

WORKING OUR WAY TO EXCELLENCE

Elekta 2016
Capital Markets Day



Capital Markets Day June 9, 2016

13:30	Working our way to excellence	Tomas Puusepp, <i>President and CEO</i>
13:50	Market development and regional performance	Ian Alexander, <i>Chief Commercial Officer</i>
14:10	Driving margin expansion	Håkan Bergström, <i>Chief Financial Officer</i>
14:30	Q&A 20 min	
14:50	Coffee 20 min	
15:10	Innovation for growth and improved cancer care	John Lapré, <i>Chief Technology Officer</i>
15:30	MR-linac – the clinical perspective	Dr. Stella Mook, <i>Radiation Oncologist, UMC Utrecht</i>
16:00	Q&A 15 min	
16:15	Introduction to Elekta's new President and CEO	Richard Hausmann, <i>President and CEO as of June 10</i>
16:35	Q&A 10 min and concluding remarks	



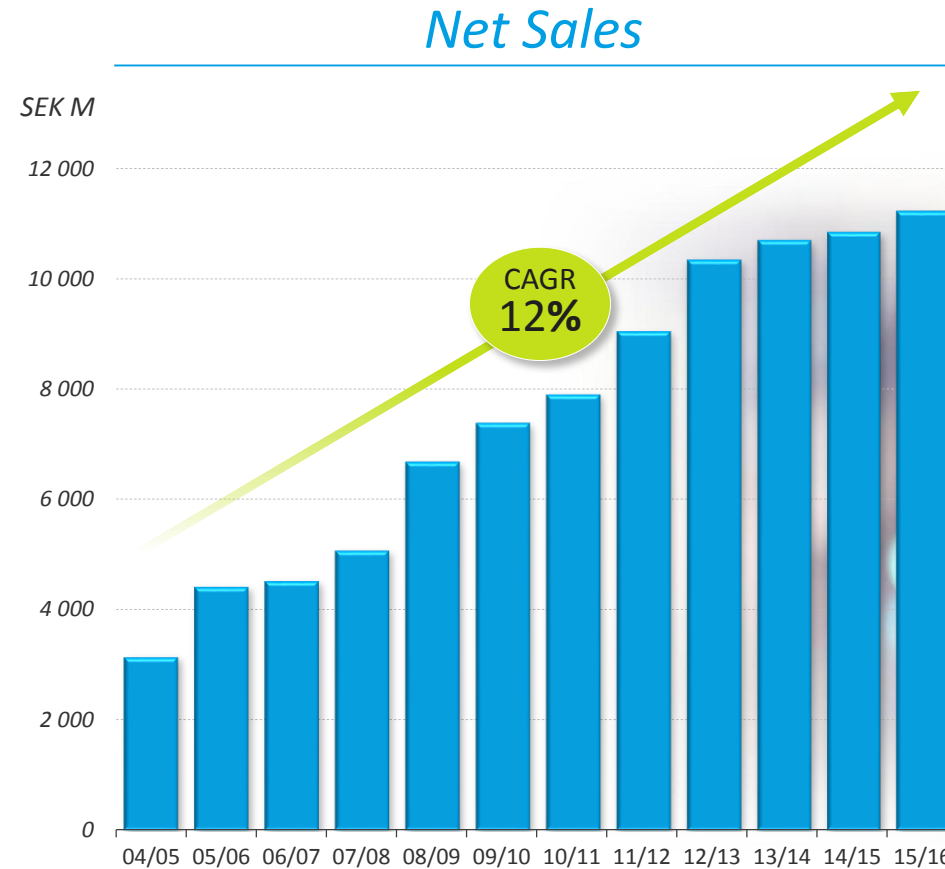
Elektä 2016 Capital Markets Day

Tomas Puusepp
President and CEO



Priorities since 2005

- Innovation leadership
- Growing scale
- Transformation



Innovation leadership - leading portfolio of recently launched solutions

Image guided radiation therapy



Versa HD™



Leksell Gamma Knife® Icon™

SEK 9 bn
invested
since 2005

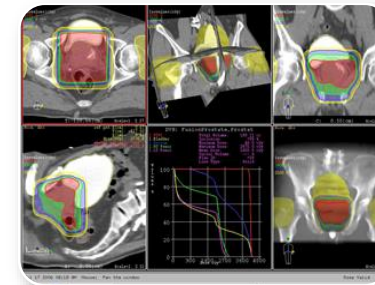
Technologies



Agility



VMAT

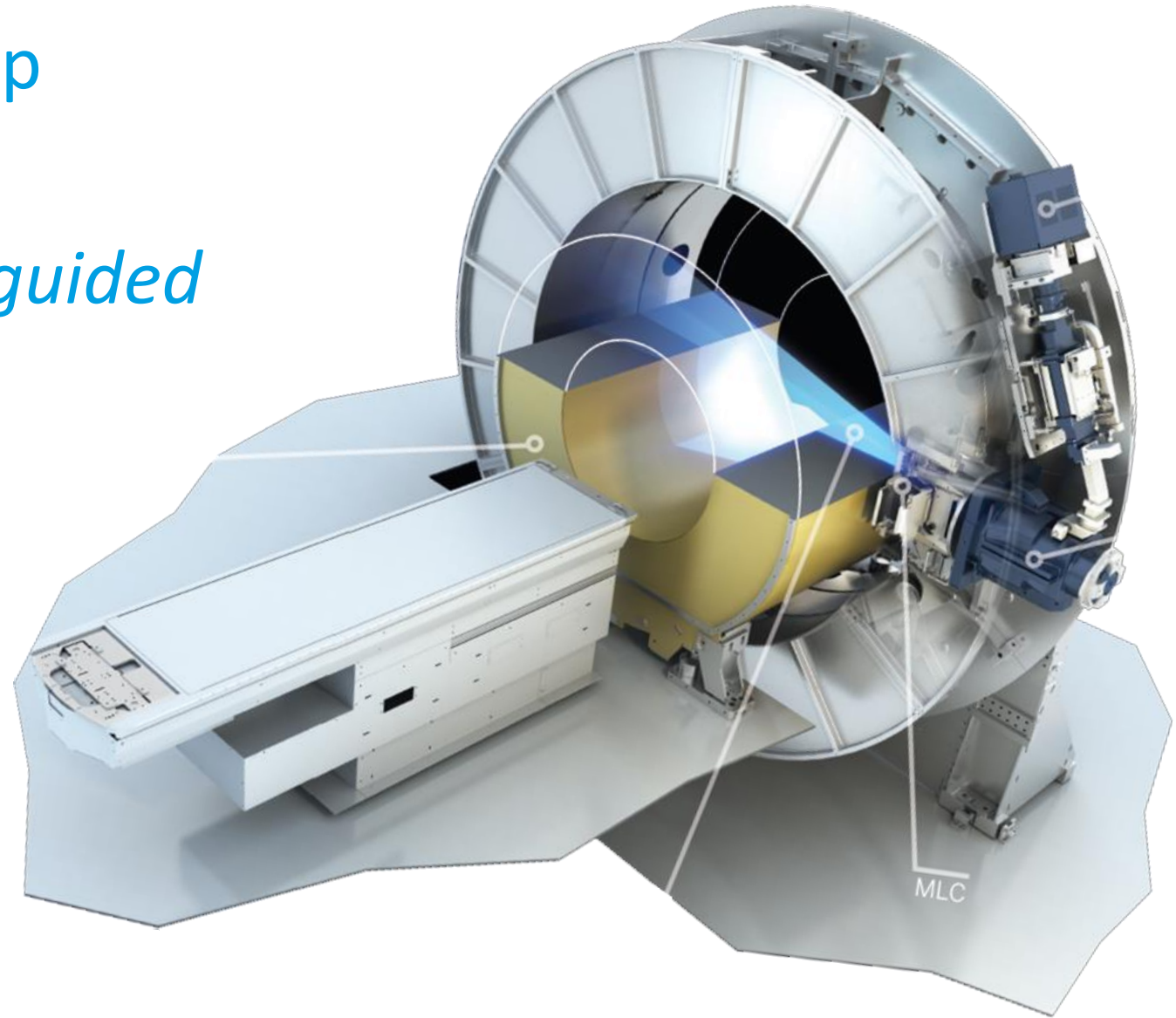


TPS and OIS

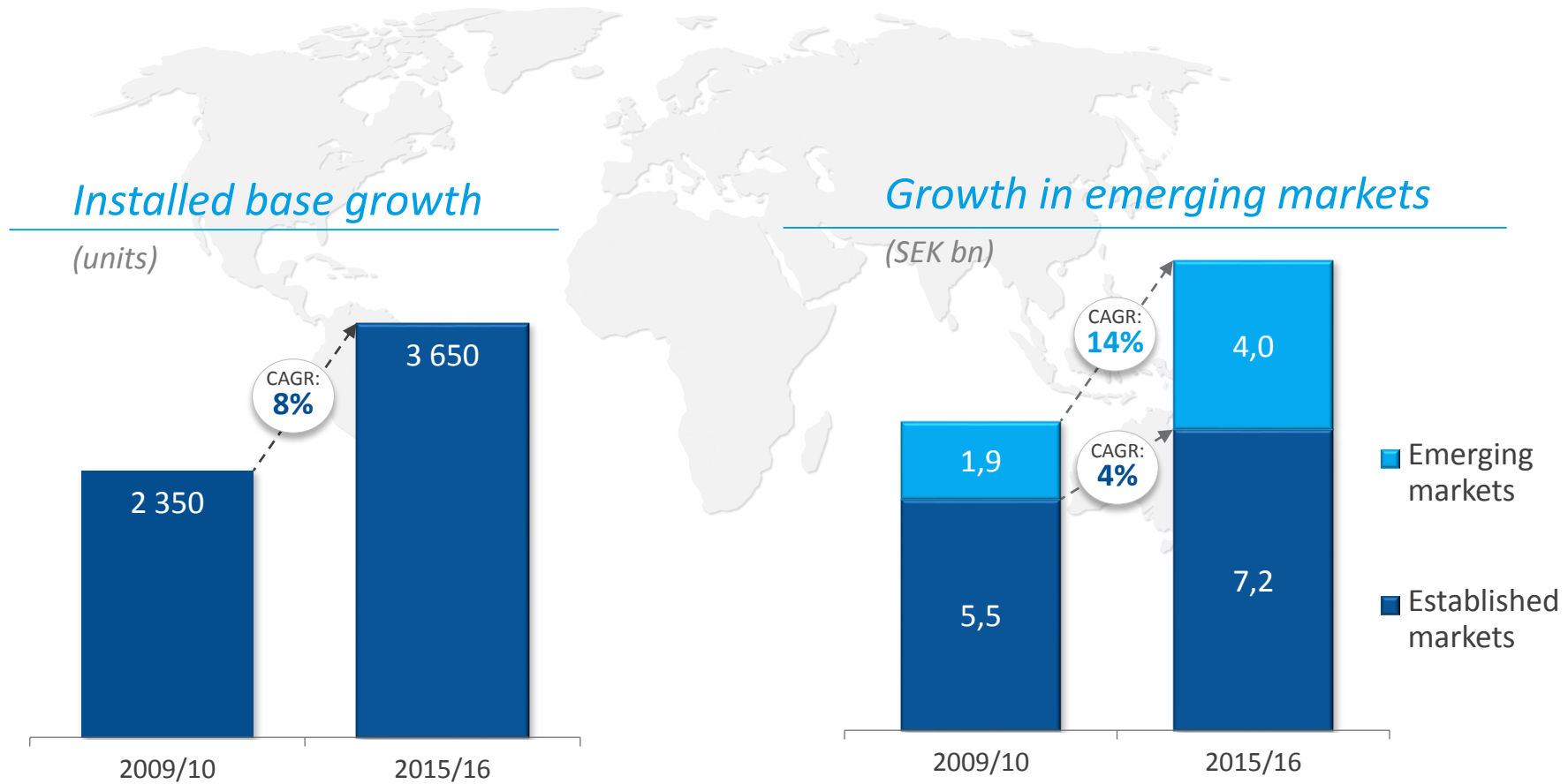
Innovation leadership

*Next step in Image guided
radiation therapy:*

MR-linac



Growing scale - installed base growth and No. 1 in emerging markets



Transformational and strategic acquisitions



Transformation program launched one year ago

- Leaner company
- Improved financial performance
- Focus on high growth areas:
service, software and
image guided radiation therapy



Results and targets for the transformation program

EBITA margin target of

20%

FY 2017/18

Net working capital

<5%

of net sales

Cost saving target

SEK 700 M

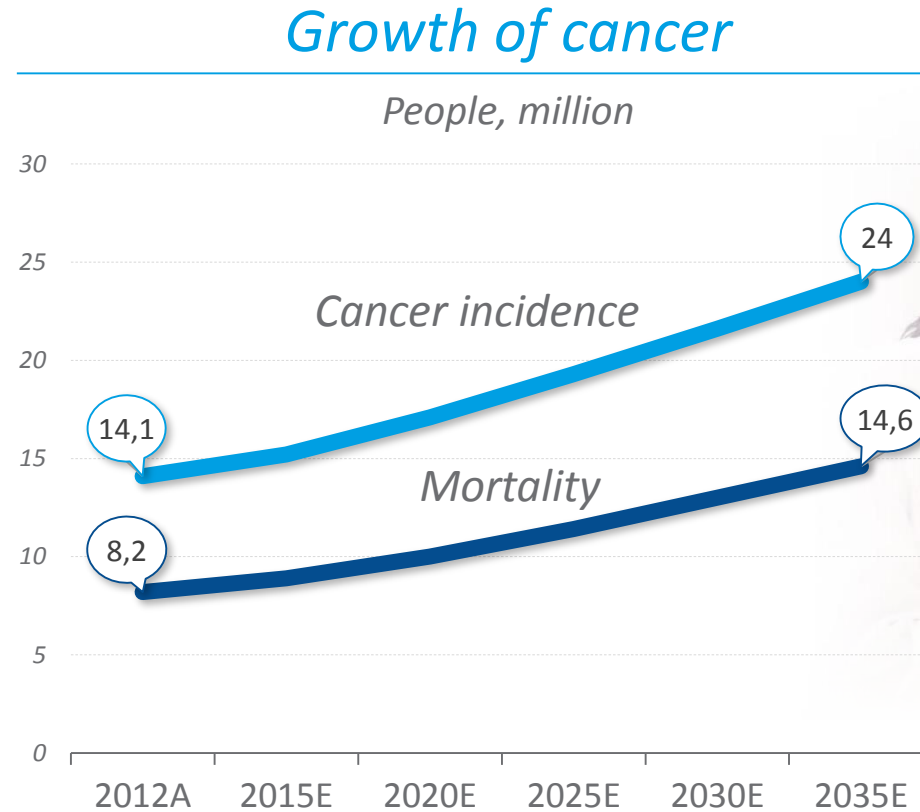
SEK 200 M in
realized savings

The most common causes of death...



Growing need for cost-efficient cancer care

Currently there are
33 million
people
living with cancer
(within 5 years of
diagnosis)



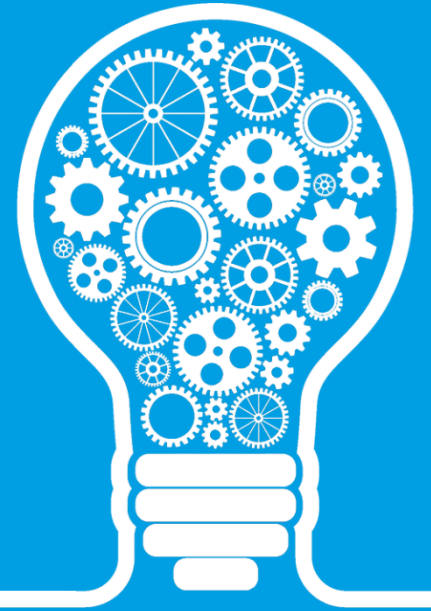
Well positioned in attractive market

Well positioned
in long-term
growing market

Strong product
offering and leading
innovation portfolio

Transformation
program on track
driving operational
excellence

*Working our way
to excellence*



Market development and regional performance

Ian Alexander

Chief Commercial Officer



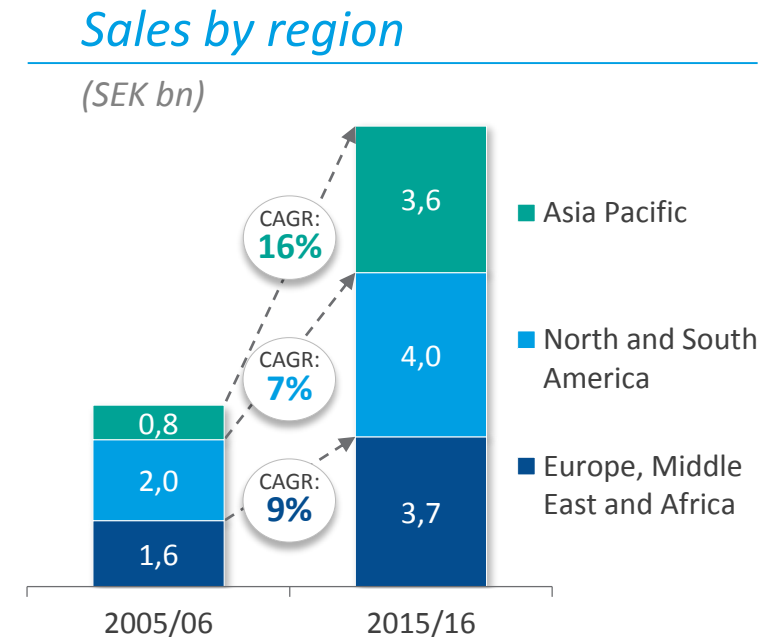
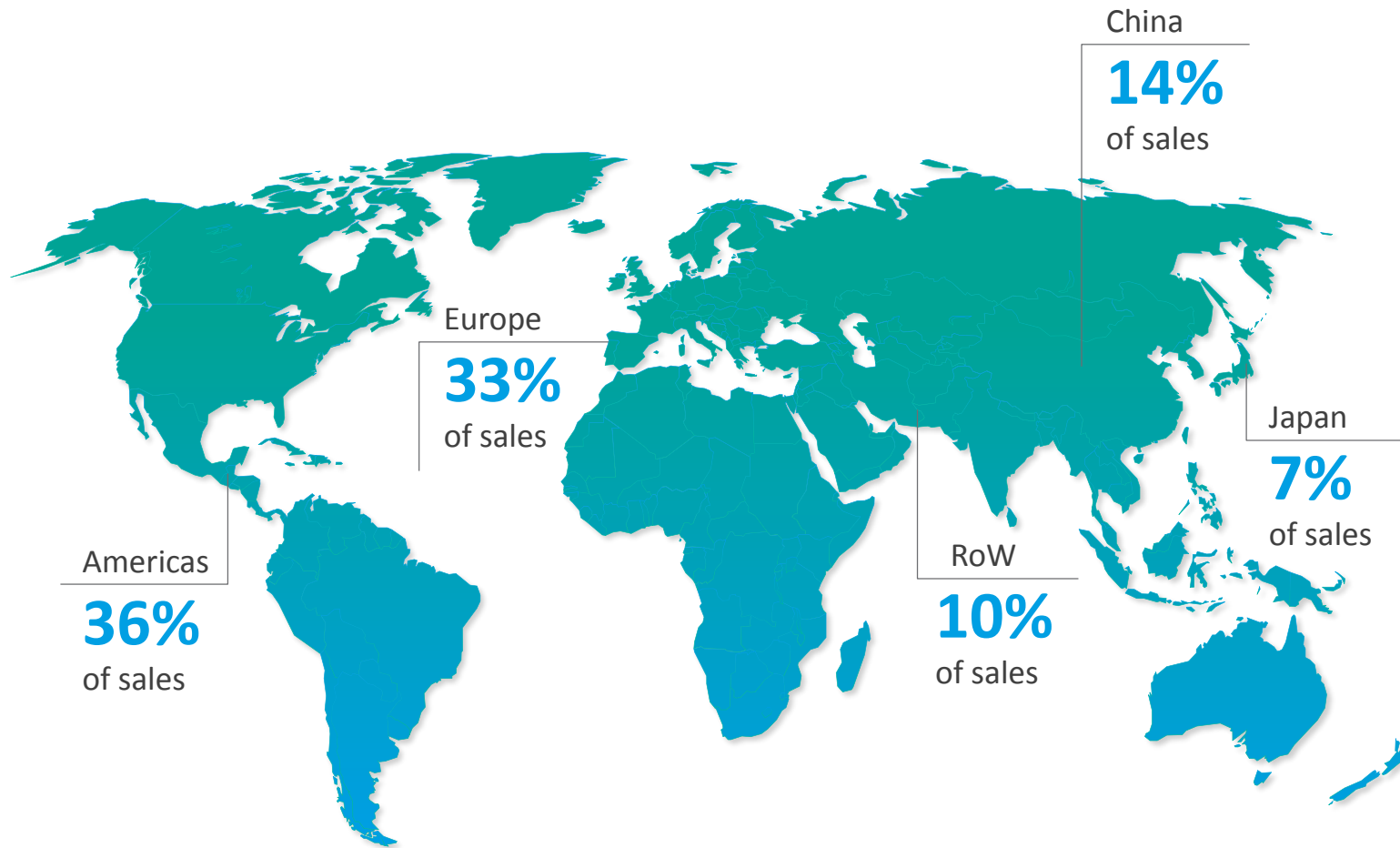
WORKING OUR WAY TO EXCELLENCE

**GROWING
SCALE**

INNOVATION
LEADERSHIP

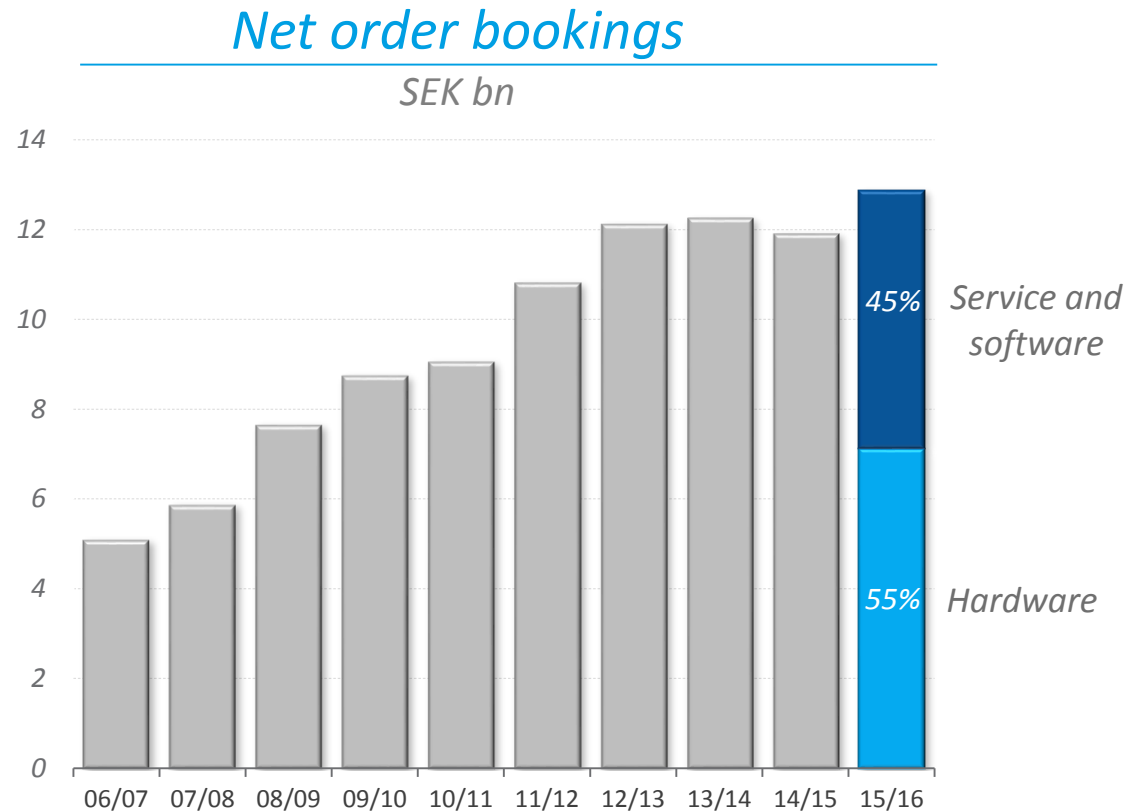
EXECUTING
TRANSFORMATION

A diversified revenue base with business in >100 countries



Commercial organization of 2,000 people

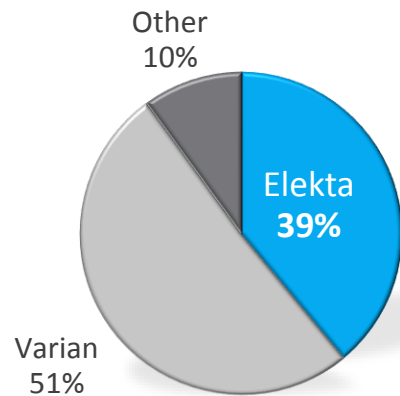
Good momentum in order bookings



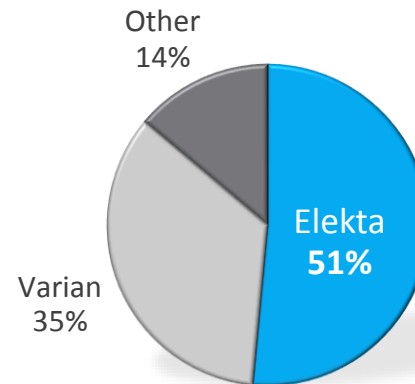
- Large strategic wins in all regions
 - MD Anderson in US
 - HCG in India
 - Genesis Care Australia/Europe
 - Medicana in Turkey
 - NHSSC and Leeds in UK
- Orders for Leksell Gamma Knife® improved in Q4
- Good growth in service in all markets

Elekta's new orders for linear accelerators exceed the share of the installed base

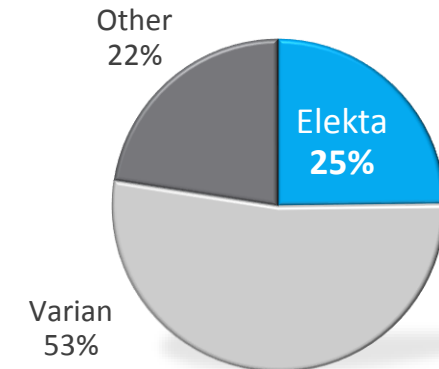
Total orders



Orders to new clinics and new bunkers



Total installed base



Unmet market need of >10,000 units

Elekta's market opportunities

Modernization,
replacements
in established
markets

Service and
aftermarket sales

Highly competitive
product portfolio

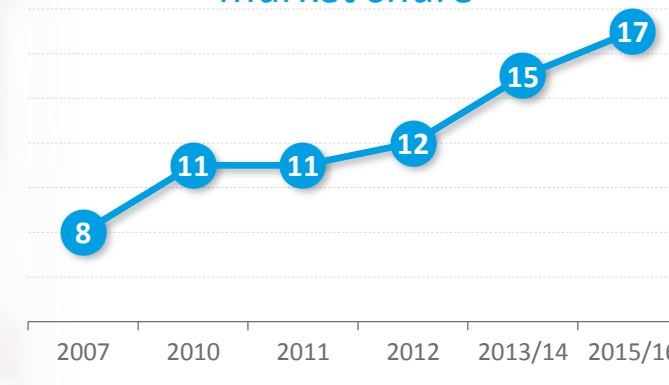
Cost-efficient and
holistic solutions
to new markets

Regional performance

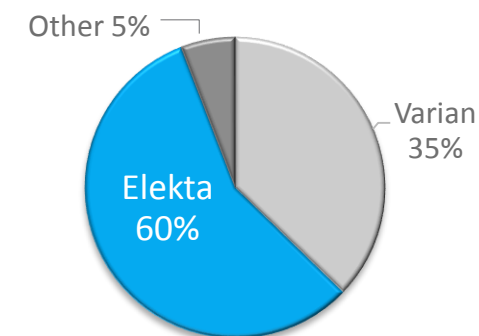
A mixed bag of growth and challenges

- North and South America
 - US: strategic wins, growth in service
 - Challenging economic conditions in South America
- Europe, Middle East and Africa
 - Capacity expansion in Western Europe
 - Strategic wins across many markets
 - Continued development in Middle East and Africa

Elekta US linac installed base market share*



Share of order bookings in EMEA

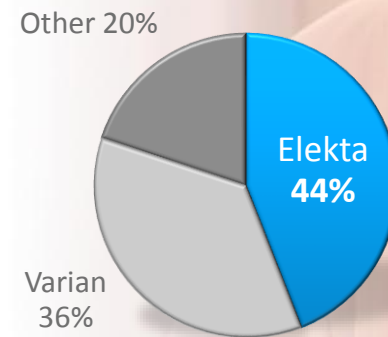


Regional performance

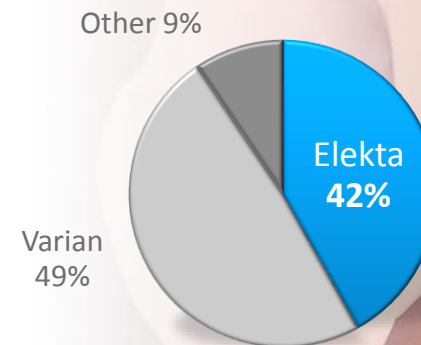
Continued potential in China and Asia Pacific

- China offers huge long-term expansion
 - Strong product portfolio and supply chain
 - Continued growth in Oncology
 - Early wave of installs now approaching replacement point
 - Emergence of private market
 - Regulatory environment
- Market share gains in Asia Pacific
 - Japan: slow market, gaining share
 - India: good growth in sluggish market
 - Rest of Asia: growth from low levels

China order bookings



Asia Pacific order bookings



Market dynamics improving



Market development (indication)

North America		<i>Replacement market. Hospital consolidation</i>
South America		<i>Challenging conditions in Brazil</i>
Western Europe		<i>Pent-up demand and private initiatives</i>
Eastern Europe & Middle East		<i>Markets depending on the economy recovering</i>
China		<i>Growth, but lower than historic levels</i>
Japan		<i>Stabilization on relatively low levels</i>
Asia Pacific		<i>Challenging market conditions in near term</i>
Global service		<i>Good growth from increased installed base</i>

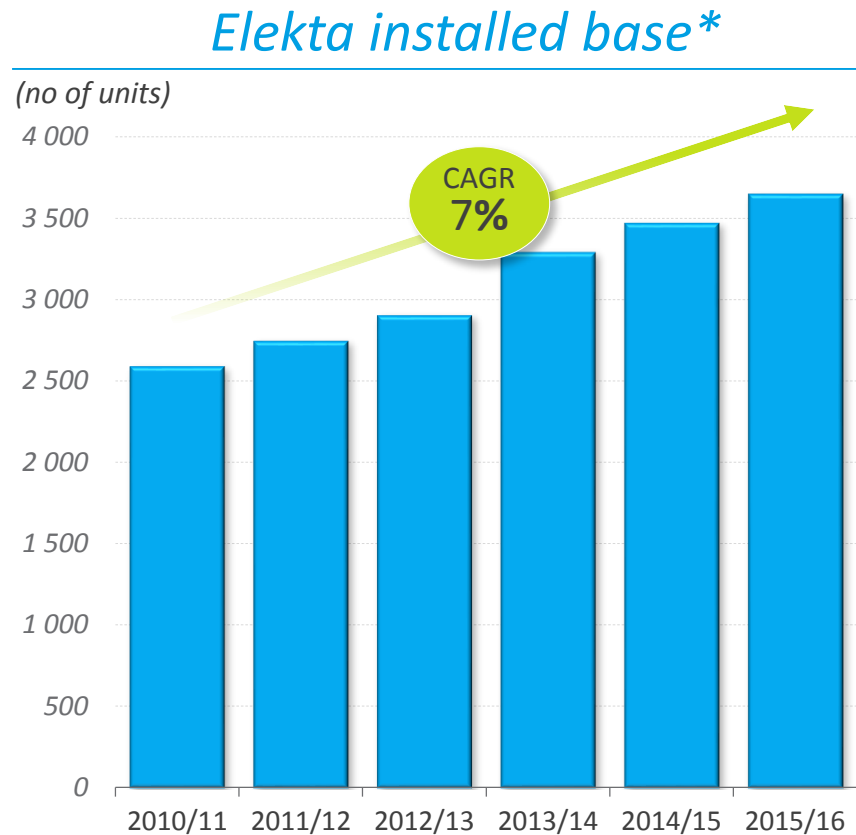
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GROWING
SCALE

INNOVATION
LEADERSHIP

EXECUTING
TRANSFORMATION

The installed base - the platform for service and aftermarket revenue growth



- High share of hardware sales to new centers
- Loyal customer base with over >85% retention
- Growing scale will continue

Business model: large opportunity in recurring revenue

USD 2 M



- Field service
- Remote service
- Software license
- Upgrades

USD +2-3 M



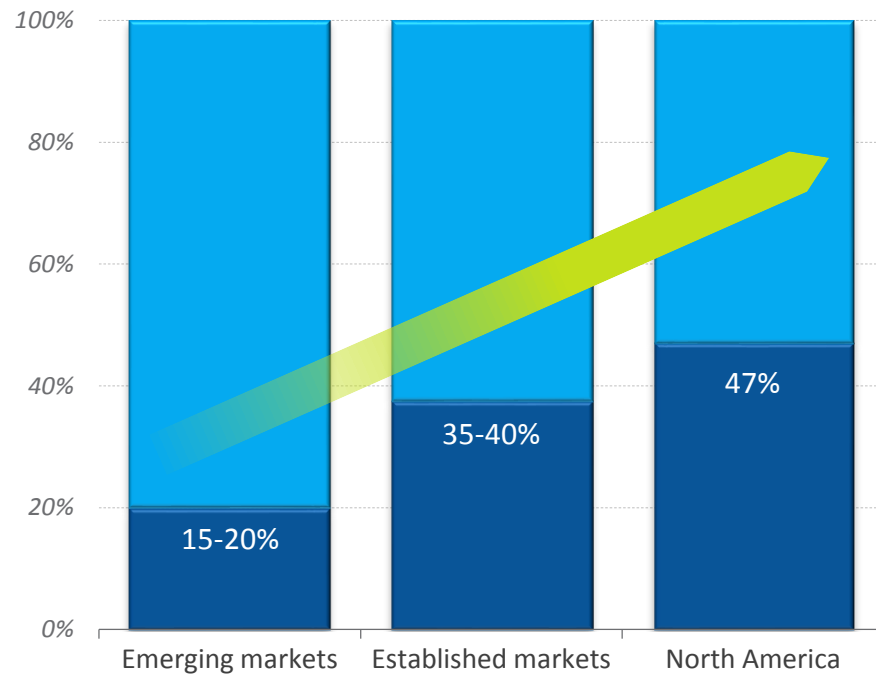
Including:

- Software
- Installation
- Training
- Service

Significant potential to expand the service business

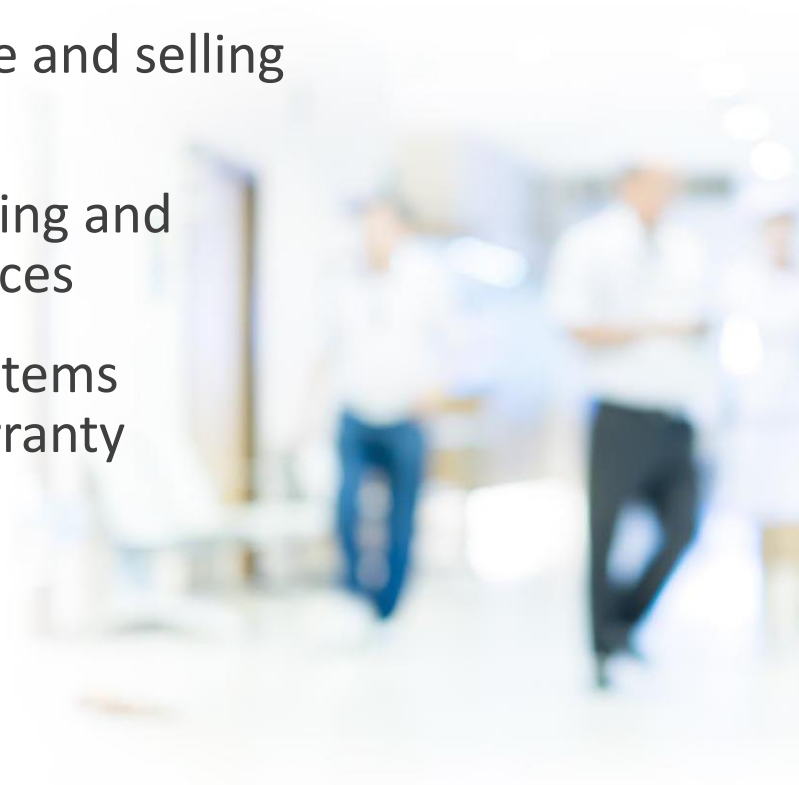
Service share of total revenues

(FY 2015/16)



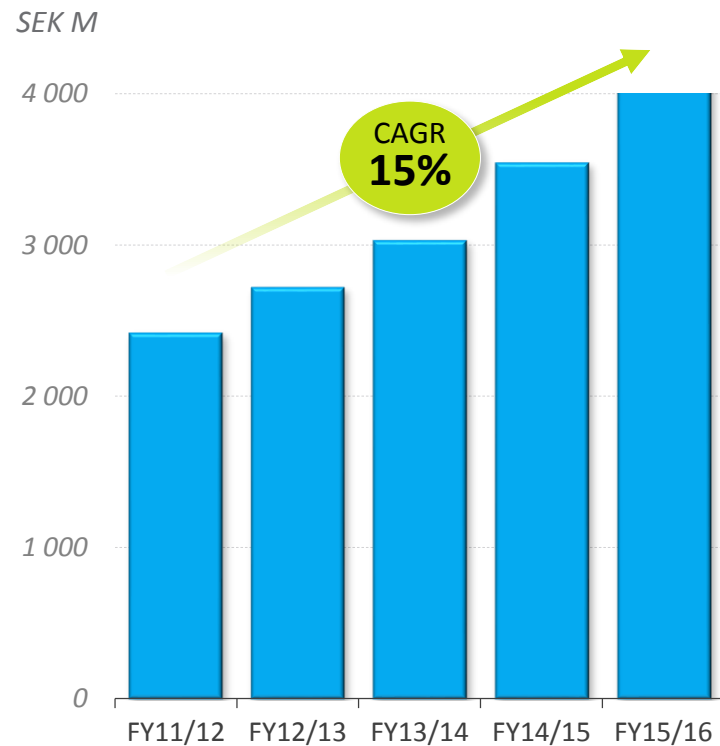
- Focused on service and selling upgrades
- Alignment in offering and expansion of services
- New hardware systems coming out of warranty

■ Other
■ Service revenues



The service business enables margin expansion and stable recurring revenues at limited capital investment

Service revenues



Service contract for a linear accelerator

(example)

One year contract with automatic renewal.
Typical life-time for a linear accelerator is
~10 years

Growth drivers: installed base, focused sales,
upselling



Elekta Care Silver

Elekta Care Gold

Elekta Care Platinum

Innovative portfolio

Leksell Gamma Knife® Icon™



Venezia™



Esteya®



Versa HD™



MOSAIQ®



Monaco®

*MR-linac
– research program*



Drive sales effectiveness and topline growth

Driving sales
and marketing
focus on topline
growth

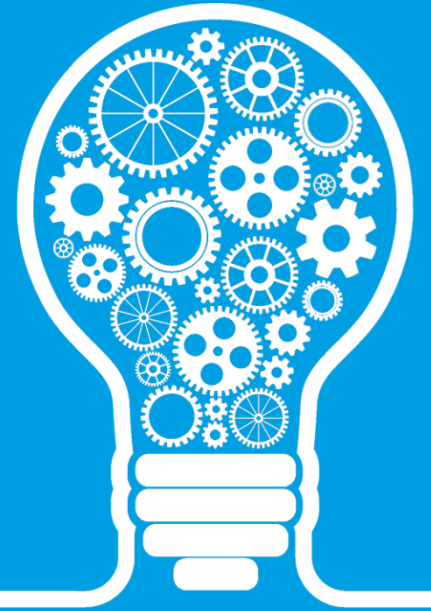
Excellence
in customer
satisfaction

Accelerating
service business
growth

Large complex
customer
solutions

Commercialization
of MR-linac

*Working our way
to excellence*



Driving margin expansion

Håkan Bergström
Chief Financial Officer



WORKING OUR WAY TO EXCELLENCE

**EXECUTING
TRANSFORMATION**

Cost savings

Process
improvements

Cash flow

Initiated efficiency programs

Announced in June 2015



Executing transformation

Benchmark against best practices

WE REDUCE THE COST BASE

- Travel, consolidation of sites, reduced office space and rent
- Procurement – skills and structured processes
- Innovation – prioritization and pruning

WE IMPROVE OUR INTERNAL PROCESSES

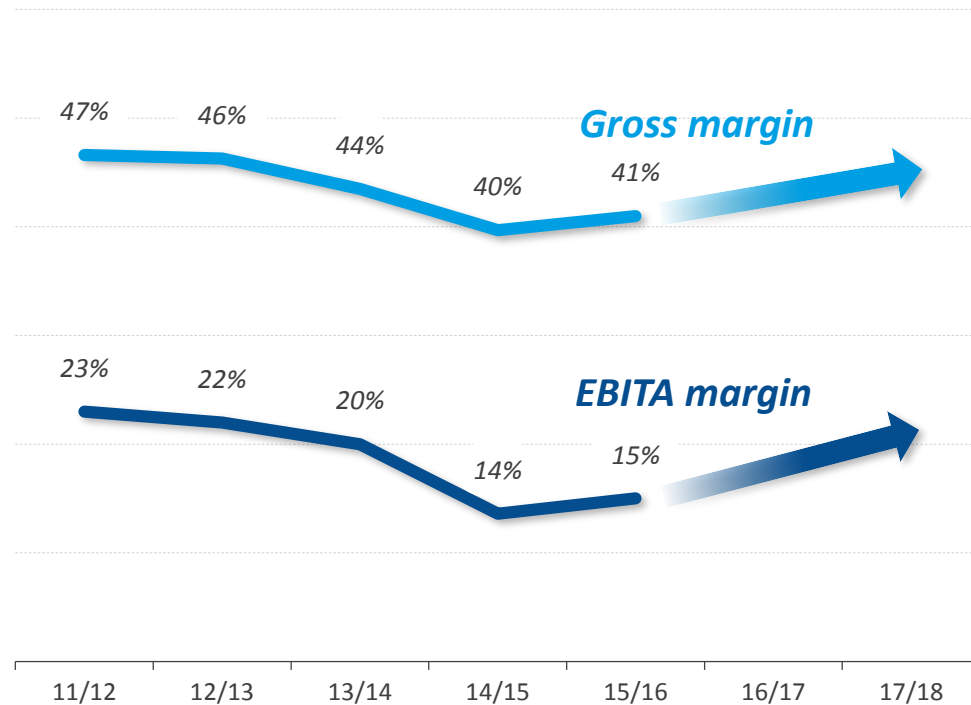
- Produce to order
- Credit risk management
- Working capital and cash flow

WE AIM AT INCREASED VISIBILITY

- Net sales
- Backlog
- Cash flow

The ambition is to improve EBITA margin to 20%

Margin development



Transformation program targets

EBITA margin of **20%** by 2017/18

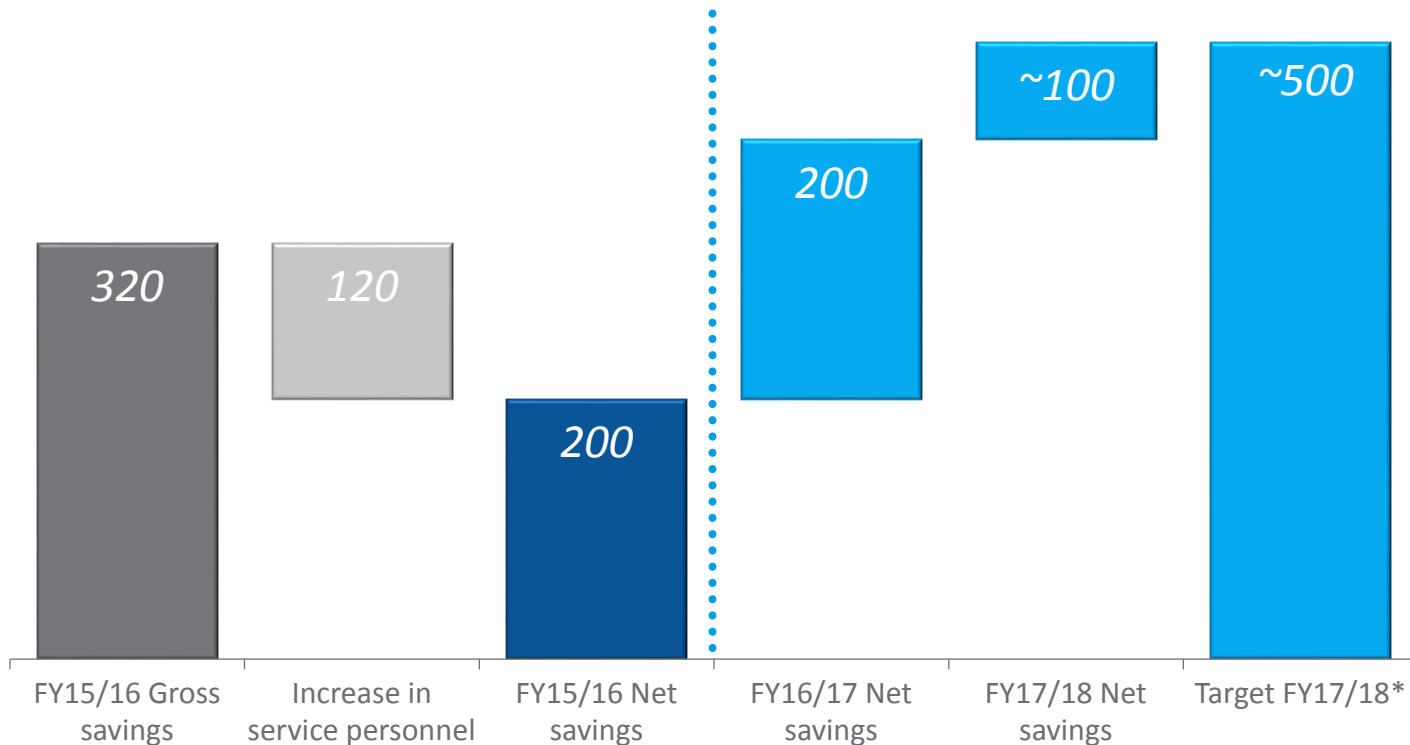
Cost reductions of
SEK **700*** M
(OPEX 500 + COGS
200)
with full effect
2017/18

Net working capital
to sales below
5%
by 2016/17

Produce-to-order
with one-off
negative revenue
impact of
SEK **500** M
in H1 2016/17

On track to reach the target of SEK 500 M in OPEX-savings

Accumulated expense reduction, SEK M



Leaner and more efficient operations

Lean administration

Shared service center

Prioritization of R&D projects

Consolidation of marketing

Scale/geographic footprint

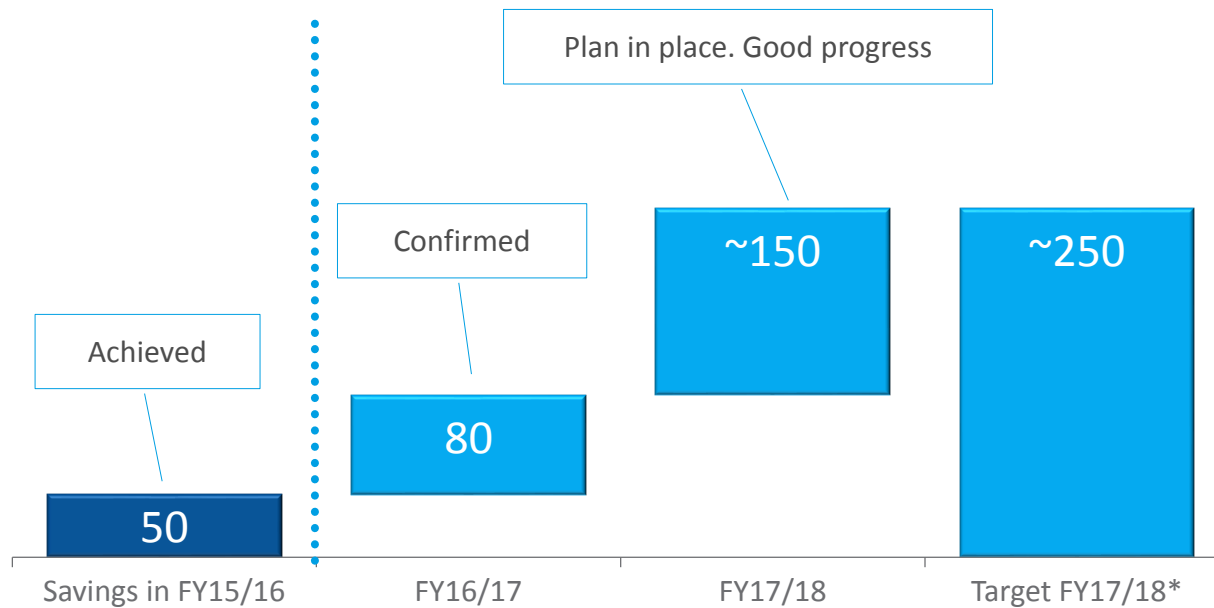
Margin improvement from reduction in expenses

<i>Functions</i>	<i>2014/15</i>	<i>2017/18 target</i>
Manufacturing	3.2%	2.5%
Service	13.3%	13.5%
Sales*	10.0%	9 %
Admin	9.6%	7 %
R&D Net	8.8%	9 %
<i>R&D Gross</i>	<i>13.1%</i>	<i>10 %</i>
Total (of sales)	45%	~41%

* Excluding bad debt

...and to reach COGS reductions of SEK >200 M

Accumulated COGS savings, SEK M



Process - Best practices

Cost analysis

Supplier economics analysis

Value chain analytics

Structured RFQ process

Operational excellence: produce to order process

Announced in March 2016

“Historically we have accepted to take orders late in a quarter and ship in the same quarter. To manage these shipments we have pre-produced equipment.”



In Q1 FY 2016/17 we have changed this practice – now we produce to customer order without allowing for pre-produced units

Outcome

“The change will result in a temporary lower production and shipment volumes during H1 2016/17.”



One-off negative revenue impact of SEK 500 M in H1 2016/17

Shorter project lead-times – improved efficiency with reduced receivables and accrued income

“Minimized risk of having finished goods in inventory and a reduced need for components in inventory.”



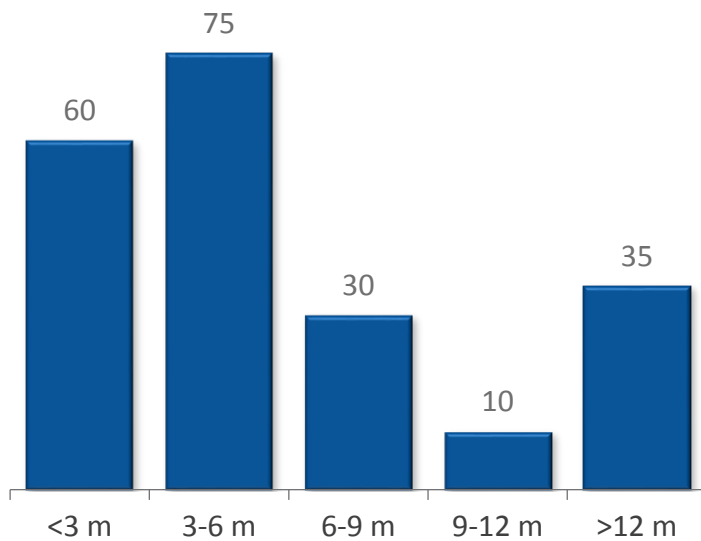
Inventory will be reduced with additionally approximately SEK 200 M from current levels

Operational excellence: Produce-to-order process

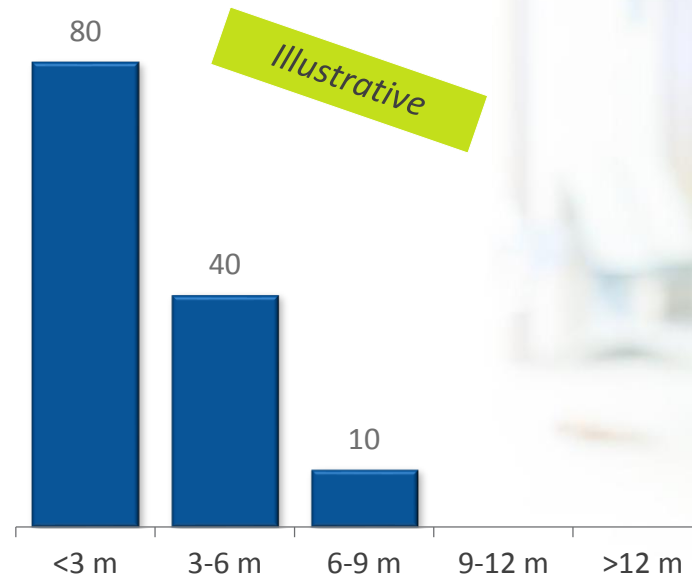
Linac installation lead time to be reduced

PROJECT INSTALLATION PLAN – AFFECTING WORKING CAPITAL

Current: 210 projects



Future: shorter lead time

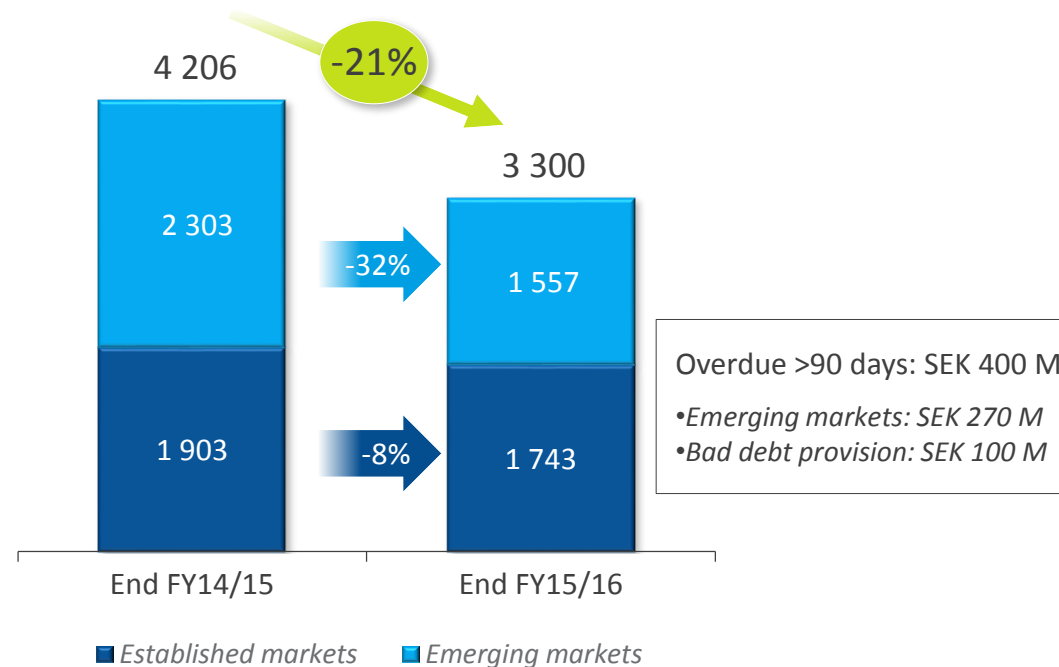


Reduced
accrued income
expected

Reduction of outstanding receivables

Accounts receivables

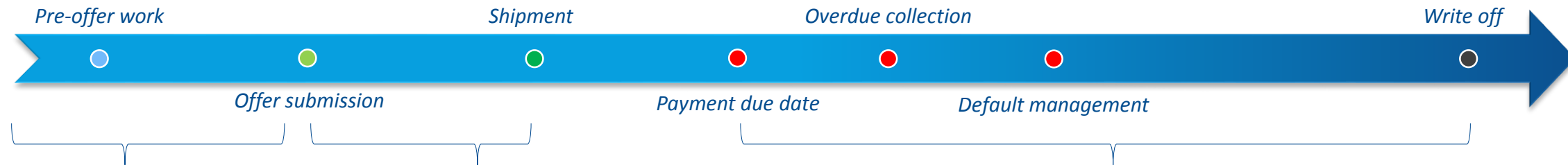
SEK M



Risk perspective

- Customer, project risk – credit process
- Country risks
 - Iraq
 - Brazil
 - Russia
- Distributor risks - due to macroeconomic problems

Credit management– standardized processes



ORDER PHASE

- Approval needed for all projects with payments terms >180 days
- Development of financing solutions for customers
- Negotiation with customer and with financial partners
- Ensure that contract reflects the agreed exposure

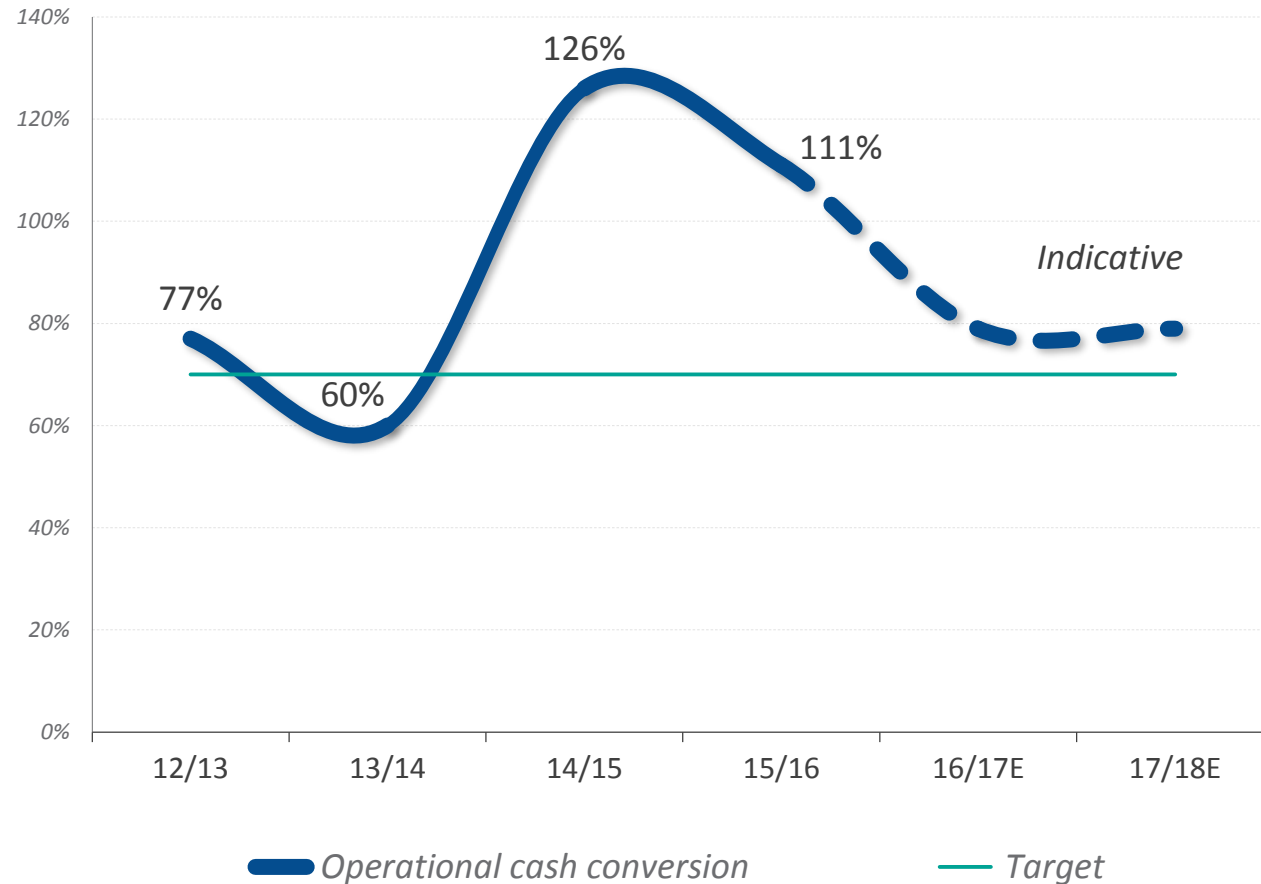
PRE-SHIPMENT PHASE

- Financial check pre-shipment for risk projects
- LC creation, approval and confirmation. Guarantee issuance
- Well established cooperation with external financial partners

COLLECTION PHASE

- Group policy for overdue receivables management
- Work out committee calls on weekly basis for all outstanding overdue >60 days and >100 000 SEK
- Default management phase
 - Credit manager drives/supports in default management

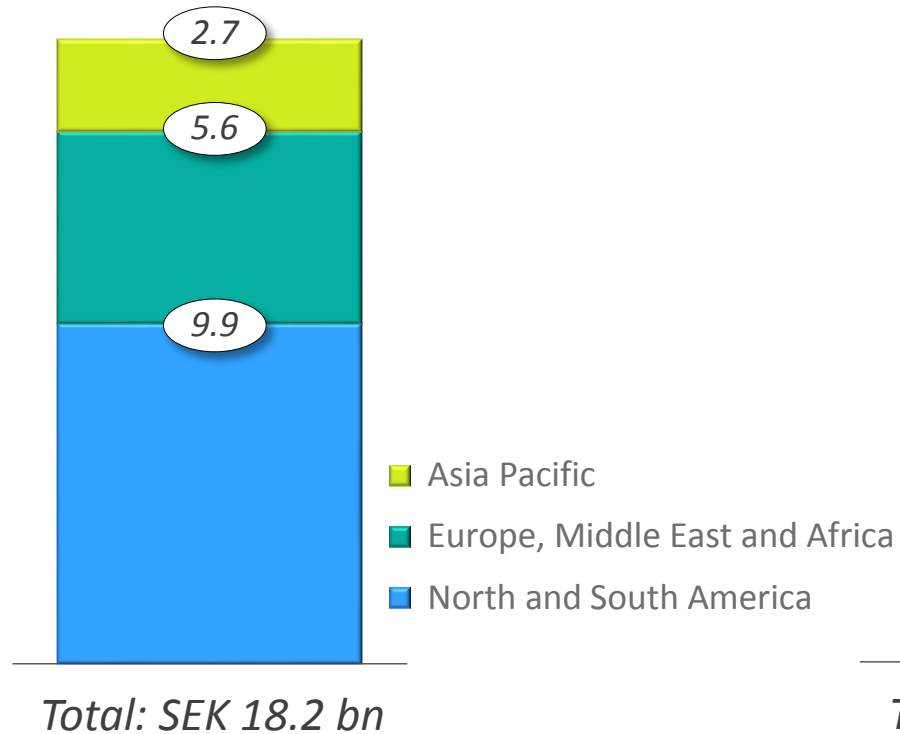
Cash conversion - target > 70%



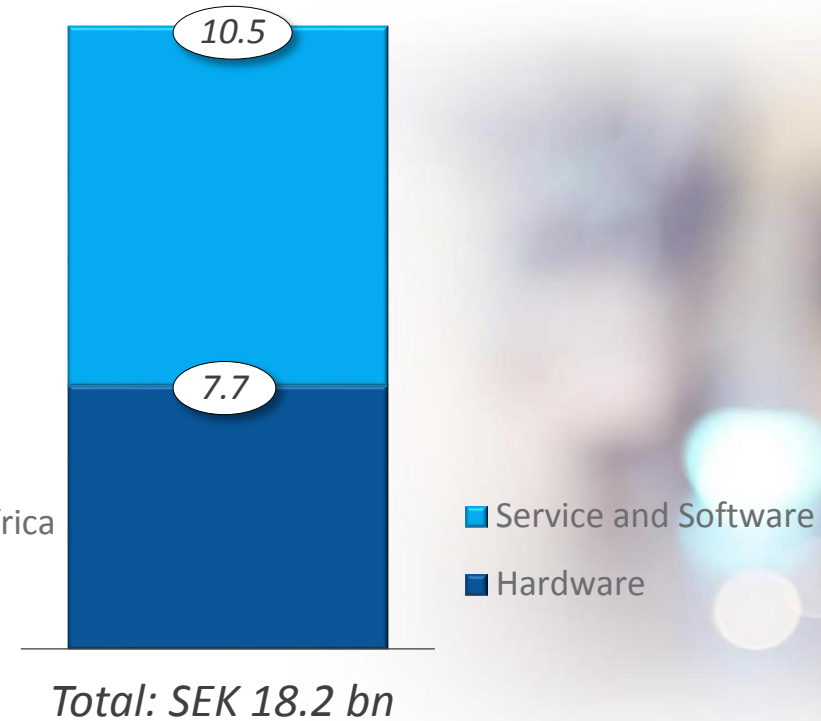
- Transformation program
- Lower R&D investments
- Tangible capex of ~ 2%

Order backlog going into FY 2016/17

Order backlog per region



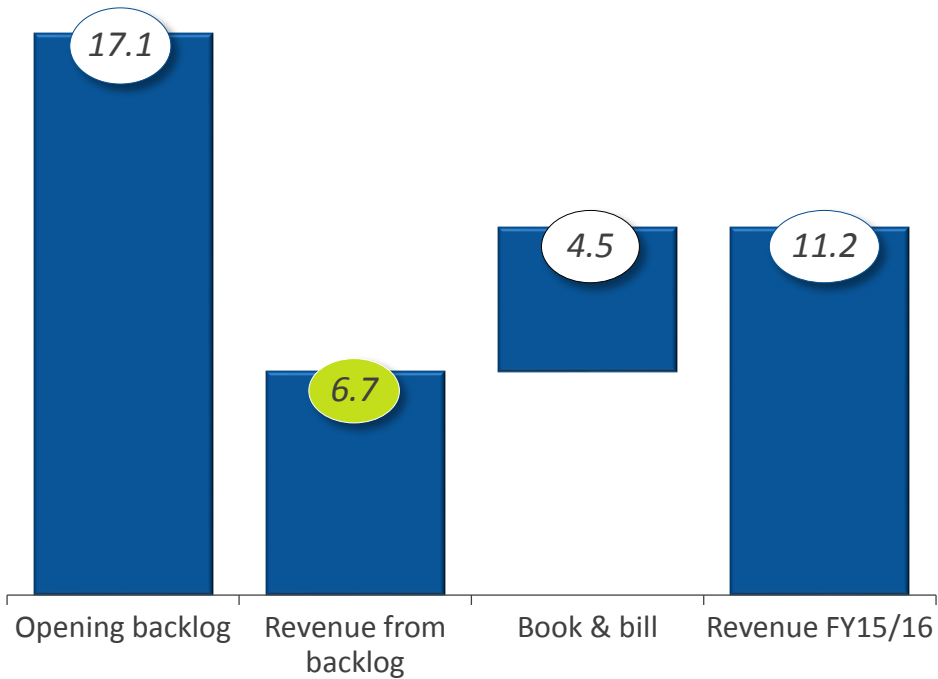
Order backlog per product area



Visibility of revenue - from order backlog

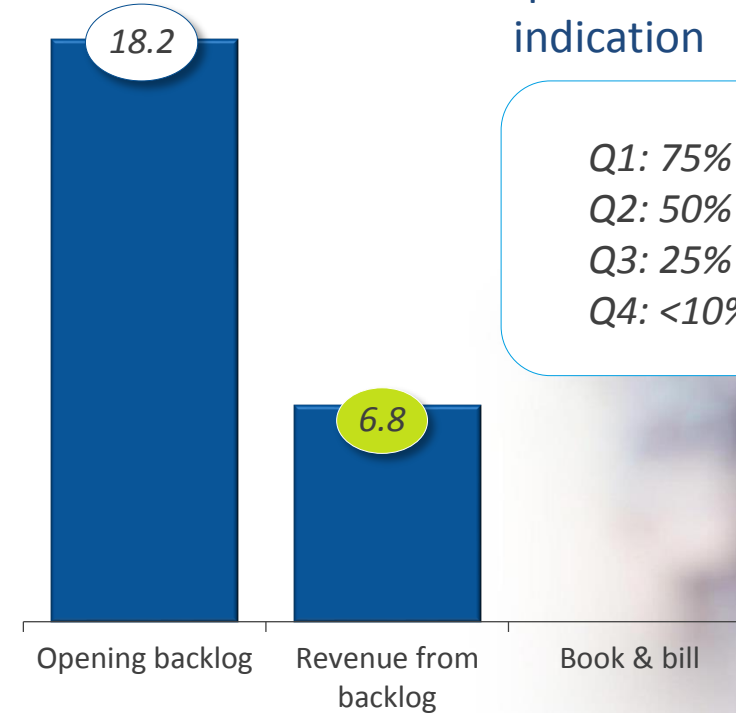
2015/16

(SEK bn)



2016/17

(SEK bn)



Book and bill in % by quarter – historic indication

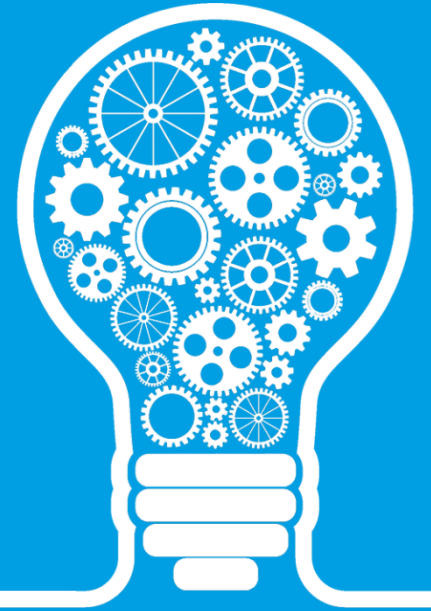
*
 Q1: 75%
 Q2: 50%
 Q3: 25%
 Q4: <10%

Initiated efficiency programs

Announced in June 2015



*Working our way
to excellence*



Innovation for growth and improved cancer care

John Lapré

Chief Technology Officer



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GROWING
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Create value

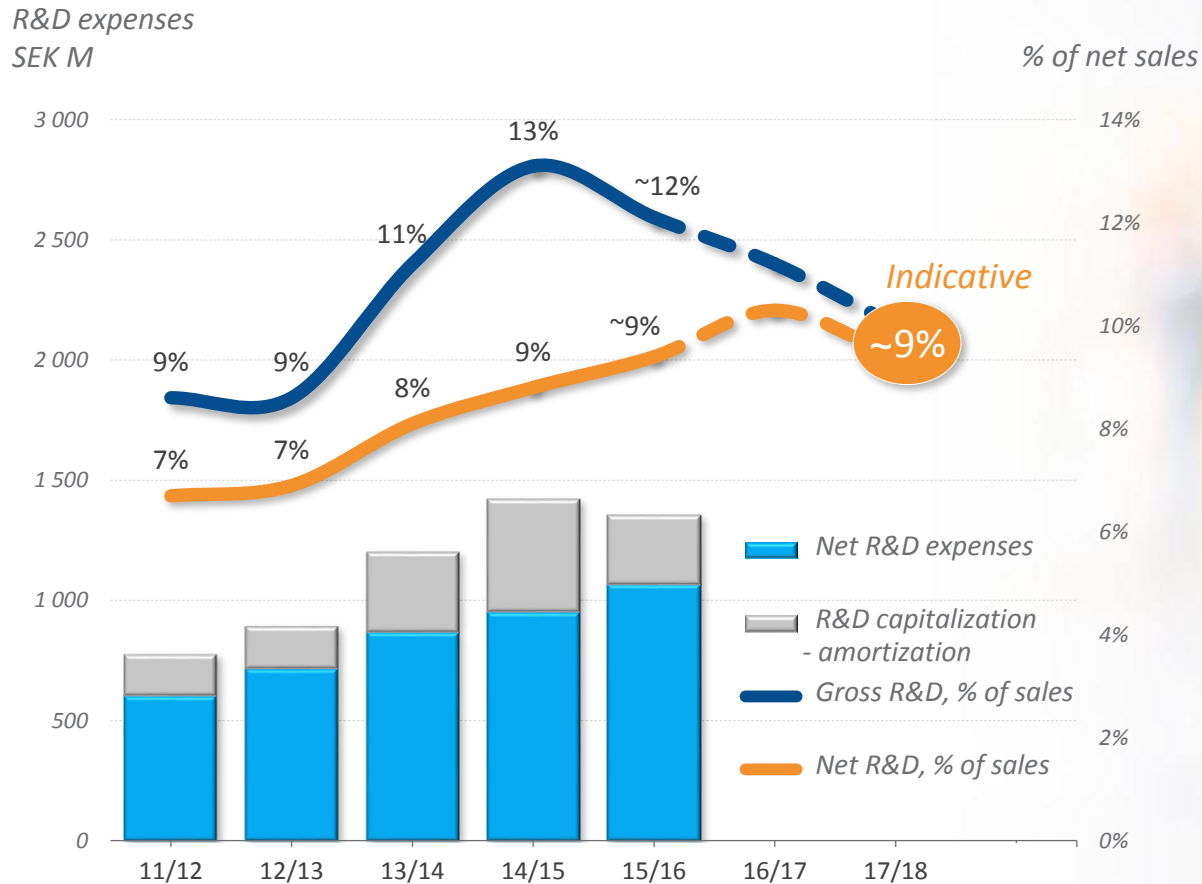
Prioritize

Capitalize on
innovation
leadership

Drive
customer
satisfaction

Prioritize: ambition to lower R&D expenses to ~9%

Prioritizing and pruning



Priorities

- MR-linac
- Software
- Integration

Innovative portfolio

Leksell Gamma Knife® Icon™



Venezia™



Esteya®



Versa HD™



MOSAIQ®



Monaco®

*MR-linac
– research program*



Innovation leadership

Leksell Gamma Knife® Icon™



Highest precision in the market

- Average 0.15 mm accuracy in clinical setting
- High therapeutic dose with maximum precision
- Lowest dose to healthy tissue: 2-4 times lower dose to normal brain

Integrated imaging

Efficient and safe through seamless integration and optimization

- Launched in 2015
 - >30 orders (upgrades and new systems)

Customer satisfaction

Accuracy

Speed

Integration

Example: Monaco

Treatment
Planning Software
up to

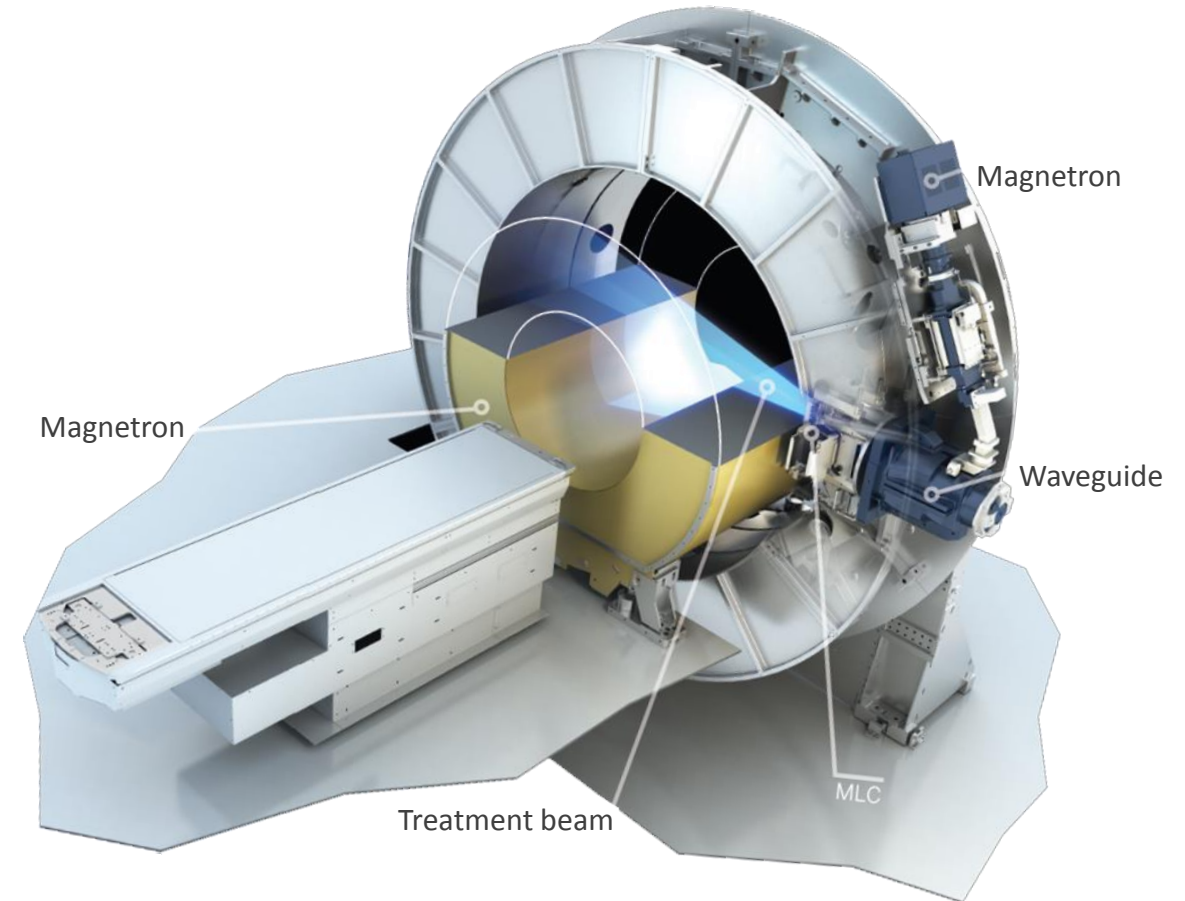
4 times faster



MRI guided radiation therapy: MR-linac

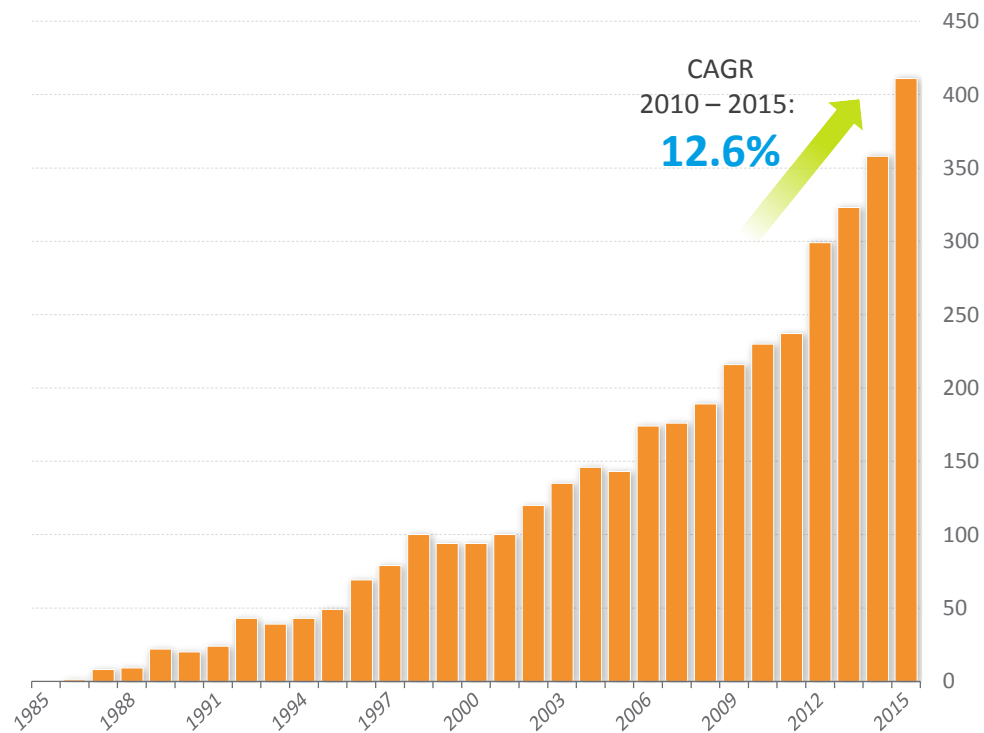
Treat the patient while simultaneously being imaged by a conventional 1.5T diagnostic MRI

- Fully integrate three subsystems
- State-of-the-art radiotherapy system
 - Treatment volume coincident with MRI imaging volume
 - Modified to make it compatible with the MR environment
- 1.5T Philips MRI system
 - Minimize material in the beam path and ensure it is homogeneous
 - Minimize magnetic field at the linac
- Adaptive workflow
 - Integrated user experience
 - Adaptive treatment planning

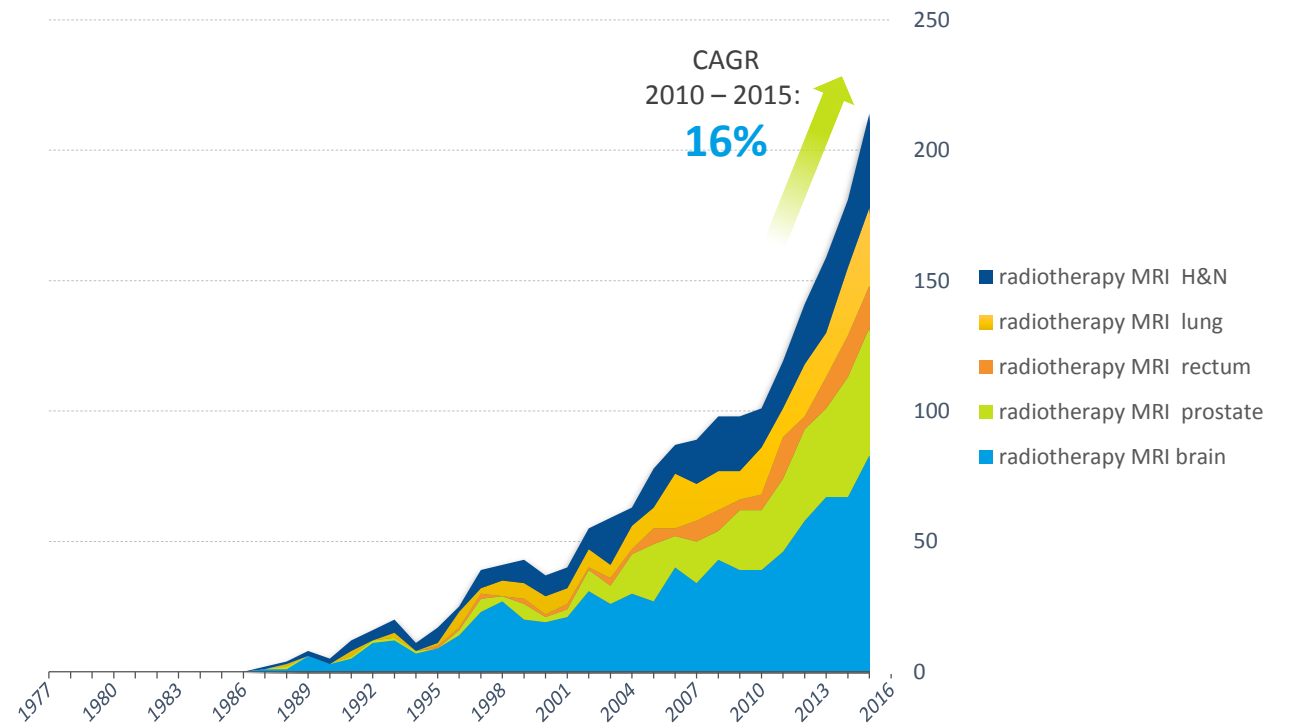


Increased interest in MR guided RT reflected in the scientific literature

MRI & Radiotherapy



MRI & Radiotherapy per anatomy



- Strong and sustained growth since 1995
- Growth rate increased dramatically since 2010 (beginning of MRgRT “buzz”)

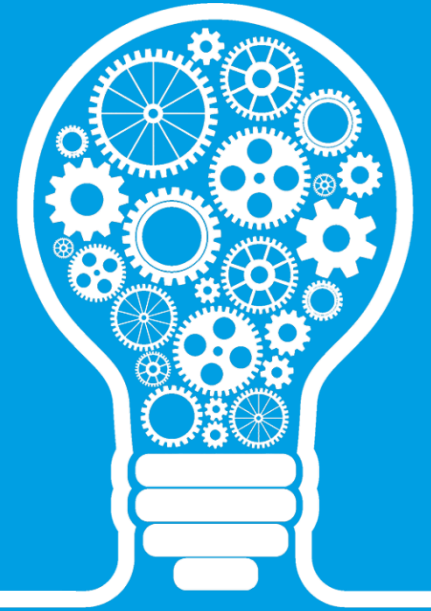
MR-linac on track - launch and commercial orders from 2017

<i>Planning</i>	<i>Ambition</i>
Delivery of all consortium systems	By end 2016
Regulatory approvals - CE Mark, 510(k)	During 2017
Launch and taking commercial orders	2017
Total orders during ramp-up <i>(until 2019)</i>	75
Expected market price	USD 8-10 M



>700 MUSD
order opportunity
until 2019

*Working our way
to excellence*



MR-linac, the clinical perspective

Esophagus

Capital Market Day Elekta
Stella Mook
June 9, 2016

Introduction

Richard Hausmann

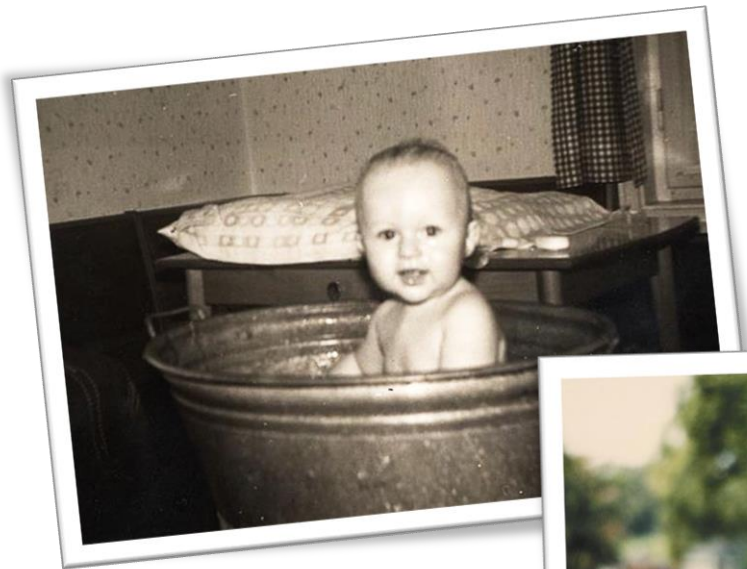
*President and CEO of Elekta
as of June 10, 2016*



Background

What I have
done so far

Next steps



At home 1961



Amherst, 1985



Marriage 1985



Nanjing, 2008

Physicist by education

- Studied in Regensburg (Germany)
- NY University at Stony Brook (USA)

A long career at Siemens...

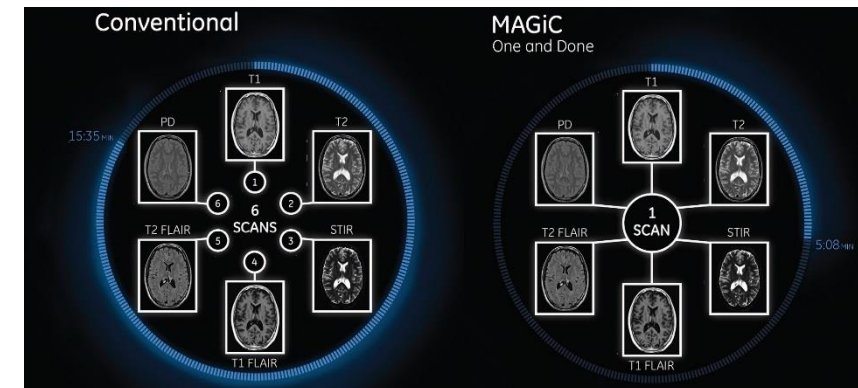


- Magnetic Resonance & Computed Tomography
- President & CEO of Computed Tomography
- President & CEO of Siemens China

SIEMENS

...then I joined GE Healthcare

- President and CEO of Global MR Business
- Turned around USD 2.4 bn business with full P&L responsibility
- Increased global market share with 4 percentage points.



I believe in...

Clear visions

Focused strategies

Operational
excellence

Growth by
innovation

Customer
focus

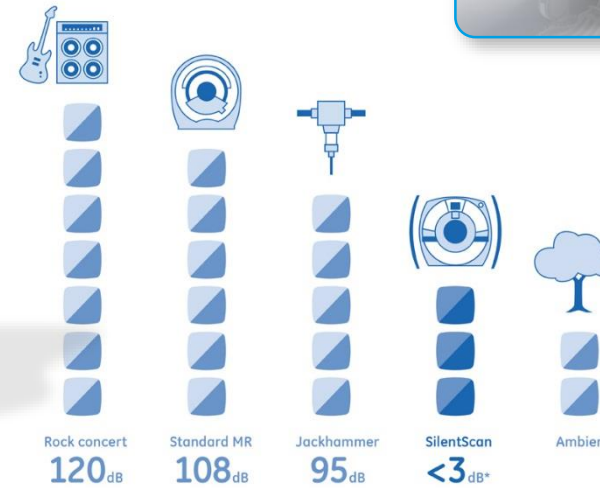
Result
driven

... True innovations in workflows, software, technology to achieve real customer benefits

SIGNA NICU-MR



SIGNA PET-MR



SILENT MR

*Above ambient levels; sound measured at isocenter of bore.

... Listening to and working with customers!

*Customer visit
in China for GE MR:*

Prof Jin, PUMC

... an old friend from
the Siemens CT times!



Background

What I have
done so far

Next steps

Joined Elekta as of May 2

ESTRO 2016, Turin, Italy



Gamma Knife Society Meeting, Amsterdam



100+
customer meetings

- Visited Elekta sites around the world
- Met with 2 MR-linac consortium members

First observations

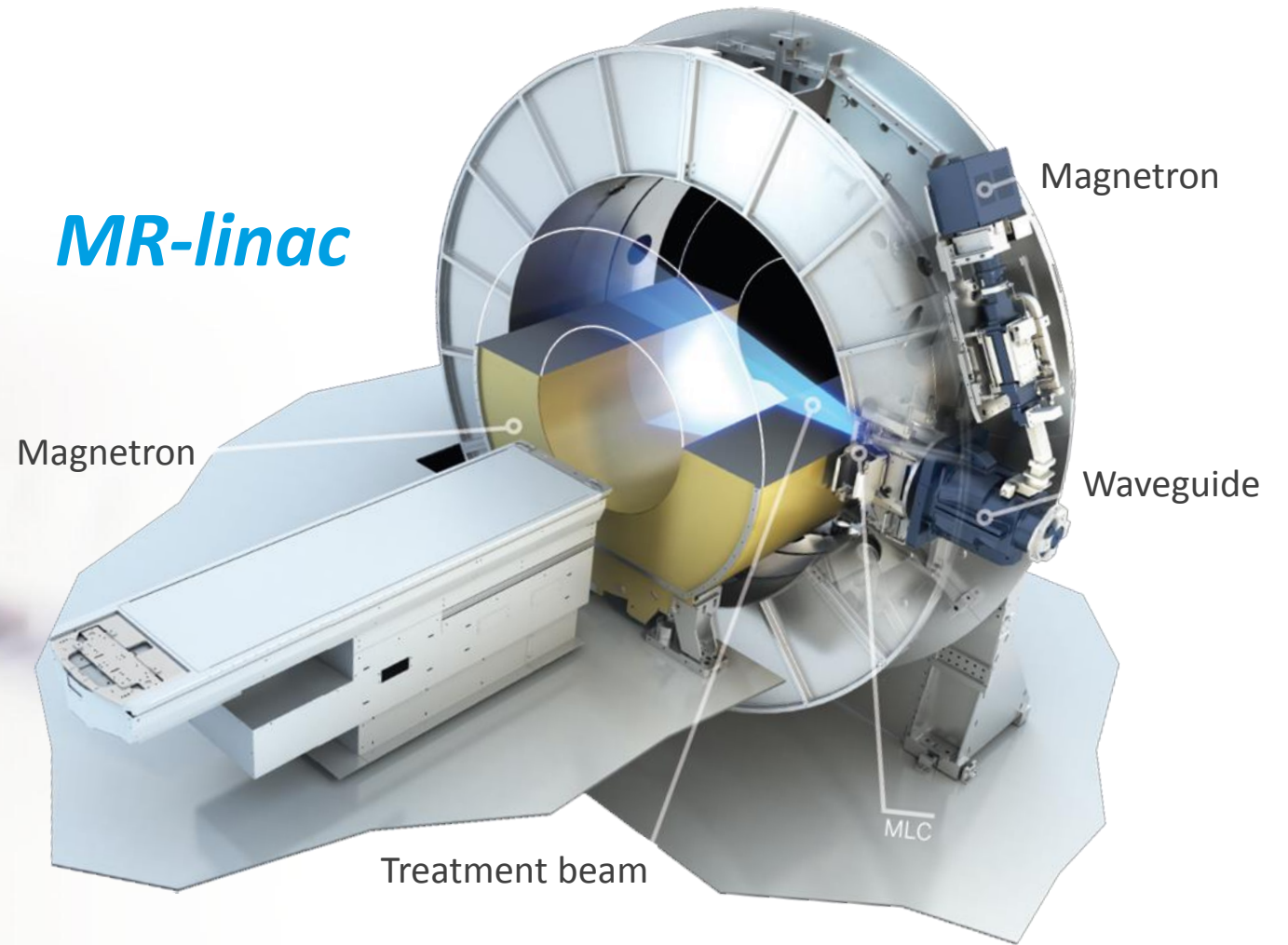
COMMITMENT

INNOVATION

TRANSFORMATION

MRI: true breakthrough and guidance for our future therapy solutions

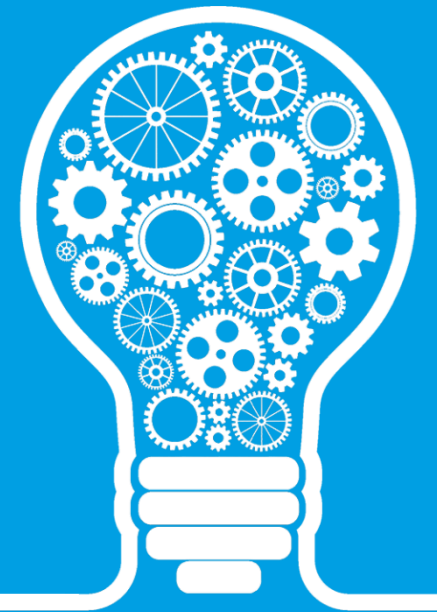
MR-linac





*See you
September 1st*

*Working our way
to excellence*



Well positioned in attractive market

Well positioned
in long-term
growing market

Strong product
offering and leading
innovation portfolio

Transformation
program on track
driving operational
excellence

*Working our way
to excellence*

