

# Q2 Report

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# 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.

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# Improved margins and cash flow

- › Order intake in H1 in line with market. Flat Y/Y\*
- › Net Sales -15%\*. Implementation of Produce-to-order had a one-off effect of SEK ~650 M
- › Transformation on track
  - › Target >20% EBITA margin (2017/18)
  - › Cost savings of SEK 500 M reached (target SEK 700 M)
- › EBITA margin\*\* improved to 16% (14%) rolling 12 months
- › Cash flow\*\*\* improved with approx. SEK 530 M in H1 to SEK 126 M

\*Based on constant exchange rates

\*\*Before items affecting comparability of SEK -206 M and bad debt losses of SEK -29 M

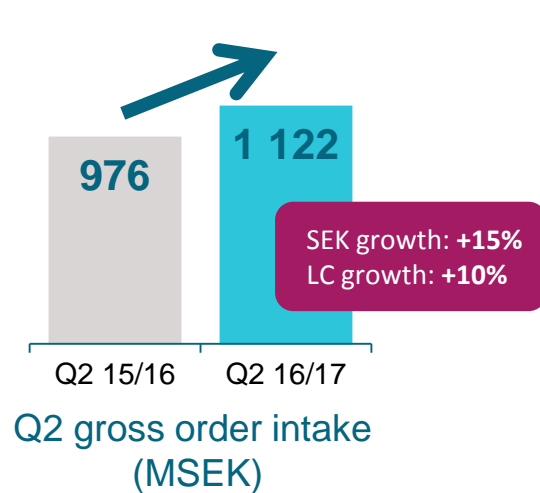
\*\*\*Cash Flow after continuous investments Adjusted for cash outflow related to legal processes and the transformation program, totaling SEK 303 M



# Stable market with geographical and quarterly variations

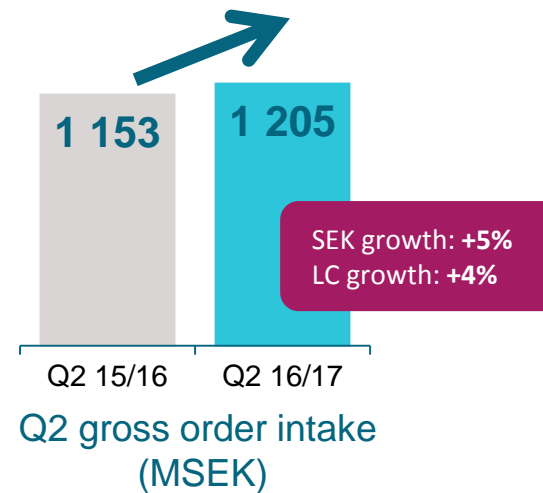
## Asia Pacific

- Strengthened market leadership
- Strong performance in India (AIIMS order), South East Asia and China
- Slow market in Japan



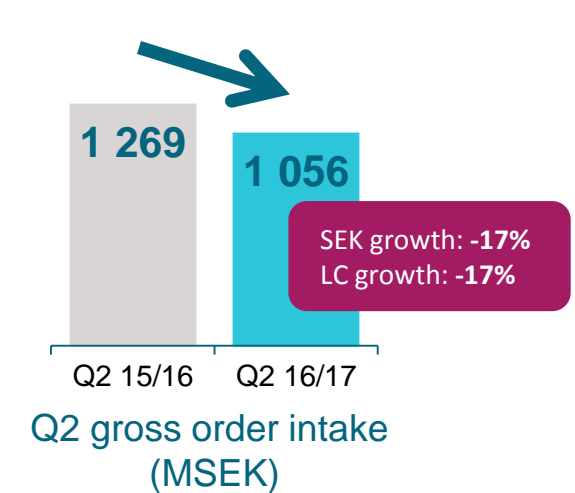
## North and South America

- US improved from low levels in Q1
- Actions for improvement in place
- Growth in Latin America

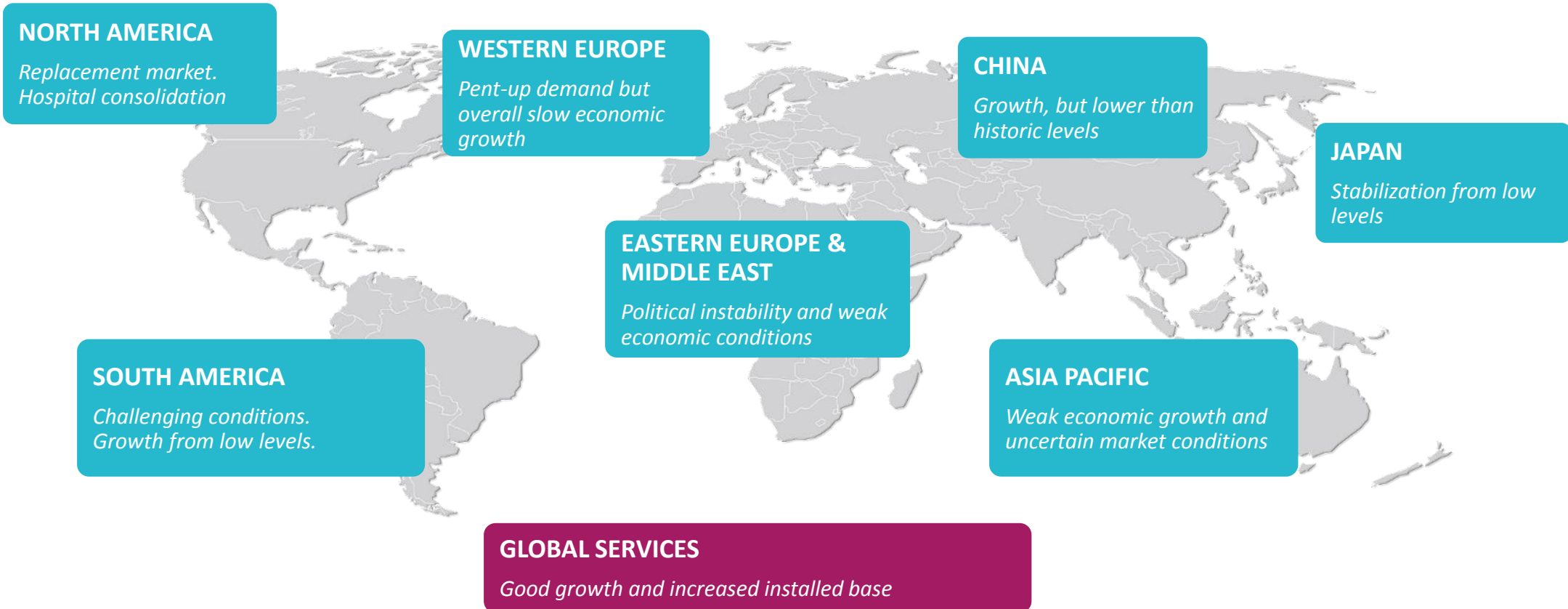


## Europe, Middle East and Africa

- Challenging comparison from last year
- Growth in Emerging Markets
- Significant orders delayed that will be booked in Q3



# Challenging market conditions



# Two MR-linac orders signed\*

- to be booked in Q3



Princess Margaret Hospital  
University Health Network  
Toronto



**State-of-the-art  
radiotherapy  
system**

**Integrated  
MR-imaging**

**Launch in  
second half of  
calendar year  
2017**

**Ambition:  
75 orders  
until 2019**

# Our way towards excellence – strategic update

- Purpose, brand and values
- Priorities
- Organization simplified.  
Management changes





# Financial Update

Håkan Bergström

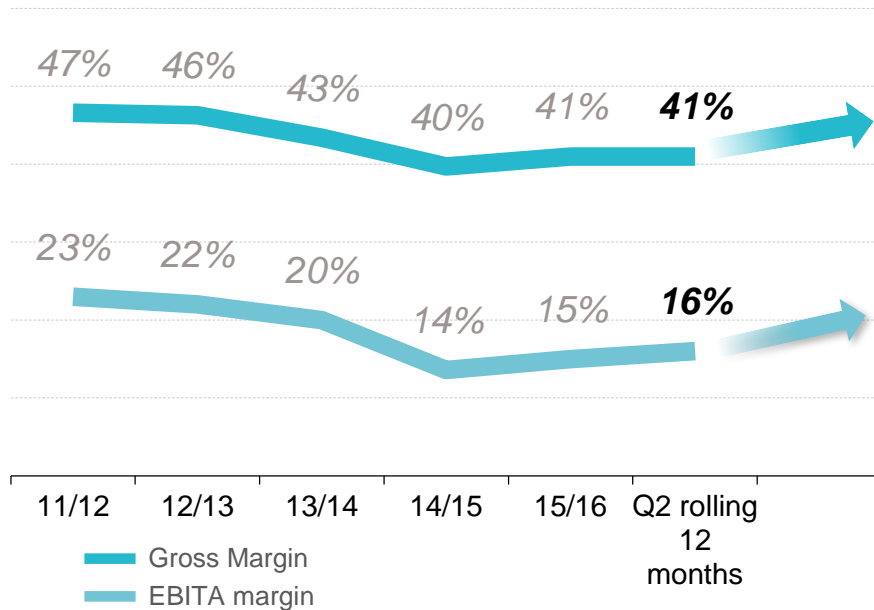
*Chief Financial Officer*





# The ambition is to improve EBITA margin to 20%

Margin development\* (illustrative)



Transformation program targets

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

<p>Cost reductions of SEK <b>700**</b> M</p> <p>with full effect 2017/18</p> <p>✓</p>	<p>Net working capital to sales below <b>5%</b> by 2016/17</p> <p>✓</p>	<p><b>Implemented</b> produce-to-order process. One-off revenue effect was SEK 650 in H1 2016/17</p> <p>✓</p>
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# Improved margins

## Cost reductions offset temporary lower net sales

- I. Net sales decreased by SEK 751 M
  - “Produce-to-order” process implemented, SEK 650 M
- II. Gross margin at 41.5% (40.8)
  - Product mix and improved efficiency
- III. EBITA\* margin improved
  - Decreased opex
  - Less R&D capitalization SEK ~80 M
  - Positive currency effect of SEK ~210 M

(SEK M)	2016/17 H1	2015/16 H1
Net sales	<b>4,316</b>	<b>5,067</b>
COGS	-2,527	-3,001
<i>Gross margin</i>	<b>41,5%</b>	<b>40,8%</b>
OPEX	-1,424	-1,718
Capitalization	239	317
Exchange rate diff.	32	-63
Depreciation	-78	-83
<b>EBITA*</b>	<b>558</b>	<b>519</b>
<b>EBITA* margin</b>	<b>12,9%</b>	<b>10,2%</b>
Items affecting comparability (incl. bad debt)	-235	-82

# Positive currency effect expected for FY 2016/17

Weakening of GBP have a positive effect on bottom line

CURRENCY EFFECT H1 Y/Y (MSEK)	ESTIMATED EFFECT 2016/17 Y/Y (MSEK)	ESTIMATED EFFECT 2017/18 Y/Y (MSEK)
<ul style="list-style-type: none"><li>• Effect on net sales: 1%</li><li>• Effect on EBITA: 115</li><li>• Exchange rate differences: 32</li><li>• Result last year (reversed): 63</li><li>• <b>Impact on EBITA (Y/Y) 210</b></li></ul>	<ul style="list-style-type: none"><li>• Effect on net sales: 3%</li><li>• Effect on EBITA: 380</li><li>• Exchange rate differences: -120</li><li>• Result last year (reversed): 165</li><li>• <b>Impact on EBITA (Y/Y) 425</b></li></ul>	<ul style="list-style-type: none"><li>• EBITA effect: ~130</li><li>• Exchange rate differences: -50</li><li>• Result last year (reversed): 120</li><li>• <b>Impact on EBITA (Y/Y) 200</b></li></ul>

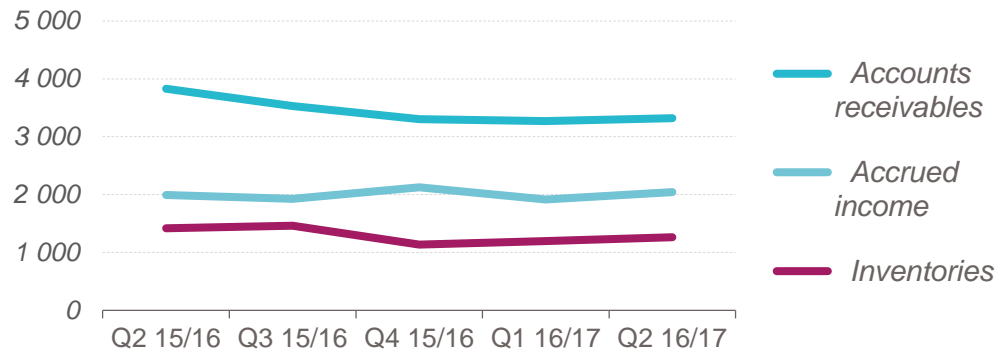
# Underlying cash flow improved by approx. SEK 530 M

- I. Improved working capital
  - Produce to order process
- II. Lower continuous investments
  - Lower R&D capitalization
- III. Items affecting comparability  
SEK ~320 M
  - Transformation program: SEK 144 M
  - Legal costs: SEK 176 M

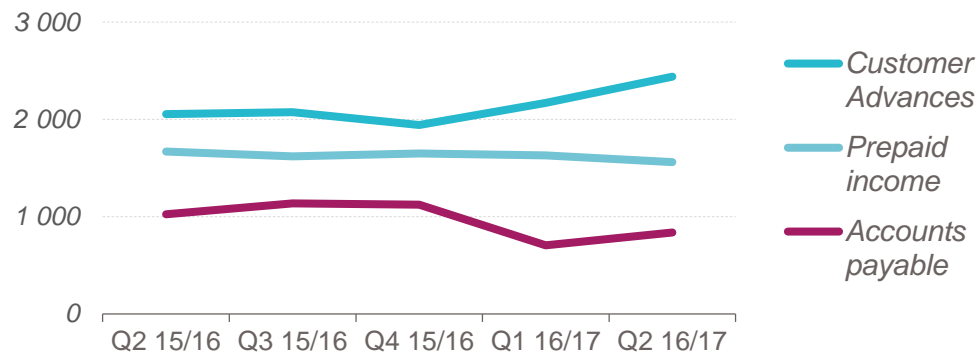
<b>CASH FLOW</b> (SEK M)	<b>2016/17</b> <b>H1</b>	<b>2015/16</b> <b>H1</b>
<i>Operating Cash Flow</i>	105	400
<i>Change in Working Capital</i>	97	-403
<b>Cash flow from operating activities</b>	<b>202</b>	<b>-3</b>
<i>Continuous investments</i>	-396	-414
<i>Legal processes and transformation</i>	320	17
<b>Cash Flow after continuous investments</b>	<b>126</b>	<b>-400</b>

# Net working capital at 4% to net sales\*

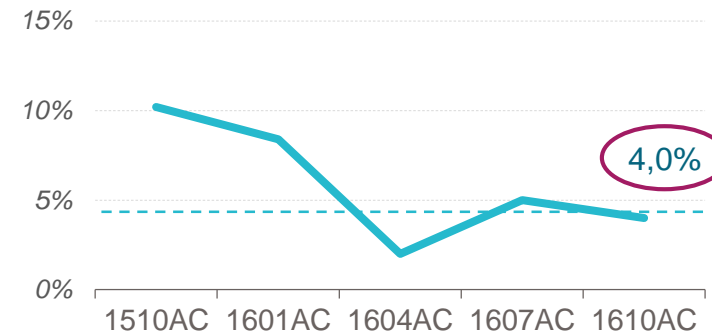
## KEY WORKING CAPITAL ASSETS



## KEY WORKING CAPITAL LIABILITIES



## NET WORKING CAPITAL as % of SALES



- DSO at 47 days (67)
- Increase in customer advances
- Target to reduce inventories with SEK >200 M

# Improved backlog position

