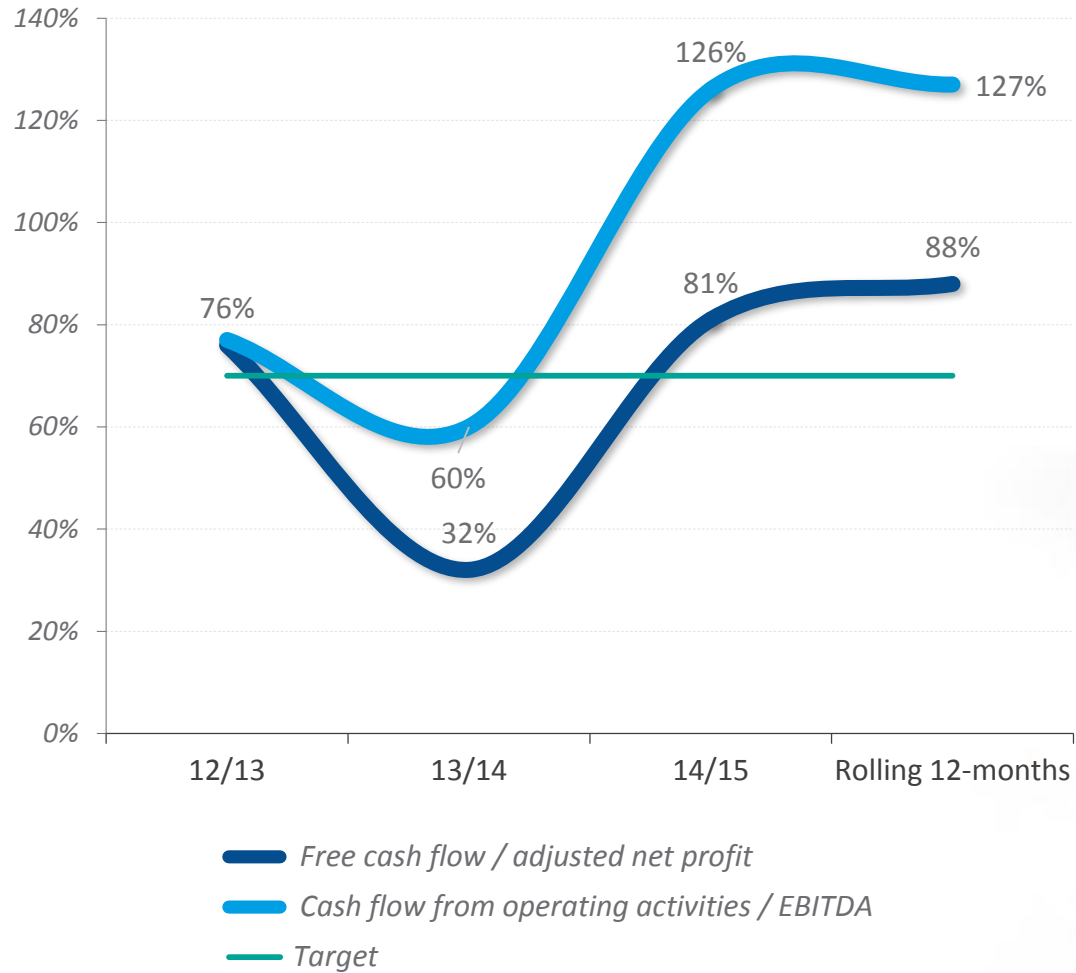
Inventory increase in Q1

## DSO\* development



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

