





# **Outlook maintained for the full-year – soft quarter**

**Q3 report 2019/20**

February 20, 2020

# Agenda

**1. Q3 performance**

**2. Financials**

**3. Outlook**

**4. 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.**

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# 1. Q3 performance

**Dr. Richard Hausmann**  
**President and CEO**

# *We are Precision. Radiation. Medicine.*

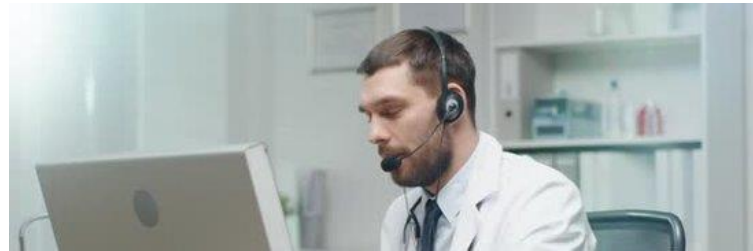
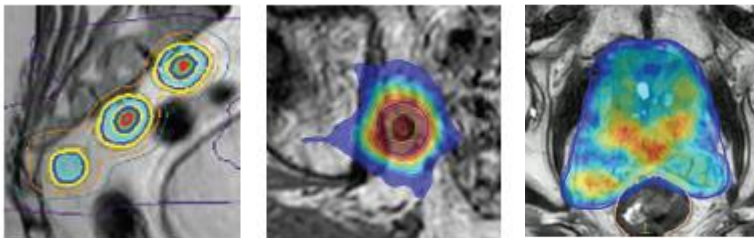
Everyone with cancer should have access to and benefit from precise, personalized radiotherapy



# Driving innovation and thought leadership

## MR-Linac paradigm shift

- Elekta Unity superior high-field system
- Excellent clinical results from 20 Elekta Unity systems
- Collaboration with ViewRay to drive market adoption



## Acquiring remaining share of Palabra

Apps integrated in MOSAIQ Plaza

- Smart Clinic
- Voice Automation
- Teleport

## Integration of ProKnow

- Centralize, archive, view and analyze treatment planning data
- Automated metrics and performance scorecards
- Cloud base scalable framework



# Elekta supporting World Cancer Day



Joint quest against women cancer in Vienna



Uppsala univeristy hospital promoting Elekta Unity in Sweden



Inauguration of 1st (Elekta) linac in Rwanda



# Strong interest at Arab Health

- Exciting meetings with customers and partners
- Signing of multiple orders with customers across the region



# Q3 – Improved profitability but weak order intake

## Key Q3 financials

- Organic order intake -11%
- Organic net sales +5%
- Gross margin 42.0% (40.7)
- EBITA margin 17.7% (15.2)



## Q3 – Improved profitability but weak order intake

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## 9M – Confidence in full-year outlook

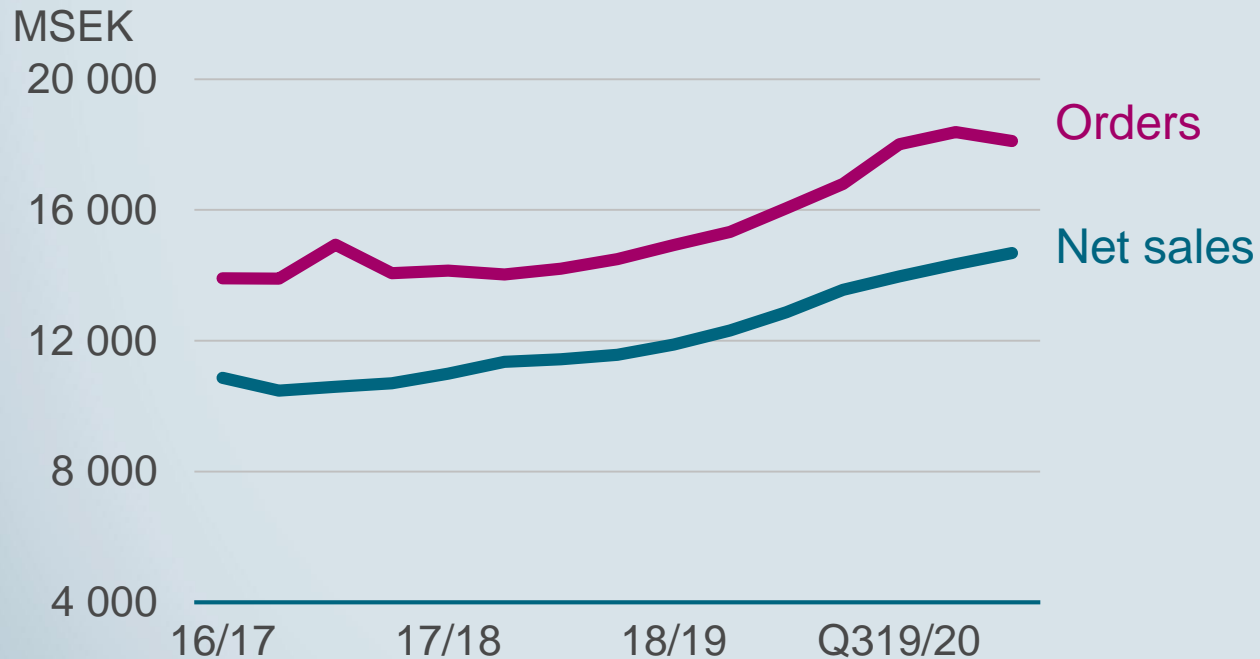
### Key 9M financials

- Organic order intake +6%
- Organic net sales +7%
- Gross margin 41.8% (40.5)
- EBITA margin 15.4% (15.8)

# Creating value by innovation and thought leadership

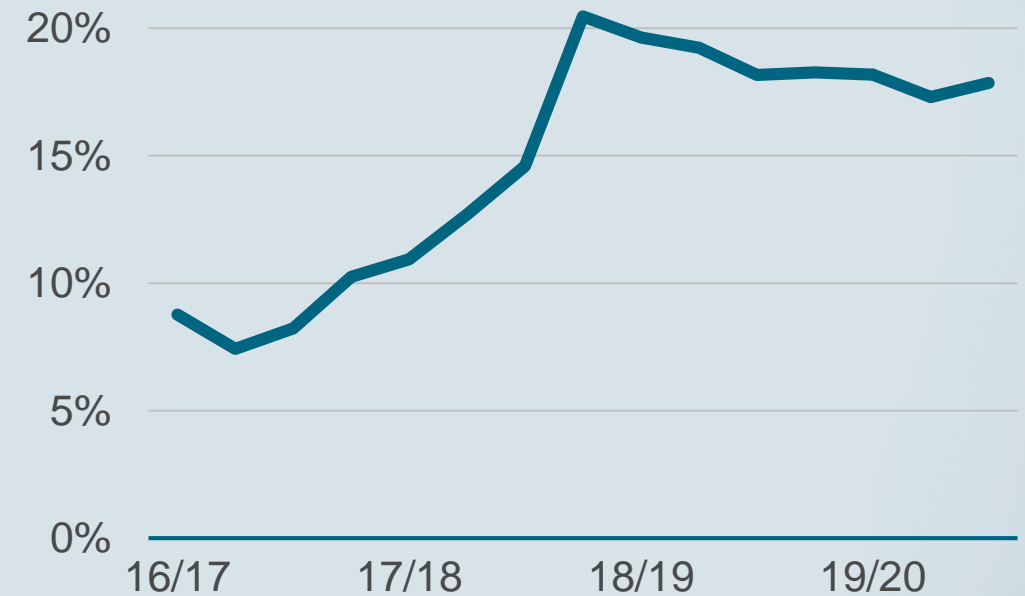
## Net sales

rolling 12 months



## EBITA margin

rolling 12 months



# Q3: Strong order growth in EMEA and China

## North & South America

**-43%**

- Negative development in the US driving the region
- Good contribution from Brazil and Colombia
- Larry Biscotti heading Region North and Central America

## Europe, Middle East & Africa (EMEA)

**9%**

- Strong growth both in mature and emerging markets
- Big bundle deal win Jules Bordet/Belgium including 1 Elekta Unity and 4 linac-deal to university hospital Dresden
- Several linac orders in Russia
- 1<sup>st</sup> LGK order to Dubai
- Strong success in Nigeria, ordered 4 linacs

## Asia Pacific

**-6%**

- Strong order growth in China, continuing taking market shares, being clear market leader
- Large bundle deal of 10 linacs to private HEDY Group/China
- Exciting win, HCM Oncology Hospital in Vietnam

# 9M: Double-digit order growth in EMEA and Asia Pacific

North &  
South America

**-10%**

Europe, Middle  
East & Africa (EMEA)

**+11%**

Asia  
Pacific

**+15%**

# Elekta Unity – 65 systems ordered as of today

Reiterating 75 orders by Mid-2020 – most likely already at the end of the FY 19/20

North &  
South America

Europe, Middle  
East & Africa (EMEA)

Asia  
Pacific

Q3

+1

14

30

21

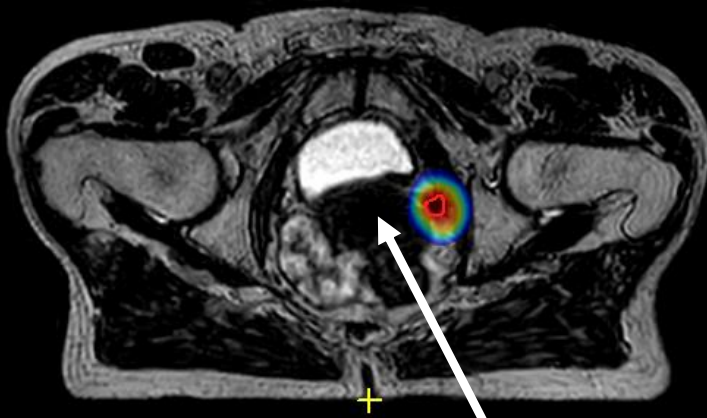
Total

Elekta Unity demo in Tübingen in November:

# Two oligometes in one session - adapting to the anatomy of the day

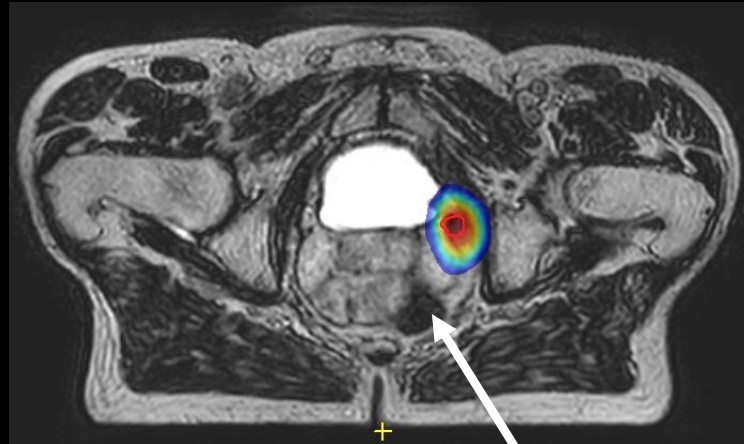
Oligomet no. 1

Fraction n



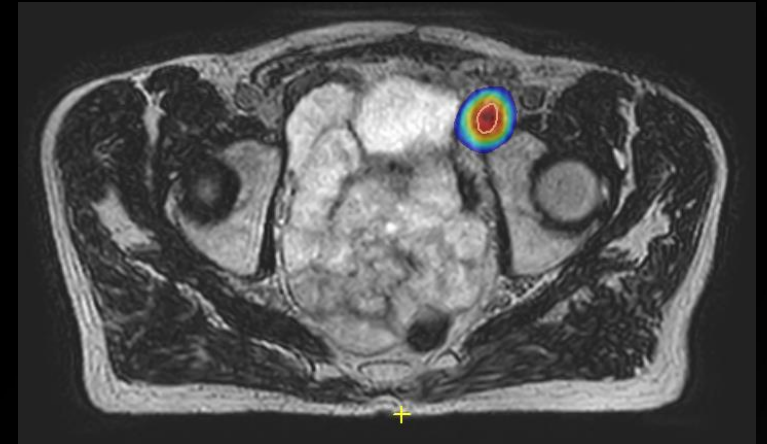
Rektum

Fraction n+1



Rektum

Oligomet no. 2



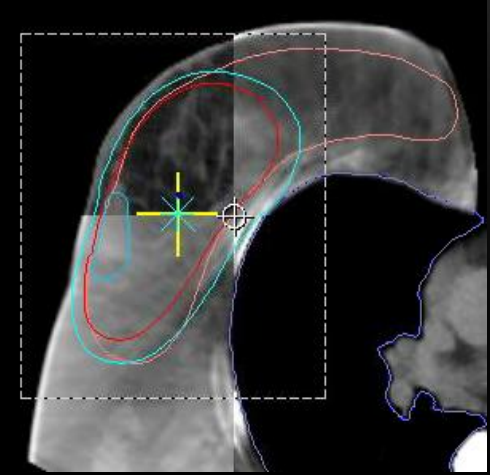


# Partial breast irradiation (PBI)

Post Operative PBI  
Insufficient target visualization with CT  
following breast reconstruction



Planning CT



Registration CBCT/ planning CT

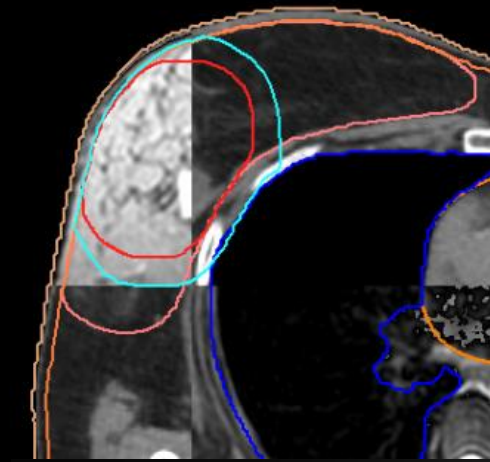
## Target area clearly visualized with MR

IMRT SnS Plan, 40.05 Gy /15 fx

ATP workflow with MM (avg. 20mins)



Planning MR



Registration daily MR / planning CT

# Our Elekta Unity pioneers treating patients routinely

20 installed Elekta Unity systems in clinical use with great feedback on performance



# 2. Financials

**Gustaf Salford**  
**CFO**

# Strong service revenue growth and margin improvement

(SEK M)	Q3 2019/20	Q3 2018/19
<b>Net sales</b>	<b>3,656</b>	<b>3,320</b>
Solutions	2,216	2,049
Service	1,440	1,270
COGS	-2,121	-1,967
<b>Gross margin (%)</b>	<b>42.0%</b>	<b>40.7%</b>
Expenses*	-851	-782
Exchange diff and other	-36	-66
<b>EBITA</b>	<b>648</b>	<b>505</b>
<b>EBITA margin (%)</b>	<b>17.7%</b>	<b>15.2%</b>
Amortization	-205	-194
<b>EBIT</b>	<b>443</b>	<b>311</b>
Net financial items	-45	-39
Income taxes	-89	-60
<b>Net profit</b>	<b>308</b>	<b>212</b>
<b>EPS</b>	<b>0.81</b>	<b>0.55</b>

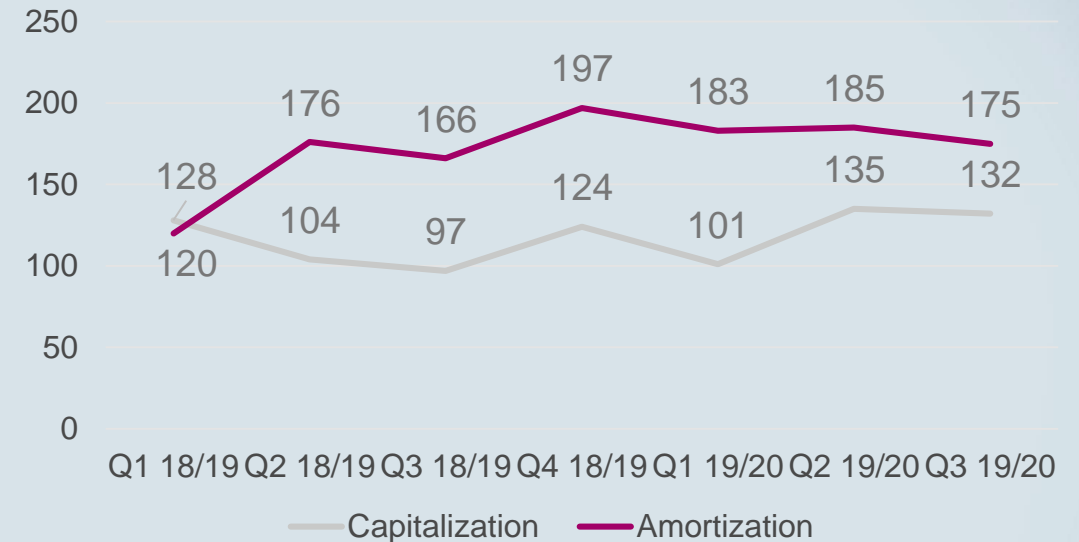
- **Net sales up 5% for the quarter**
  - Solutions +3% and Service +8%
  - North and South America: -23%
  - Europe Middle East and Africa: +25%
  - Asia Pacific: +19%
- **Gross Margin improvement**
  - Supported by Neuro and Oncology Information System growth
  - COGS reduction program contributing
- **EBITA at 17.7%**
  - Improvement vs. last year and last quarter
- **Net Profit growth of 45%**

# Continued focus on cost control

Expenses (SEK M)	Q3 2019/20	vs. LY*	vs. Q2*
Selling	-339	← 5%	← -6%
Administrative	-282	← 10%	← -4%
R&D (Net)	-415	← -1%	← -1%
<b>Total</b>	<b>-1,036</b>	<b>4%</b>	<b>-4%</b>

- Increased selling expenses to drive growth and Unity opportunities
- Administrative expense increase driven by investments in IT solutions/operational excellence and costs for litigation

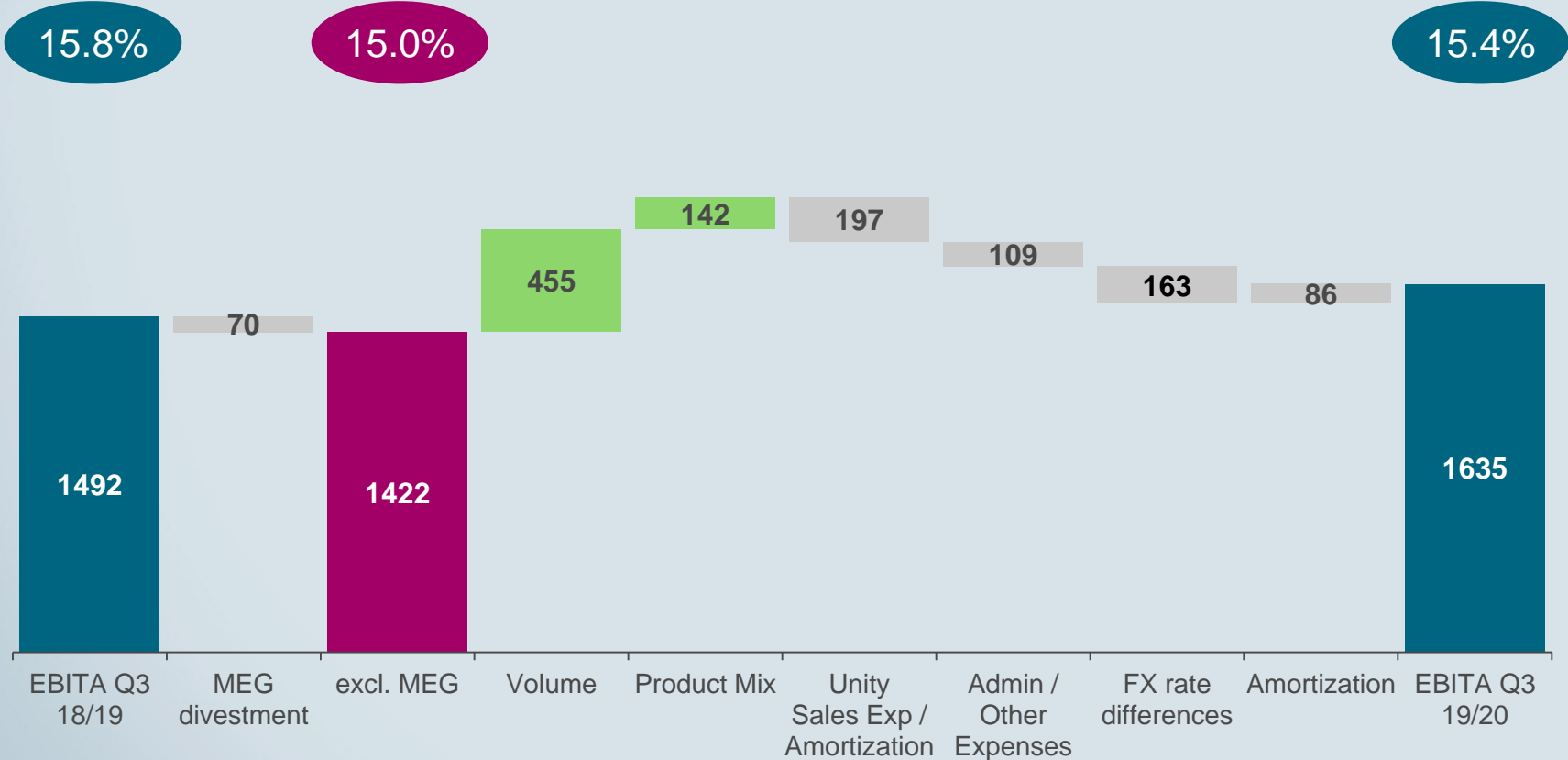
## Capitalization and amortization



- Net R&D decreased as capitalization increased more than amortization vs LY driven by late-stage R&D projects
- Gross R&D in relation to net sales at 10%

# Volume and product mix main driver of increased EBITA margin

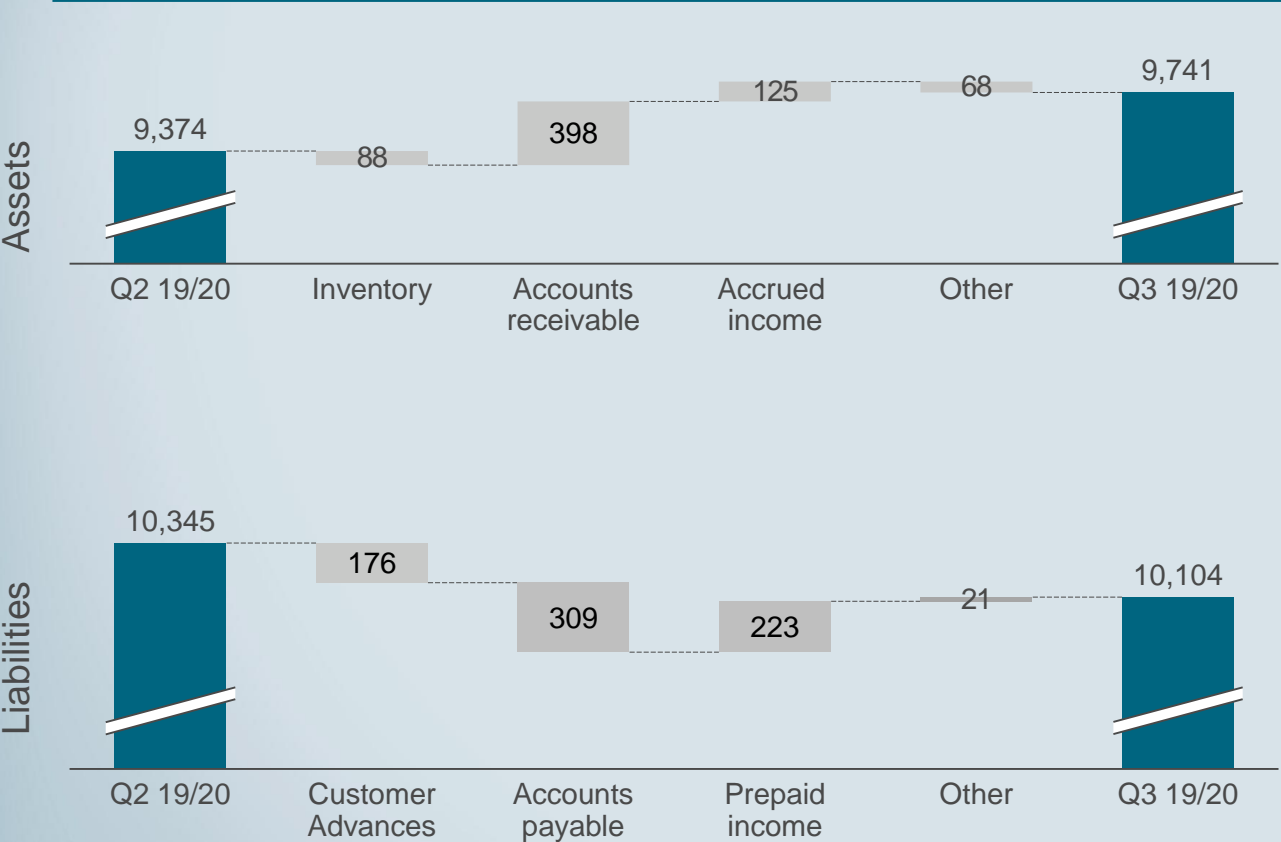
Q3 YTD - EBITA bridge (SEK M)



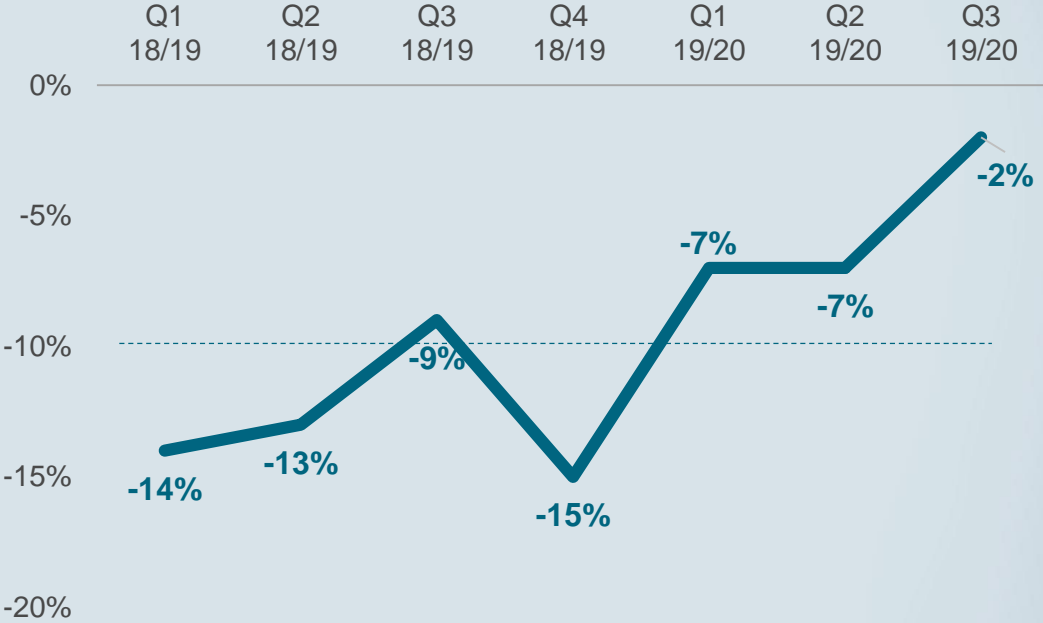
- Strong contribution from volume and product mix
- Last year the MEG divestment contributed 80 bps to EBITA
- On EBITA level currencies had a negative SEK -40 M YTD (and SEK +50 M in the quarter)

# Net working capital reflecting Brexit inventory and invoicing seasonality

### Net working capital change in the quarter



### Net working capital as % of sales



#### Key focus areas in Q4 quarters

- Get rid of Brexit inventory
- Collect on high invoice volumes generated in Q3



# 3. Outlook

**Dr. Richard Hausmann**  
**President and CEO**



# Measures to further improve profitability and cash flow

Profitability Drivers	COGS improvements kick in	Drive strong installations	Get rid of Brexit inventory	Continue improvement in invoicing and collection process
Current status	Increased gross margin, reaching 42%	Strong installations except in the US, especially in OIS and Elekta Unity	Currently worked down and shipped to customers	Improvement, more work needed
Improvements in Q4	Continue draw benefit from COGS program	Deliver on plan and optimize global resources accordingly	Zero Brexit inventory at end of April	Regional targets and central support

# Status and short term outlook of the Corona virus effect

- Caring about the safety of our personnel
- Service personnel been working to secure client's systems
- No major production or engineering issue at present, neither in Beijing nor in Crawley
  - Opened production site in Beijing on February 10
  - Securing production of linacs in Crawley/UK
  - Some dependency on Chinese sub-suppliers
- Challenges in order flow and installations at clinics
- Public tenders temporarily on hold

## Facts about Elekta in China

- ~14% of net sales YTD
- ~600 employees
- Production site in Beijing



# Guidance and priorities going forward

	Guidance FY 19/20	Scenario FY 20/21-22/23	Focus in Q4 19/20
<b>Net sales</b>	<b>8-10%</b>	<b>8-10%</b>	<ul style="list-style-type: none"> <li>• Continue the success of Elekta Unity</li> <li>• Harvesting MOSAIQ Plaza platform</li> <li>• Execution of COGS reduction program</li> <li>• Secure installation pipeline</li> <li>• Continued cost control</li> </ul>
<b>EBITA margin</b>	<b>~18%</b>	<b>&gt;20%</b> with expansion of up to <b>200 BPS</b> in the end of the period	

Assuming a normalization of the Coronavirus situation in FY Q4

## In summary

- Good performance except in the US
- Strong Elekta Unity sales funnel, confident to reach the target of 75 systems
- Improved profitability, both gross margins and EBITA margin
- Good underlying business, with strong outlook for product portfolio
  - new linac to be launched at ESTRO

# Investor Meeting at ESTRO



April  
4

2020



## Overview

Invitation to follow



Hilton Vienna Danube  
Waterfront



**Q&A**