

# Year-end report

June 1, 2017



# 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.

# Richard Hausmann

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President and CEO



# My first year

## Fun and rewarding

- Clear direction outlined

## We do what we say

- Building a foundation for profitable growth

## Tremendous need for cancer care

- Customer experience in focus
- New systems and software  
– we think forward



**Focus where  
it matters.**

# Q4 was a very special quarter – compared to last year

## Net sales flat in constant currency

- Strong deliveries in Americas and Europe
- New shipment policy affecting Leksell Gamma Knife® and Asia Pacific

## Strong cash flow of SEK 1 bn

## Order intake -20%

- Weak performance in USA and Japan
- Challenging comparison - few large orders; strong Q3

## 15 Elekta Unity to date



Focus where  
it matters.

**Full-year 2016/17**

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# A year of laying the foundation

## Achievements

- Cost savings achieved
- Produce to order realized
- Very good cash flow development. Increased dividend to SEK 1.0 (0.50) proposed
- Good order growth in Europe, Asia Pacific and Latin America

## Necessary fix

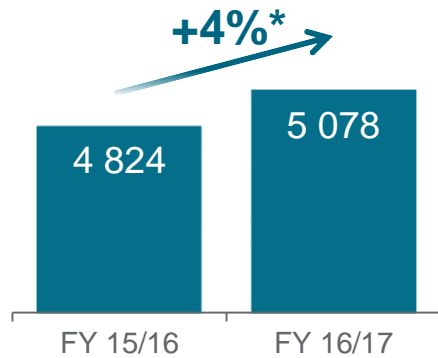
- Produce to order change first half **➡ 650 MSEK revenue effect**
- 3 month ship to installation: less book and bill in Q4; Leksell Gamma Knife® & Asia Pacific
- Working down outstanding projects (accrued income)  
**➡ -3 pts EBITA effect**

## Actions required

- Fix weak performance in USA
- Strengthen structural set up in Japan

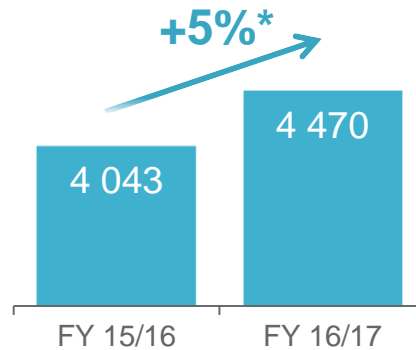
# Strong order performance in Europe and Asia

## Europe, Middle East, and Africa



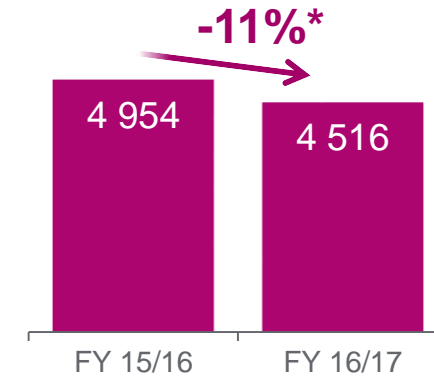
- Western Europe +13%, Eastern Europe +13%.
- Challenging comparison in Middle East & Africa -25%
- Important orders from Genesis Care, New Karolinska Solna
- First Elekta Unity orders

## Asia Pacific



- Strong performance in China +11%, India +22% and Southeast Asia +10%
- Elekta is the leader in the region
- Large orders include PLA, AIIMS
- Japanese market at low levels

## North and South America



- US – underperformance & challenging comparison
  - Sales and marketing not yet where we want it
  - Significant organization change
  - Market is ok
- Growth in Latin America +11%



# USA – accelerated actions

- Priority No. 1
- In our hands – market is robust
- Change of US leadership
- Peter Gaccione new head of North America. (people manager, sales veteran, domain expert)
- Commercial excellence program ongoing, examples:
  - Investing in accelerated improvements in sales and marketing
  - Revise incentives to create winning culture
  - We spare no effort to add customer focused resources where necessary
- Elekta Unity to be filed for FDA clearance in 2017



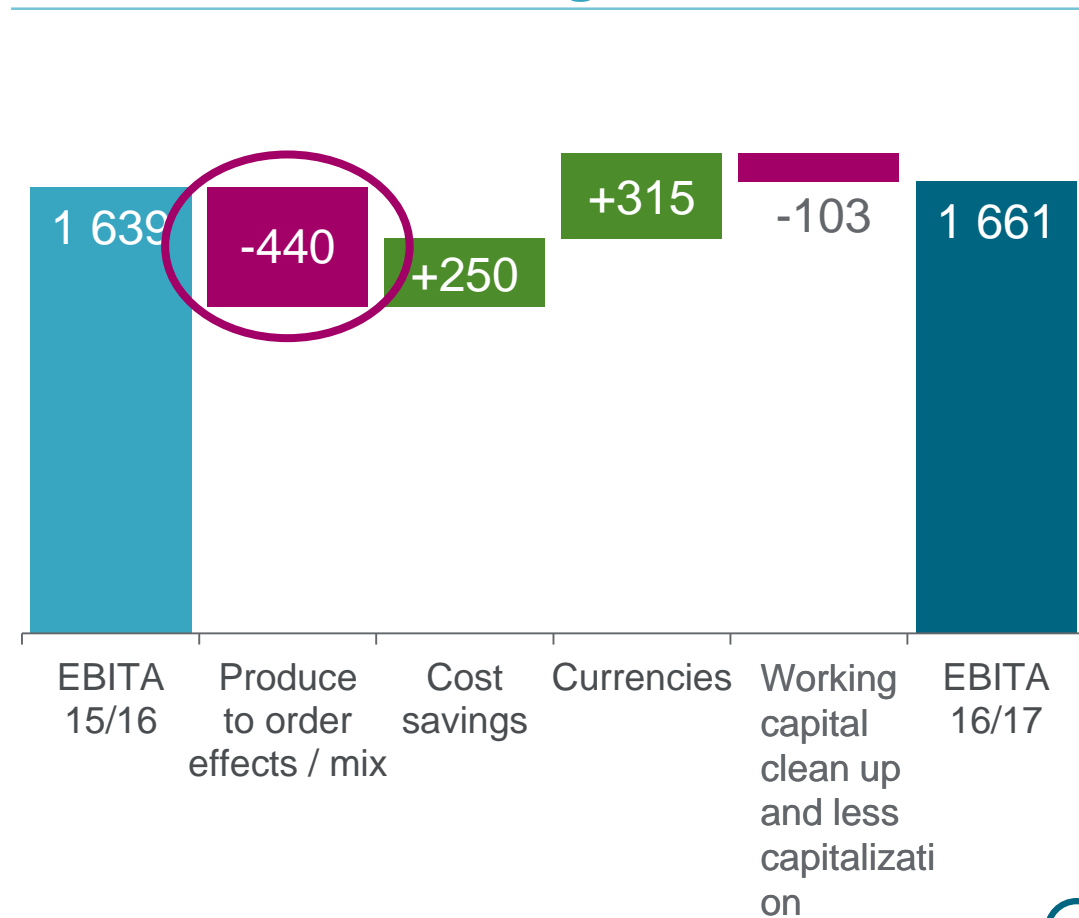
**USA turnaround  
in 2017/18**

# Significant effect from produce to order in 2016/17, will reverse in 2017/18

## Fiscal year 2016/17

- Net sales flat when adjusted for produce to order
- EBITA margin of 16% (15)
- Significant negative EBITA effect from produce to order
- Will reverse next year

EBITA bridge (SEK M)



# The future in radiation therapy

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# Information and data driven future



Info and analytics  
key to the future

Interoperability needs are  
increasing

Global connectivity for  
networks data sharing

Expect a merging of  
medical disciplines

# New era in healthcare and cancer management

Information and data driven future



Continuous increase of radiation therapy system use and utilization

**Productivity and outcomes**



Up to 75% of cancer drugs fail

**Personalization**



4x growth in the use of SRS and SBRT over the next 10 years

**Precision**



Reimbursement drives

**Efficiency**



Up to 80% of radiation therapy users in the emerging world are 1<sup>st</sup> time users

**Ease of use / automation**



# Innovation trends we believe in and drive

Outcome driven with focus where it matters

<b>Image guidance</b>	<ul style="list-style-type: none"><li>• High field MR as the ultimate soft tissue imaging tool</li><li>• Adaptive workflows to save healthy tissue by reducing margins</li></ul>
<b>Workflow</b>	<ul style="list-style-type: none"><li>• Integrated and automated workflows on treatment units</li><li>• Seamless integration of alternative treatments on OIS level</li></ul>
<b>Automation</b>	<ul style="list-style-type: none"><li>• Big data applications</li><li>• Decision support with self learning</li><li>• Analytics for efficiency improvements and patient outcomes</li></ul>

# Elekta Unity – will revolutionize radiation therapy

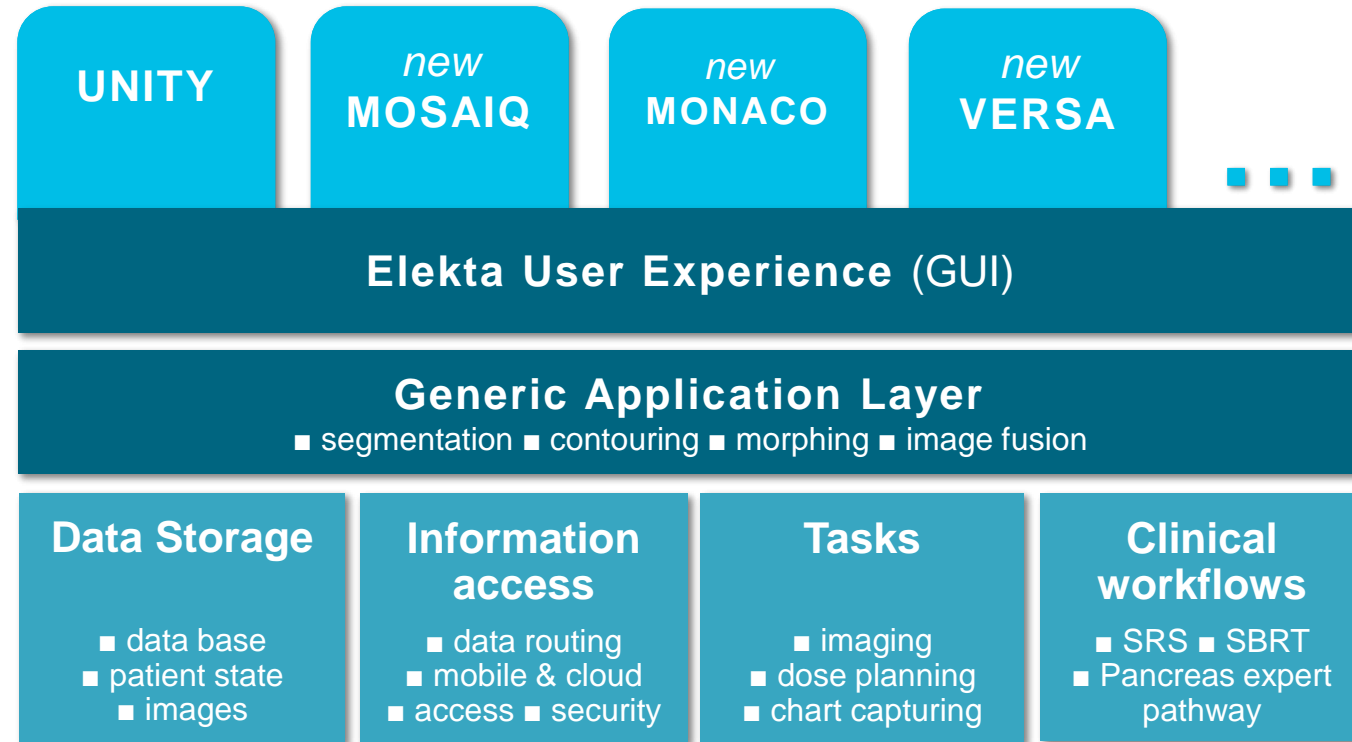
- Setting a new standard
- Addresses unmet need in cancer therapy
- Intelligent software with new interface





# “Elekta Digital”

- New services oriented platform
- Enable use of artificial intelligence for automated workflows in radiation therapy
- Focus on big data applications
- Prioritized and ring-fenced investment within our communicated margin target and R&D investment framework



**End of last year was a tipping point for Elekta**

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# Homework done - foundation in place

## Values

We work as  
one team

We do what  
we say

We keep thinking  
forward

Updated brand



## Organization



Company organized  
in line with three key  
processes

## Strategic priorities



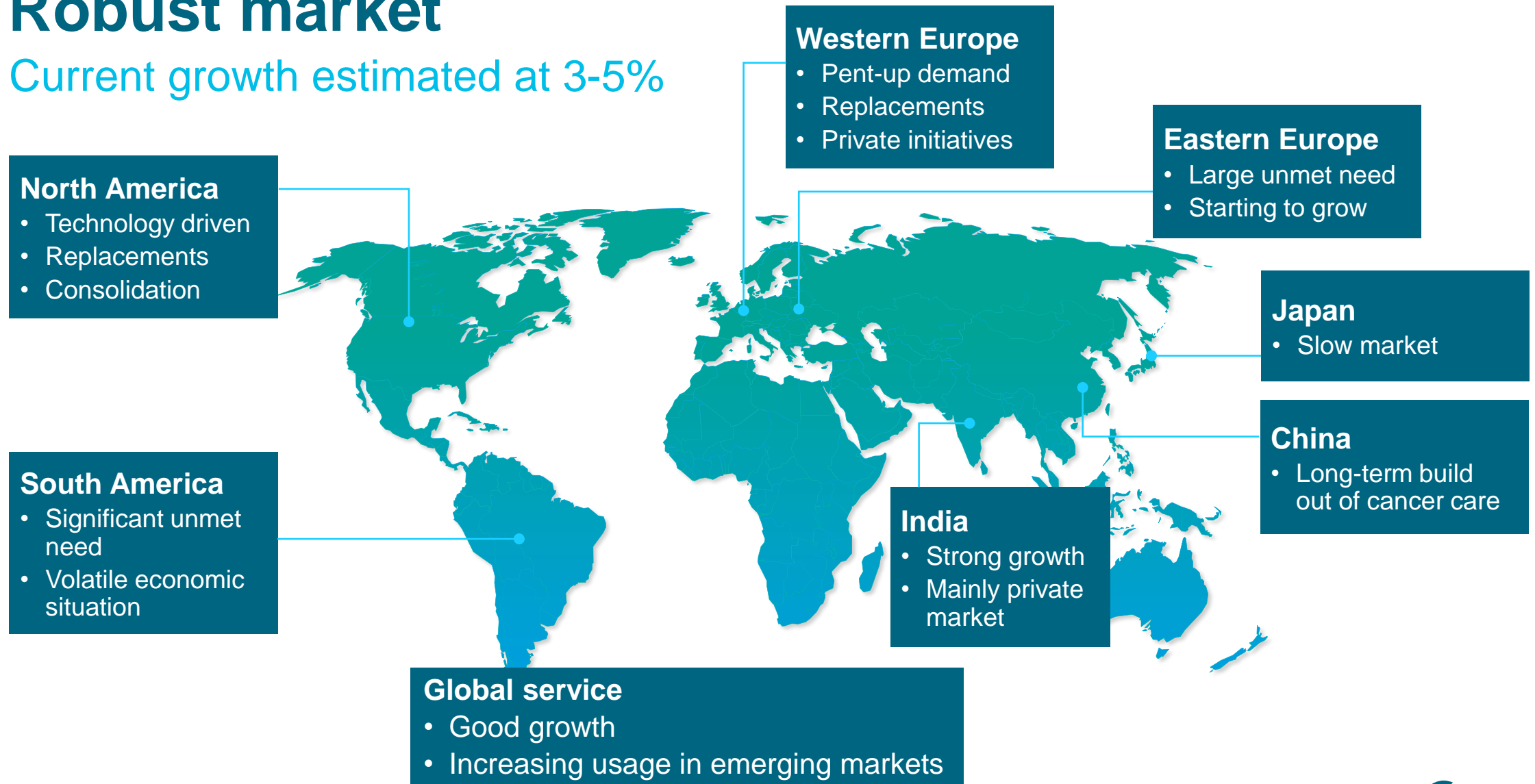
Growth



Cost

# Robust market

Current growth estimated at 3-5%



# Leading portfolio

## Elekta Unity

Superior  
linac  
platform



Unique position  
with Leksell  
Gamma Knife®

Global no.1 in  
brachytherapy



Competitive  
software  
portfolio



# New management team

## Executive Management

Richard Hausmann, CEO

Gustaf Salford, CFO

Karin Svenske Nyberg, EVP Human Resources

Maurits Wolleswinkel, Chief Strategy Officer

Ioannis Panagiotelis, Chief Marketing Officer

Ian Alexander, Chief Commercial Officer

Johan Sedihn, Chief Operating Officer

John Lapré, Chief Technology Officer

Jonas Bolander, General Counsel

Peter Gaccione, EVP North America



**2017/18:**

**Return to growth and  $>20\%$  EBITA margin**

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# Our way forward has started

## 2016/17

- Year of change and building the foundation for profitable growth
- Produce to order and ship to installation completed



## 2017/18

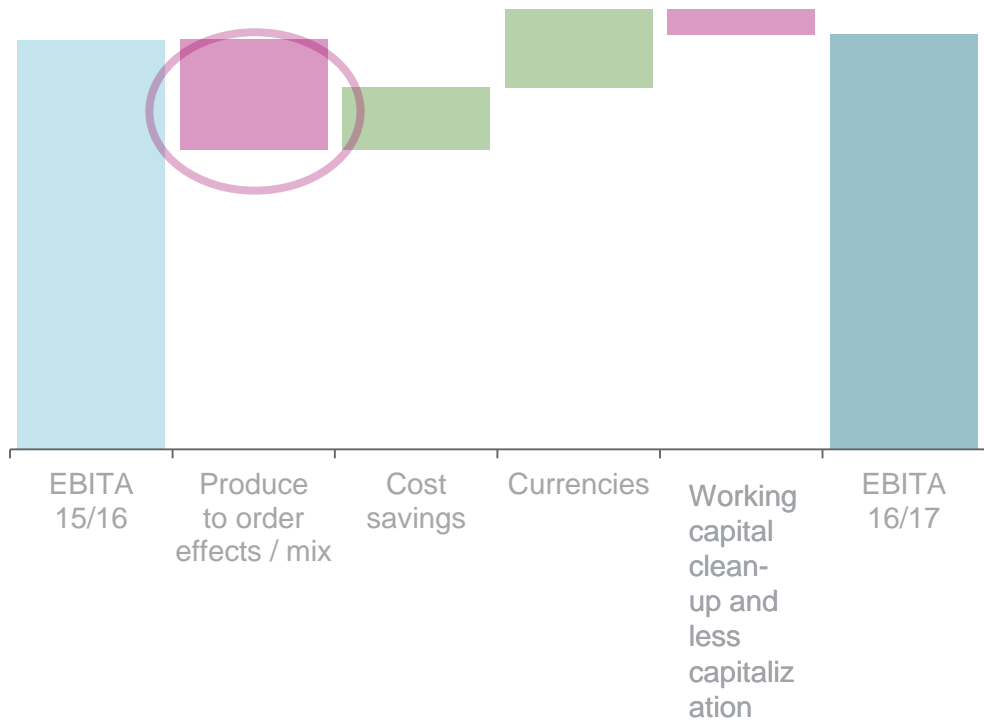
- Transformation delivers full effect
- Organization and management in place
- Culture of continuous improvements
- Elekta Unity hits the market

## 2018/19

- Elekta Unity – growth driver
- Significant efficiency improvements
- Further product innovations based on Elekta Digital platform

# Margin drivers for 2017/18

EBITA bridge from last year (SEK M)

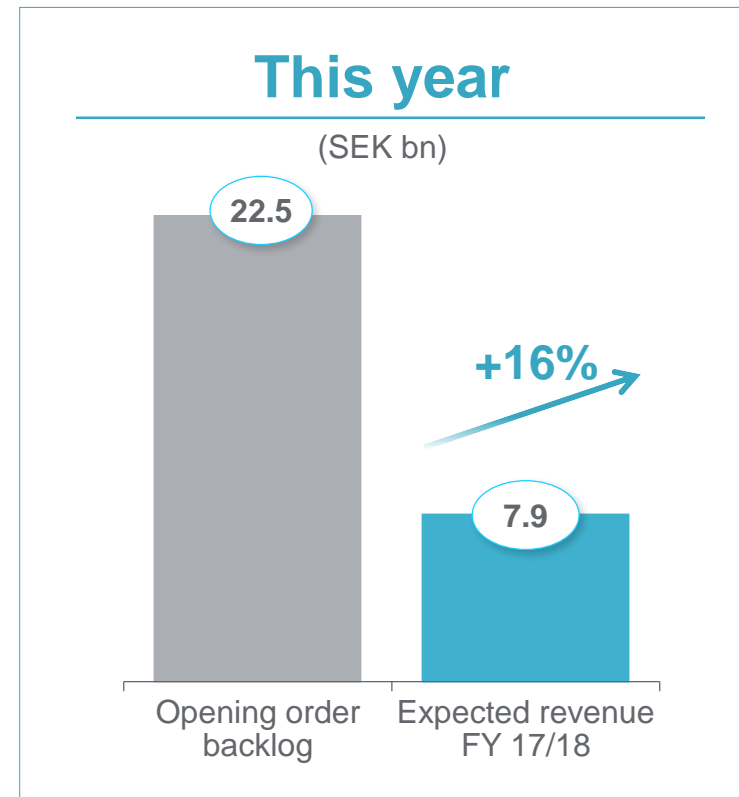
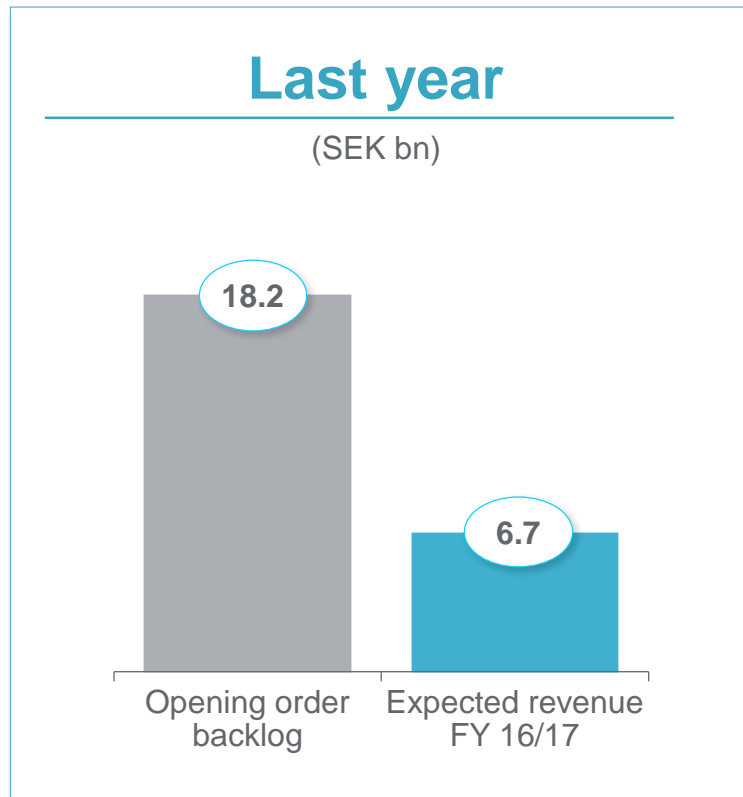


## Margin drivers 2017/18 (indicative)



Reach  
**>20%**  
EBITA  
margin

# Record strong backlog



# Targets 2017/18

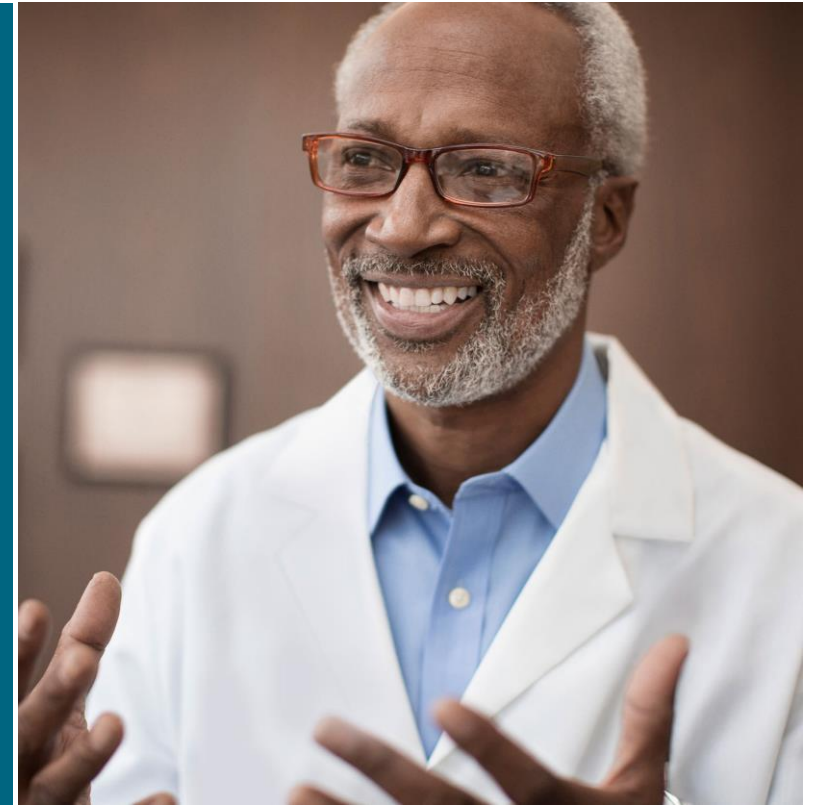
**Growth**

Reach  
**>20%**  
EBITA  
margin

Net working  
capital  
**<5%**  
to net sales

Focus where  
it matters.

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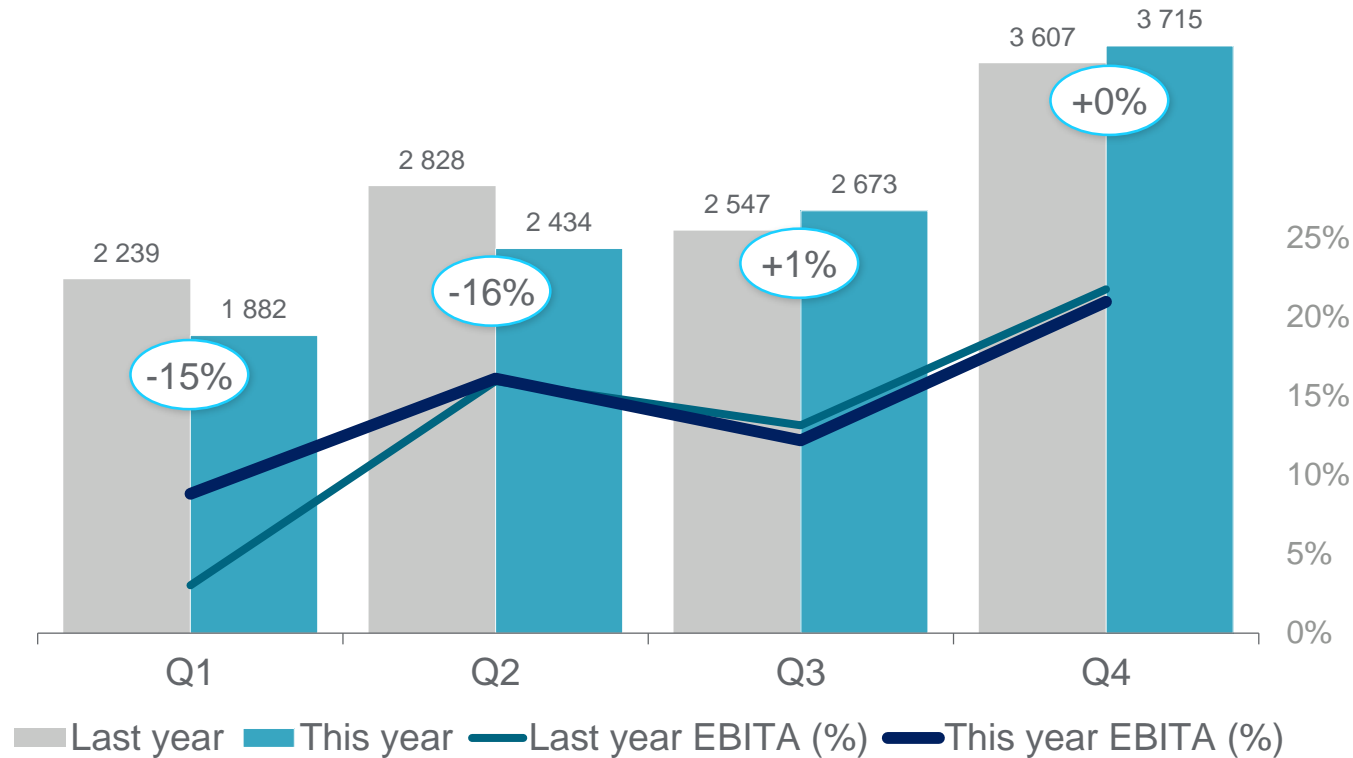
# Financial update

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Håkan Bergström, CFO

# Net sales by quarter versus last year

SEK M

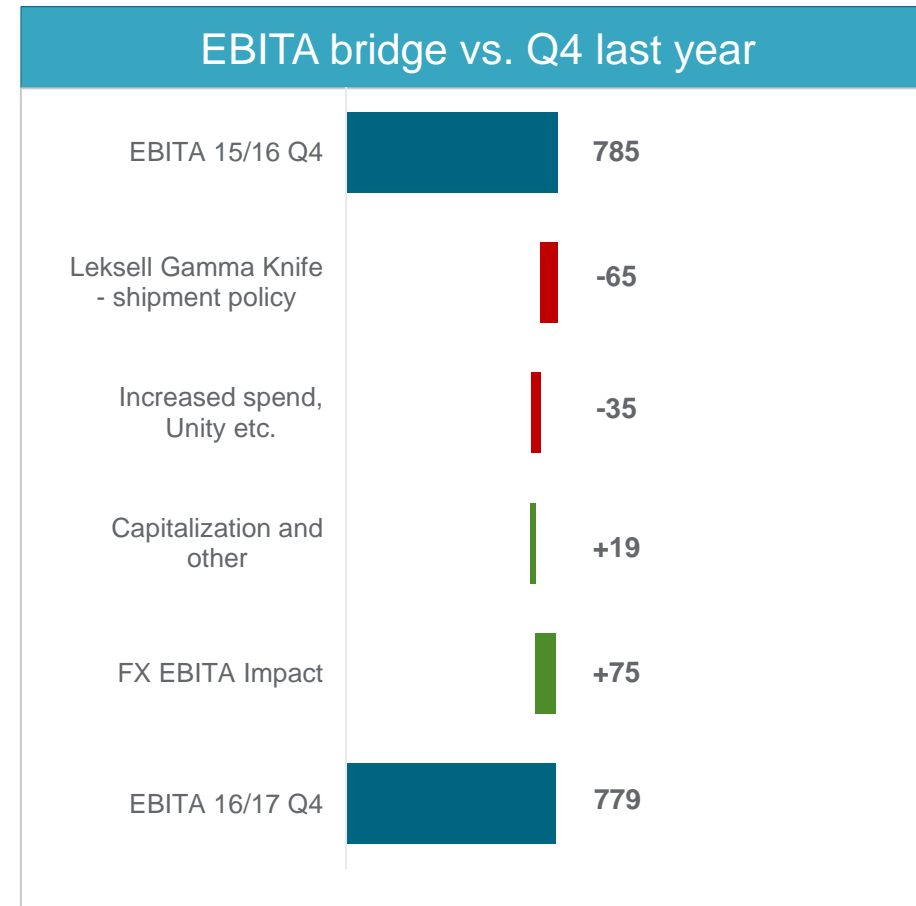


+X% = growth in constant exchange rates

- Produce to order effect in first half
- Less 3<sup>rd</sup> party products
- Fewer acceptances
- Lower level of book-and bills in Q4

# Income statement – Q4 2016/17

(SEK M)	Q4 2016/17	Q4 2015/16
Net sales	3,715	3,607
COGS	-2,139	-2,067
Gross margin (%)	42.4%	42.7%
OPEX	-774	-754
Capitalized R&D	163	132
Exchange rate diff.	-147	-92
Depreciation	-39	-41
<b>EBITA*</b>	<b>779</b>	<b>785</b>
EBITA* margin (%)	21.0%	21.8%
Items affecting comparability (incl. bad debt)	-253	-459



# Positive currency effect expected for FY 2017/18

Weakening of GBP has a positive effect on bottom line

## Effect YTD Y/Y (SEK M)

- Effect on net sales: +2%
- Effect on EBITA: 351
- Exchange rate differences: -201
- Result last year (reversed): 165

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**Effect on EBITA, TOT YTD 315**

*Whereof EBITA Q1* ~115  
*EBITA Q2* ~95  
*EBITA Q3* ~30  
*EBITA Q4* ~75

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**Effect on EBITA, TOT YTD 315**

## Effect 2017/18 Y/Y (SEK M)

Estimated effect on EBITA (Y/Y) **~200**

## Main currency rates vs. last year

	Apr LY	Apr FY	Change
EUR/SEK	9,33	9,52	<b>+2%</b>
USD/SEK	8,43	8,69	<b>+3%</b>
GBP/SEK	12,67	11,31	<b>-10,7%</b>

# Transformation program implemented

Cost reductions of  
SEK **700**M  
with full effect  
2017/18

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

Produce-to-  
order and ship  
to installation  
process

Significantly fewer  
Leksell Gamma Knife® units  
shipped, despite increased  
order intake. Good backlog  
position for next year

Realized  
SEK **540** M  
as of Q4 ✓

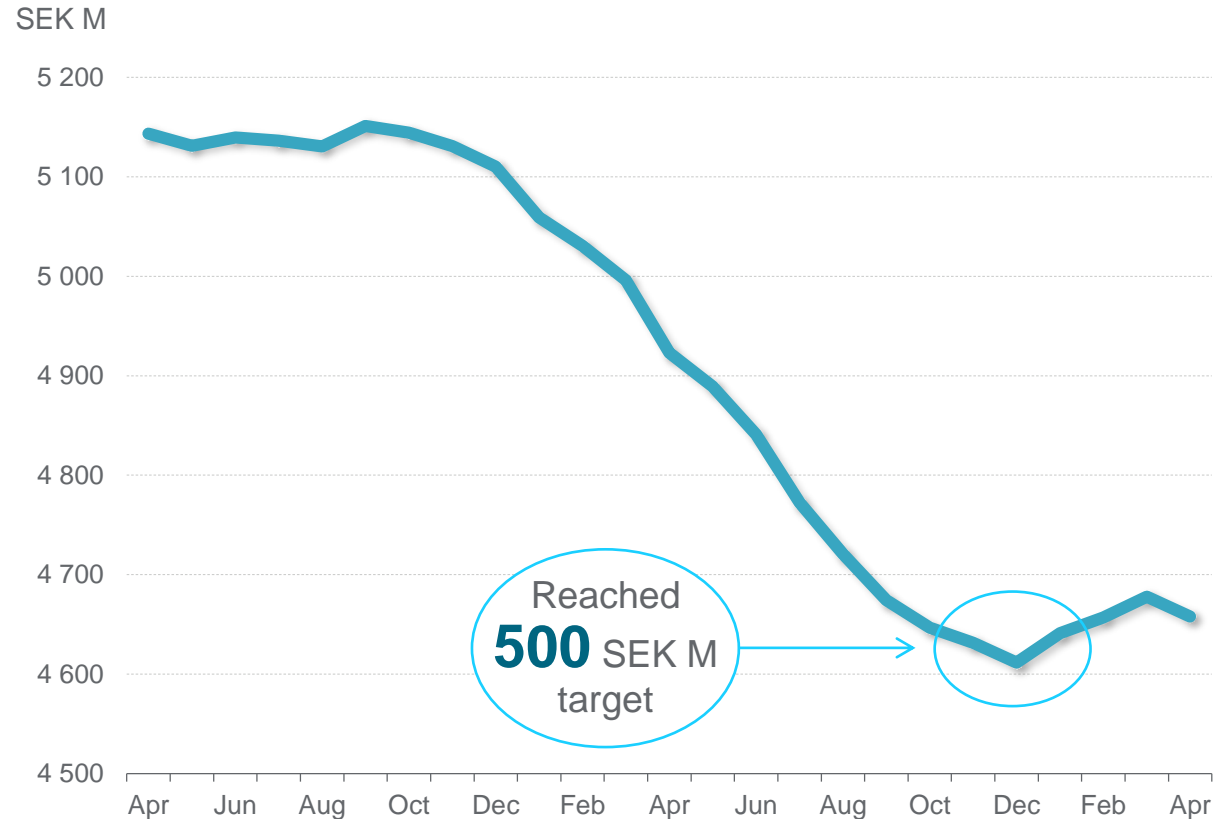
Net working capital  
to sales at  
**-6%** ✓

**Implemented** ✓

**COGS:** full savings  
next year

# Opex savings target reached

## Rolling 12 months gross spend development

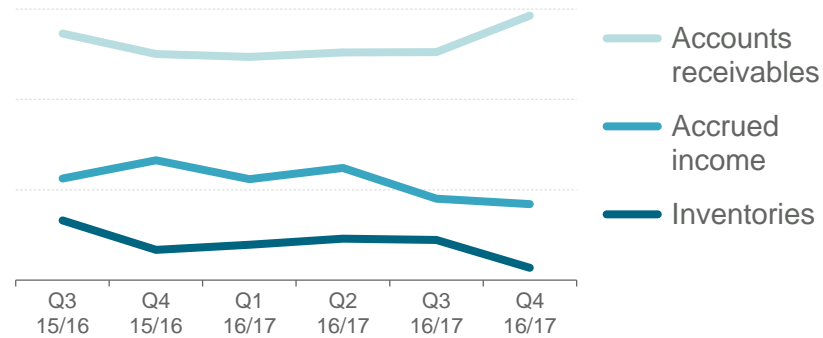


- Achieved operating savings target reached
- Additional investments in growth
  - Elekta Unity
  - New markets

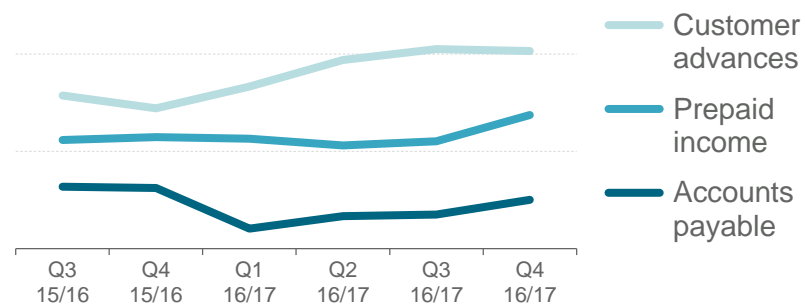


# Net working capital at -6% of sales

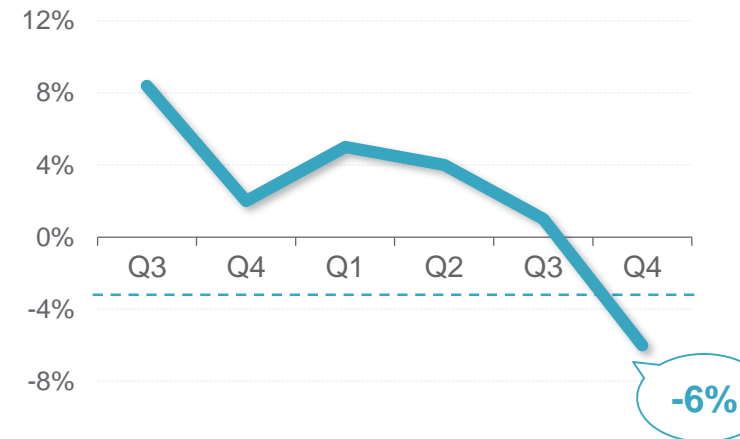
Key working capital assets



Key working capital liabilities



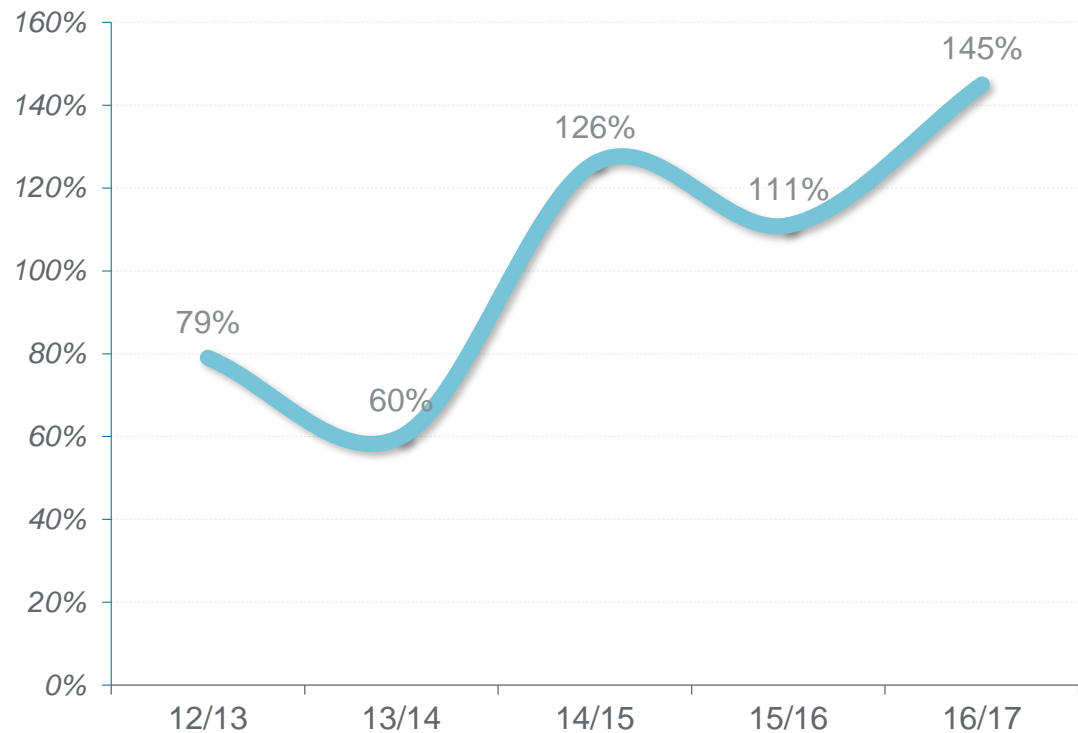
Net working capital as % of sales



- DSO at 33 days (60)
- Lower accrued income
- Inventory at target

# Strong cash flow generation

## Cash conversion

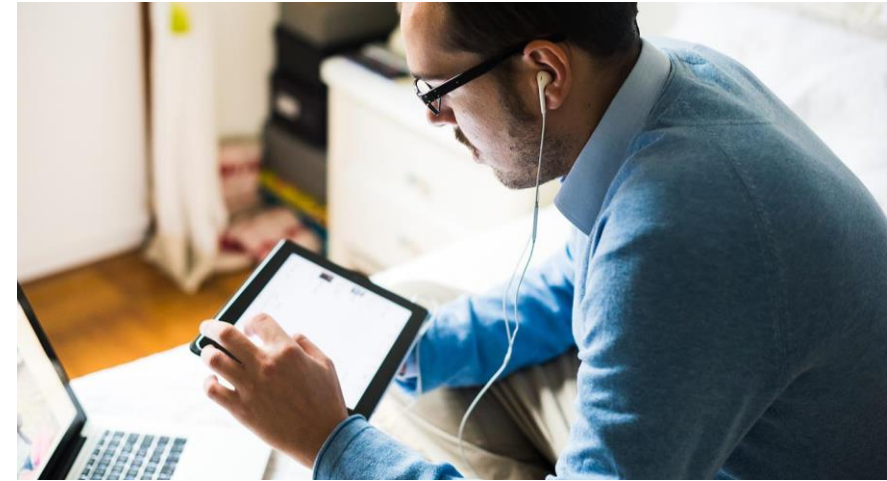


## Cash Flow

	FY14/15	FY15/16	FY16/17
Operating cash flow	1 299	709	767
Working Capital	+524	+461	+ 1 051
<b>Cash Flow from operating activities</b>	<b>1 823</b>	<b>1 170</b>	<b>1 819</b>
Investments tangibles & other	-271	-178	-141
Capitalization	-685	-596	-633
<b>Cash Flow after continuous investments</b>	<b>867</b>	<b>396</b>	<b>1 045</b>
<b>Operational Cash Conversion*</b>	<b>126%</b>	<b>111%</b>	<b>145%</b>

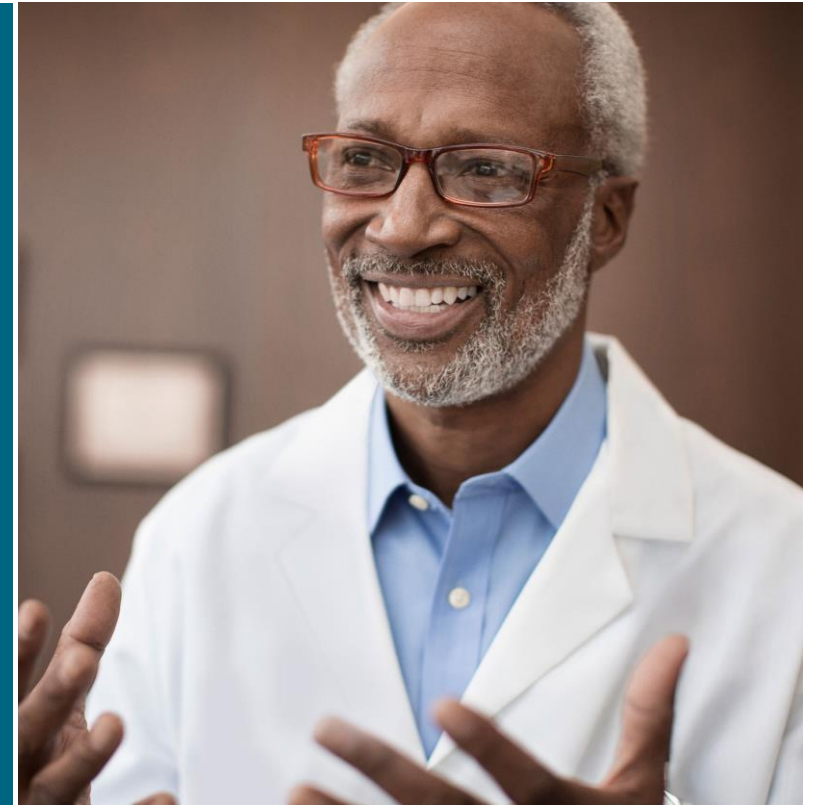
# Implementation of IFRS 15 from fiscal year 2018/19

- Elekta will implement IFRS 15 revenue recognition standard as of 1 May 2018
  - An analysis is performed of the expected effects from implementing the new standard
- Based on the analysis, a significant effect from **the timing of recognition** of revenue for hardware is expected
- Elekta considers the transfer of control to the customer **to occur when the hardware has been installed** and not at the time of shipment
- Currently a detailed assessment is performed of the impact from the implementation of IFRS 15, both from an operational and financial perspective
  - This exercise is still ongoing and therefore it is not at this stage possible to disclose reliable estimates of the impact on financial statements



Focus where  
it matters.

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# Elekta Unity

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Dr. Ioannis Panagiotelis, Chief Marketing Officer





1972

Pioneered Radiosurgery with Gamma Knife



2003

First to integrate CBCT and introduce Image-guided radiotherapy



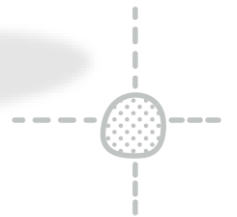
2008

First Monte Carlo based Treatment Planning System (CMS)



2012

Introduction of Agility, the highest performing MLC in market



2015

First online adaptive radiosurgery system; ICON



# Pioneer in Radiotherapy

# Elekta Unity\* – will revolutionize radiation therapy

- Setting a new standard
- Addresses unmet need in cancer therapy
- Intelligent software with new interface



# Film

# Elekta Unity

## Ground Breaking

New, unique next-generation linac platform specifically designed to deliver dose during live imaging

State-of-the-art, short, wide-bore high-field MR at time of treatment

Clinically developed protocols achieved in partnership with world-leading centres



## Personalized Therapy

New, paradigm of surgical precision radiotherapy & cancer treatment

Patient-centric platform allows response to live images of the tumour whilst patient is on the table

Tailored on-demand treatment plan with potentially shorter fractionation regimes

## Extraordinary Potential

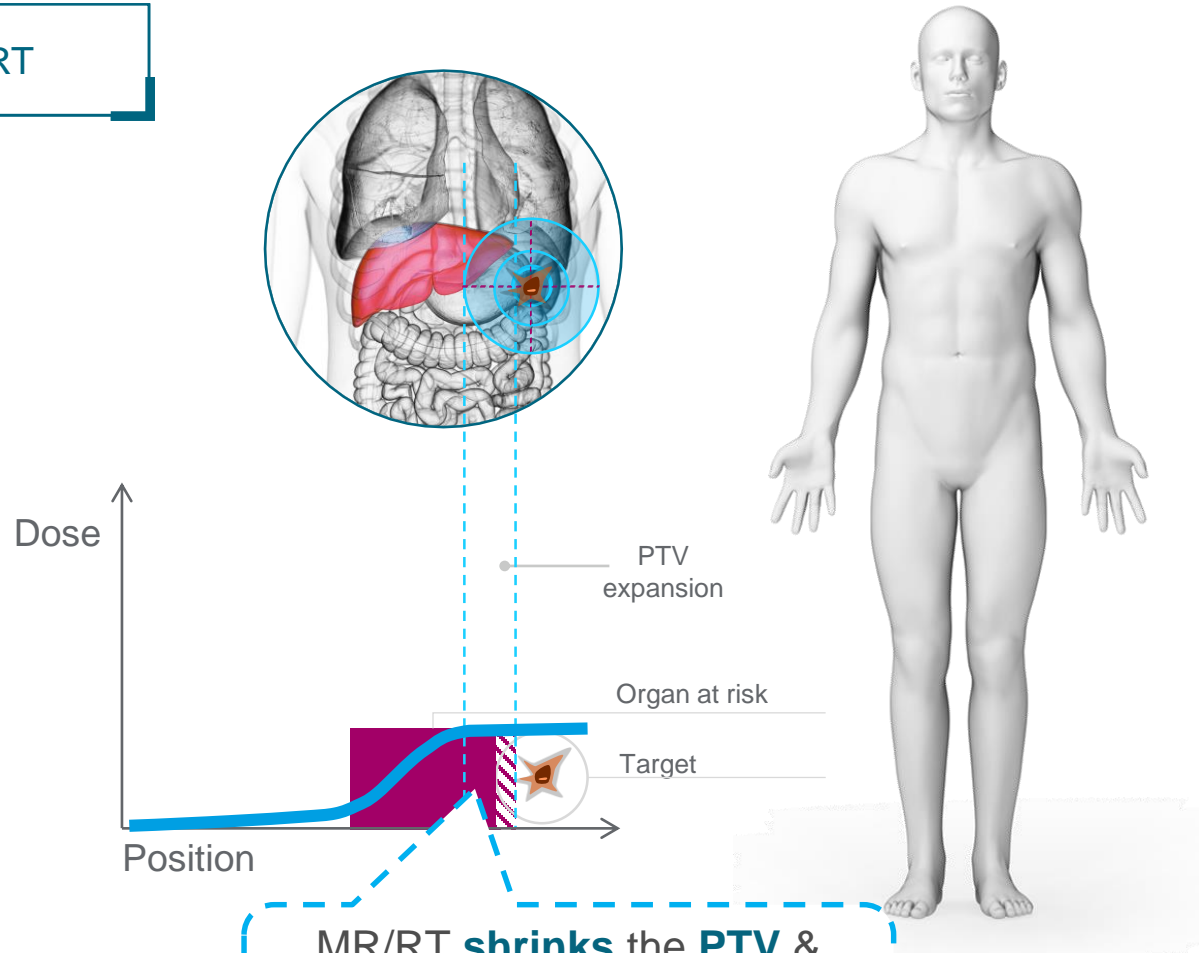
‘Scan, Plan and Treat’

Unique potential for ‘hard to treat’ cancers

Go beyond anatomical imaging with additional dimensions of information

# Personalized radiotherapy

MR/RT



The expansion of the PTV ensures that the dose cloud still covers the target, accounting for uncertainties

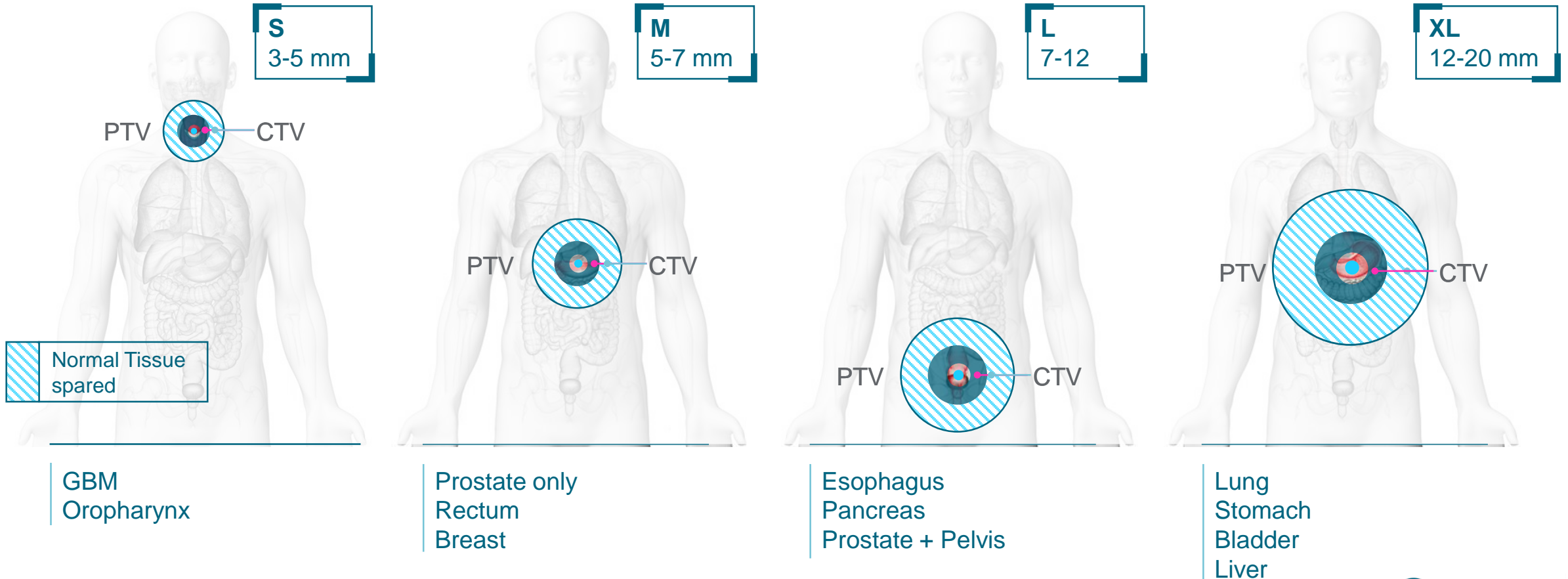
No change in the PTV relation to the target due to the online plan adaptation to the new location

MR/RT **shrinks** the **PTV** & **reduces** the amount of healthy tissue in the **high dose region**

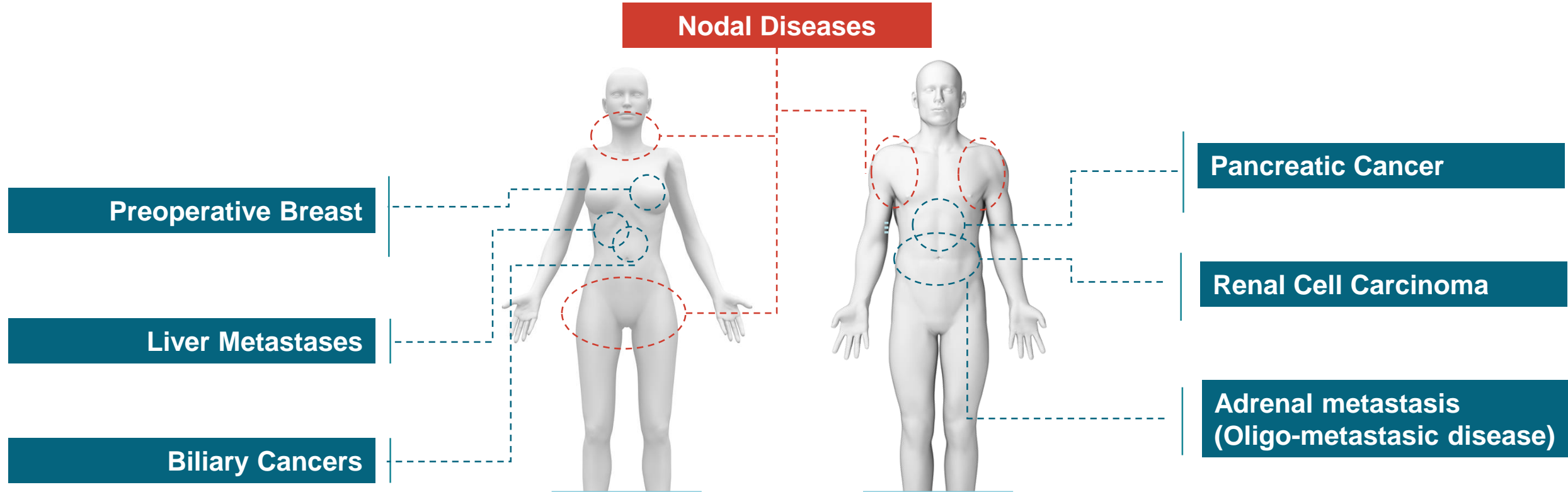
# Potential for significant reduction of dose to healthy tissue


Delivering conformal treatments for static, moving targets, and deforming targets with the smallest margin.

PTV with imaging




# Unique potential for 'hard to treat' cancers



 **65%**  
of all cancers occur in the lungs, prostate, colorectum, stomach, liver, breast and cervix

**6 out of 7**  
of these cancers are in difficult to visualize soft-tissue anatomies!

 **Integrating MR**  
with surgical precision RT makes it possible to see the target and soft tissue during treatment



# Successful presentation at ESTRO

- 1118 leads vs. 705 in 2016 [ $\uparrow$ 58%]
- 329 Unity new customer leads
- Evening event 450 professionals representing 250 institutions
- >180 planning guides sent
- 15 systems sold to date



# First patient treated at UMC – part of the clinical study



University Medical Center  
*Utrecht*

# First-in-man treatments on Elekta Unity\*

Results “Better than Expected”

Images courtesy of Utrecht MC.

Uncompromised  
diagnostic imaging quality

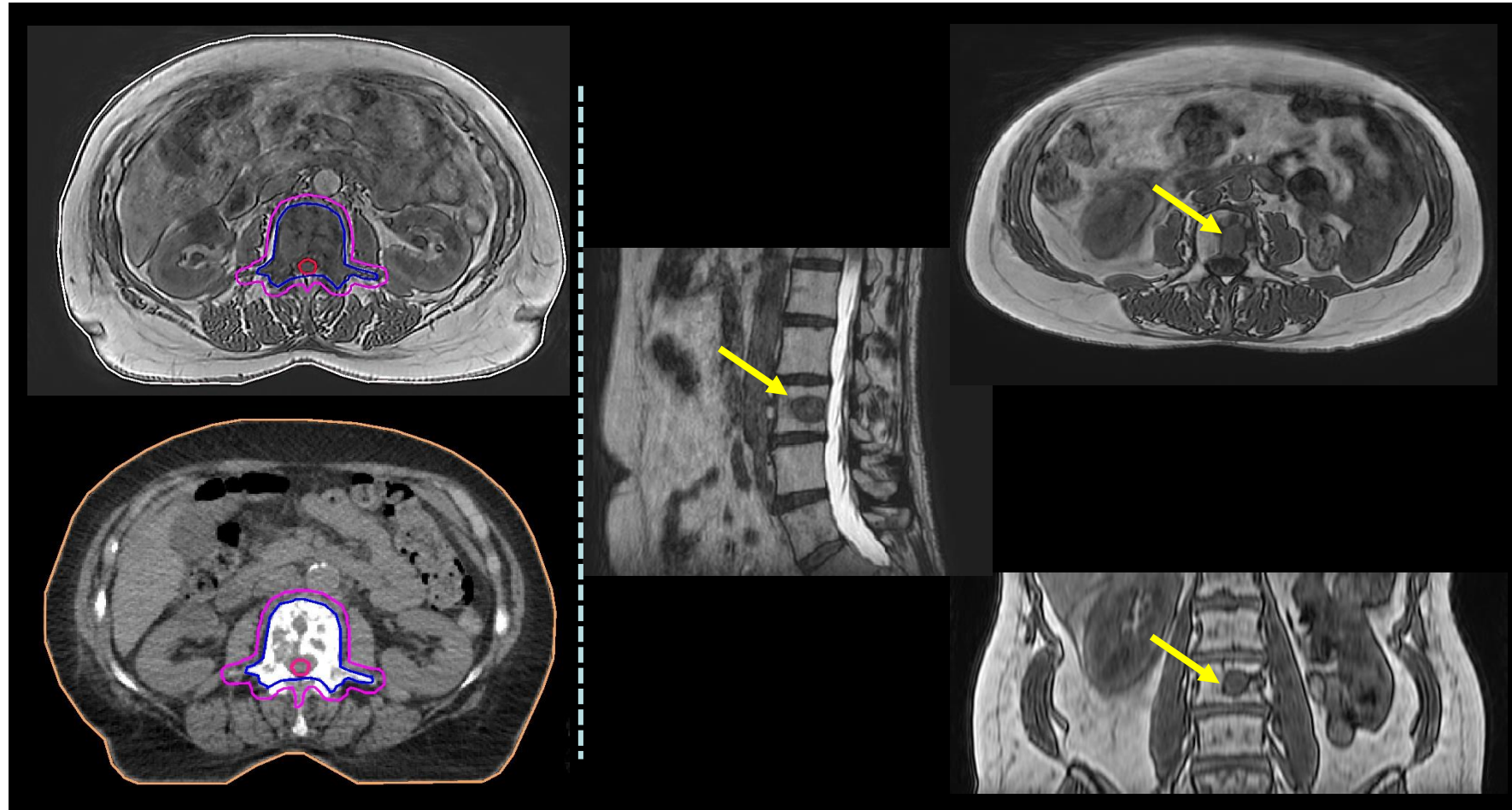
Image anywhere, anytime

High Speed (>15 images/s)

High Resolution (<1mm<sup>3</sup>)

Full breadth of Diagnostic  
MR sequences

Demonstrated technical  
accuracy and safety in  
the clinical setting

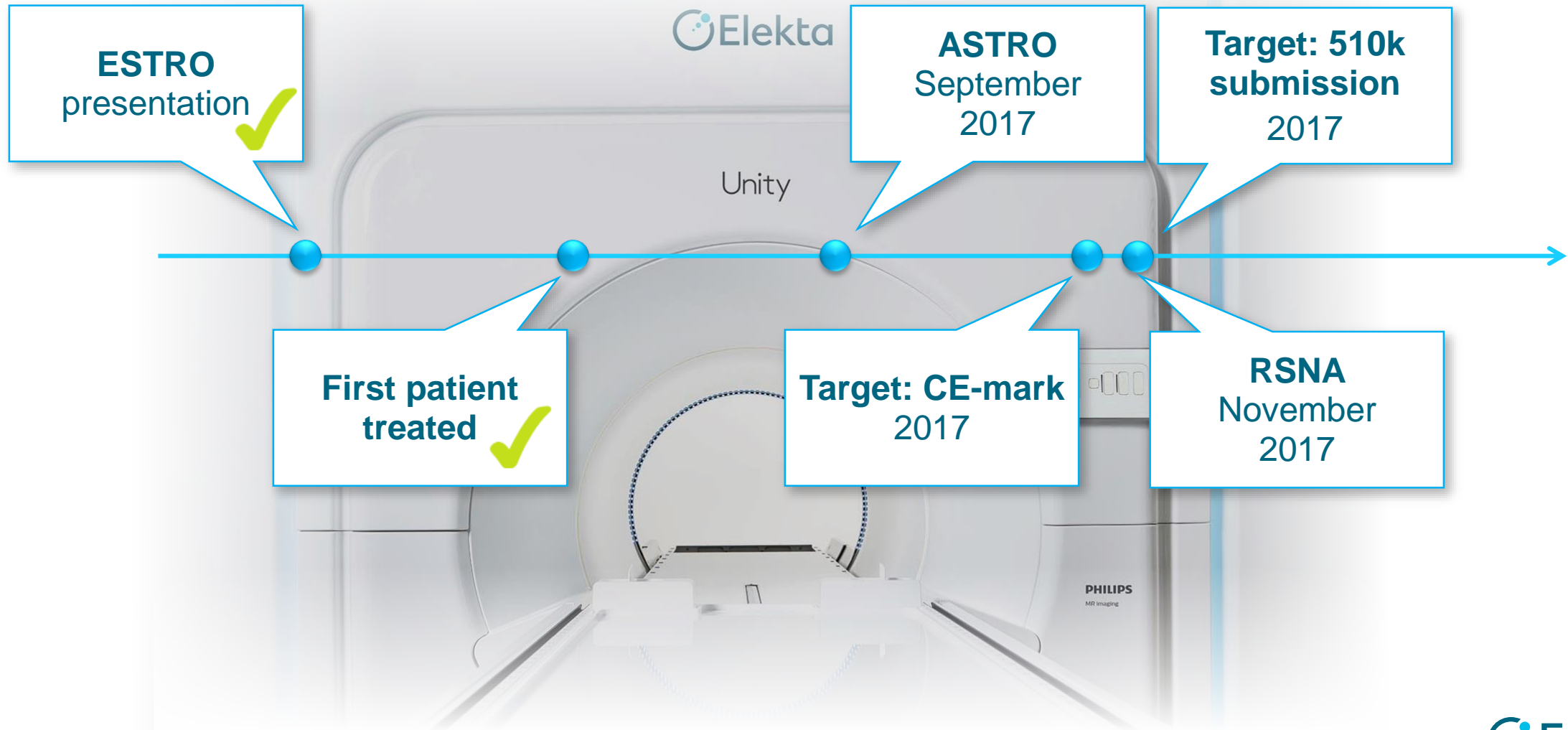


Patients with bone metastases treated with palliative intention.

\*Elekta Unity is a Technology in Development.



# Commercialization on track



# Long-term addressable market ~25% of current installed linacs

## Phase 1: Reputation driven phase

- High-profile clinics
- ~ **300-400 units** addressable market

Target:

**75 orders**

until 2019;

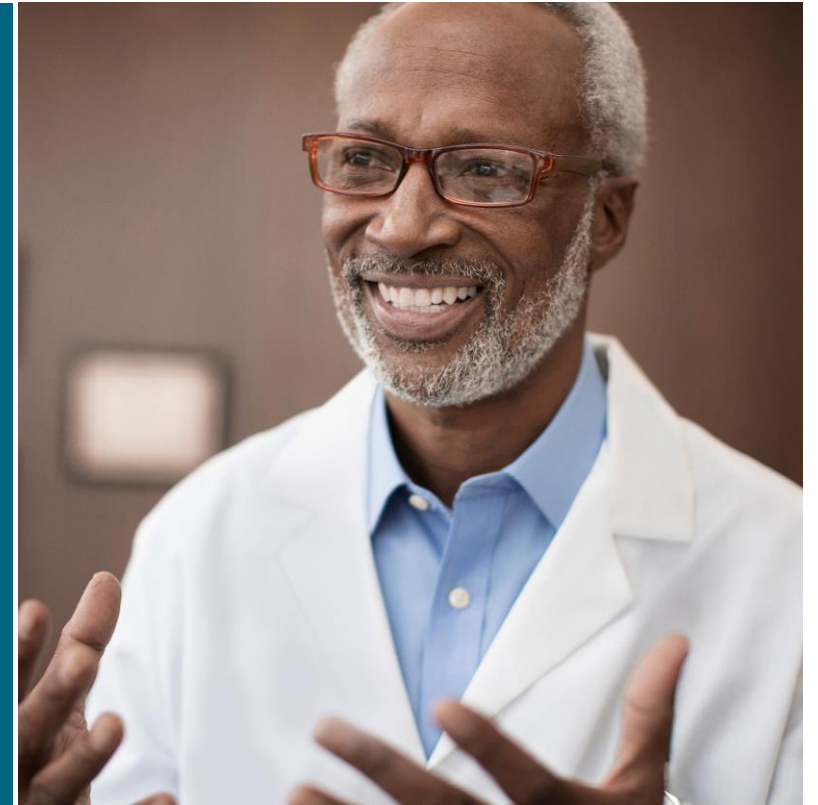
**15** to date

## Phase 2: Clinical adoption driven phase

- Larger mainstream profile, guidelines driven
- ~ **3 000 units** addressable market

Focus where  
it matters.

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# Gustaf Salford

## Chief Financial Officer

- MSc from Stockholm School of Economics
- Consultancy background (Boston Consulting Group, Booz Allen Hamilton)
- At Elekta since 2009
- Finance Director Europe
- Head of Business Control

# What I believe in

Continue  
to transform  
through process  
excellence

Transparency  
and  
accountability

Balanced  
business  
model

# Q&A

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Focus where  
it matters.

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