

# Strong margin expansion

Q1 report 2023/24

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# Agenda

- Delivering on our strategy
- Q1 financials
- Outlook
- 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.

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.

# Delivering on our strategy

# Delivering on our strategy ACCESS 2025 in Q1



Focus on driving shareholder value

>7% net sales growth

EBIT margin expansion

>50% annual net profit in dividend

# Strategy execution well under way to drive strong shareholder value second half of ACCESS 2025



## Second half of ACCESS 2025

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- Back to **strong revenue growth** and **margin expansion**
- **Continued Product launches** to **accelerate order growth**
- Market leading product portfolio with **Unity in the lead**
- **Services growing** faster than installed base growth
- Continued **expansion of partnerships**
- Gradually **increased leverage of Elekta ONE**  
– revamped commercialization & efficiencies

Elekta's model

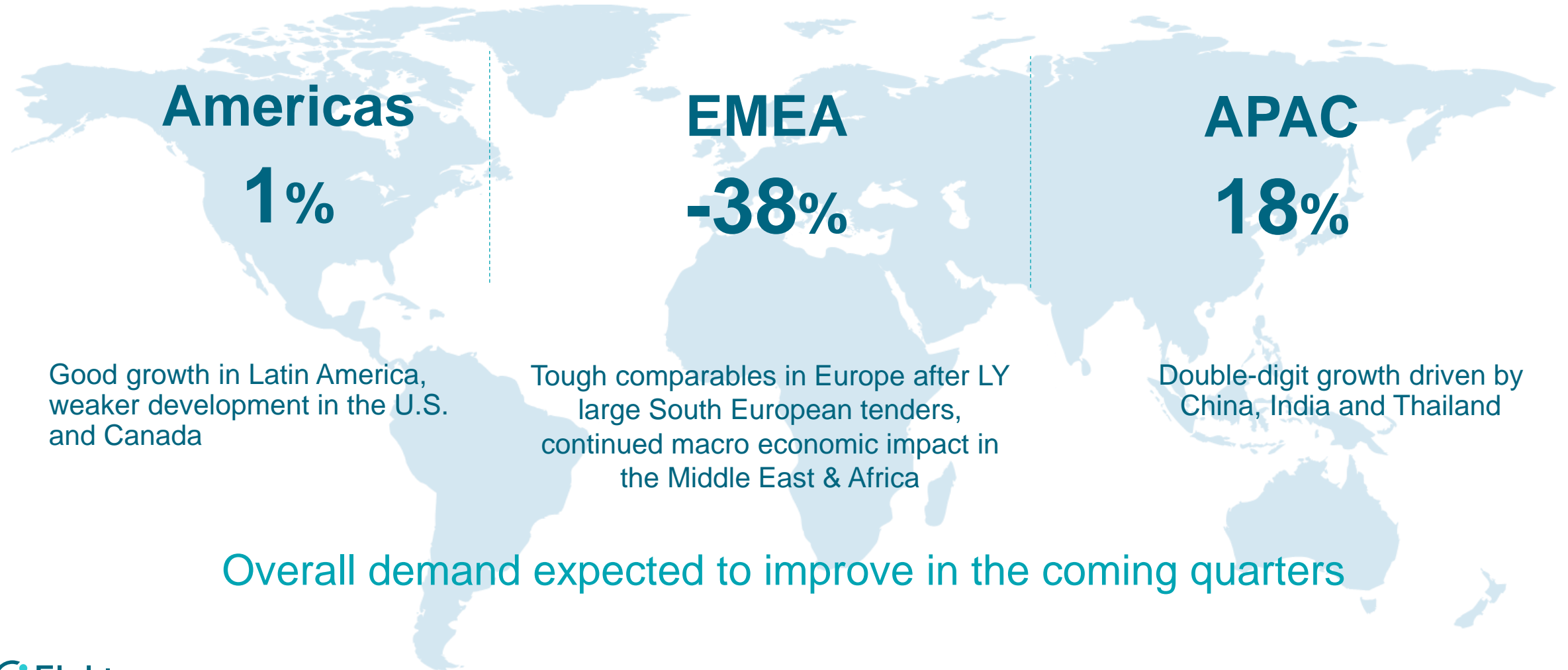
Focus on  
Radiotherapy

Versatile  
solutions

Culture of  
innovation

Committed to  
partnerships

# Gaining market shares globally in a slower market



# Third consecutive quarter of good revenue growth

**8%**

in Q1

- Good backlog conversion
- Installation of Italian and Spanish orders

Solutions **9%**

Service **7%**

Installed base

**5%**



Q1 22/23

Q1 23/24



# 18th MR-Linac Consortium highlights advances with Unity



**MR-Linac**  
CONSORTIUM

## Facts & figures

- **600+** physicians, physicists and radiographers (>300 in person)
- **85** cancer centers from 26 different countries represented
- **100+** scientific abstracts



## Some highlighted research

### Efficiency gains

- Radiation therapist-led adaptive workflow for prostate cancer using Unity has reduced the treatment times by 10 to 15 min and relieved radiation oncologists

### Pancreatic cancer

- Unprecedented precision (2mm PTV margin) using Comprehensive Motion Management

### Head & Neck

- New protocol using once weekly boost of a portion of tumor highlighted by biologic imaging on Unity (DWI) may be best way to minimizing excessive dose to normal tissue

Uniquely  
enabled  
by Unity

# Elekta ONE offers a strong SaaS commercial model

## Elekta ONE: Business implications



### Long-term stable revenue and margin expansion

- Increased value and revenue per customer – 80% revenue increase per customer converting to SaaS
- Increased customer retention – Zero attrition to date



### Operational efficiencies

- Low effort to add new solutions on Elekta ONE platform
- Contract renewal is a commercial event to drive SaaS



### Cost savings

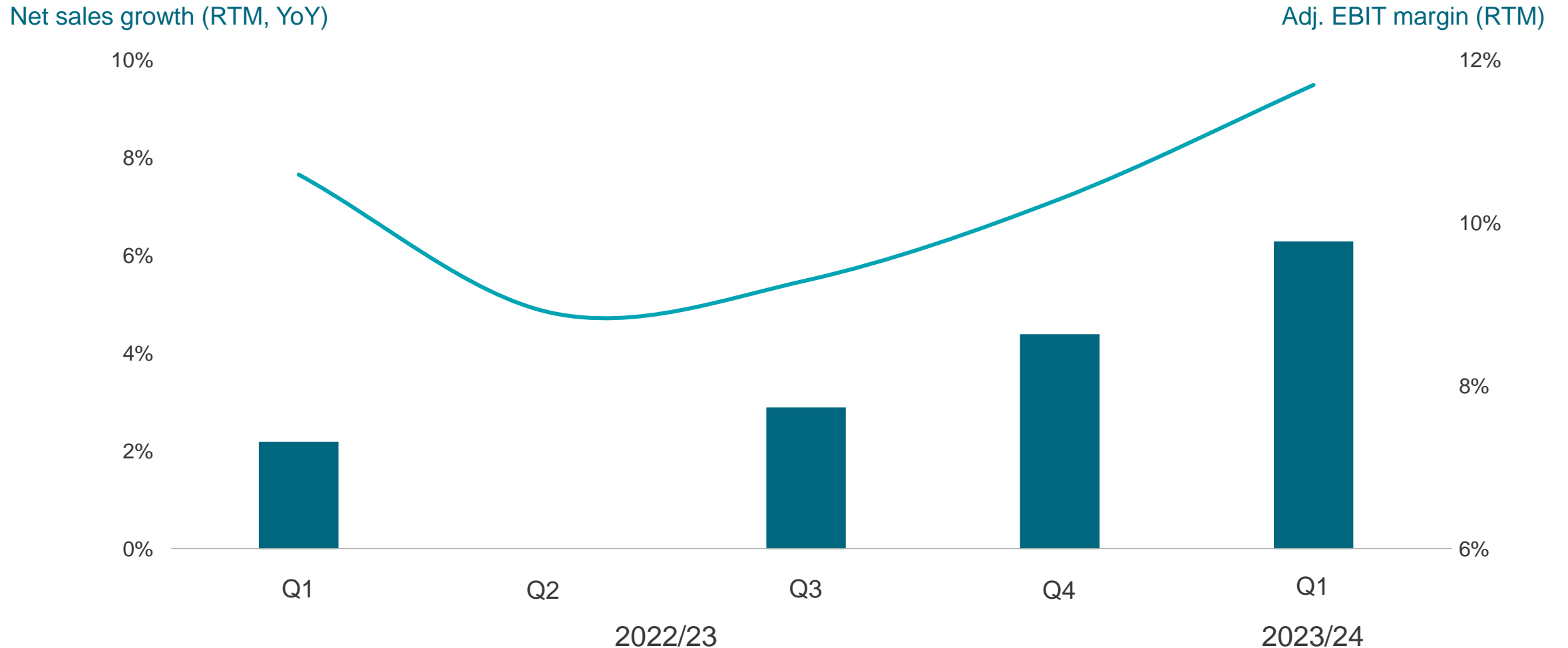
- Focusing on core competences while partnering with industry leaders
- Predictive and proactive support increases predictability

**Increased market share, improved operations, strong revenue growth and margin contribution going forward**



# Q1 financials

# Continuing the momentum from H2 22/23



# Strong revenue and well improved margins

## Net sales increased by 8%<sup>1)</sup>

- Double-digit growth in EMEA and APAC
- Good growth in both emerging and mature markets

## Strong margin improvement

- Adjusted gross margin increased by 260 bp
- Adjusted EBIT margin improved by 720 bp

## Earnings per share increased by almost 300%

- Positive contribution from improved adj. EBIT more than offset the higher finance net

(SEK M)	Q1 23/24	Q1 22/23	Q4 22/23
<b>Net sales</b>	<b>3,828</b>	<b>3,327</b>	<b>5,125</b>
Solutions	1,995	1,706	3,325
Service	1,833	1,621	1,800
COGS <sup>2</sup>	-2,237	-2,032	-3,187
<b>Adj. gross margin</b>	<b>41.6%</b>	<b>38.9%</b>	<b>37.8%</b>
Expenses <sup>2</sup>	-1,121	-1,088	-987
Exchange rate diff and other	-44	-76	-119
<b>Adj. EBIT</b>	<b>427</b>	<b>132</b>	<b>832</b>
<b>Adj. EBIT margin</b>	<b>11.2%</b>	<b>4.0%</b>	<b>16.2%</b>
Financial items, net	-107	-39	-95
Income tax	-67	-18	-142
<b>EPS<sup>3</sup>, SEK</b>	<b>0.62</b>	<b>0.16</b>	<b>1.43</b>
<b>Adj. EPS<sup>3</sup>, SEK</b>	<b>0.65</b>	<b>0.19</b>	<b>1.53</b>

<sup>1</sup> Based on constant exchange rates.

<sup>2</sup> Excluding items affecting comparability (IAC) in Q1 2023/24 of SEK 14 M, of which SEK 1 M is related to COGS.

<sup>3</sup> Before/after dilution

# Margin improvement supported by revenue growth and Cost-reduction Initiative

## Adjusted gross margin increase

- + Leverage from revenue growth
- + Cost-reduction Initiative
- + Decreased logistic expenses
- + Positive effect from annual inventory revaluation
- Continued inflationary pressure

## Adjusted EBIT margin improvement

- + Higher gross margin
- + Revenue growth and lower operational expenses

(SEK M)	Q1 23/24	Operations	FX	Q1 22/23
Net sales	3,828	275	226	3,327
<i>Growth, %</i>	15.1%	8.3%	6.8%	-
Adj. gross income	1,590	225	70	1,295
<i>Adj. gross margin</i>	41.6%			38.9%
<i>Accretion</i>	2.6%	3.3%	-0.7%	
Adj. EBIT	427	232	62	132
<i>Adj. EBIT margin</i>	11.2%			4.0%
<i>Accretion</i>	7.2%	6.1%	1.0%	-

# Lower expenses after Cost-reduction Initiative

**Positive impact** from last year's Cost-reduction initiative despite inflationary pressure

**Selling expenses<sup>2</sup> increased** due to more customer events

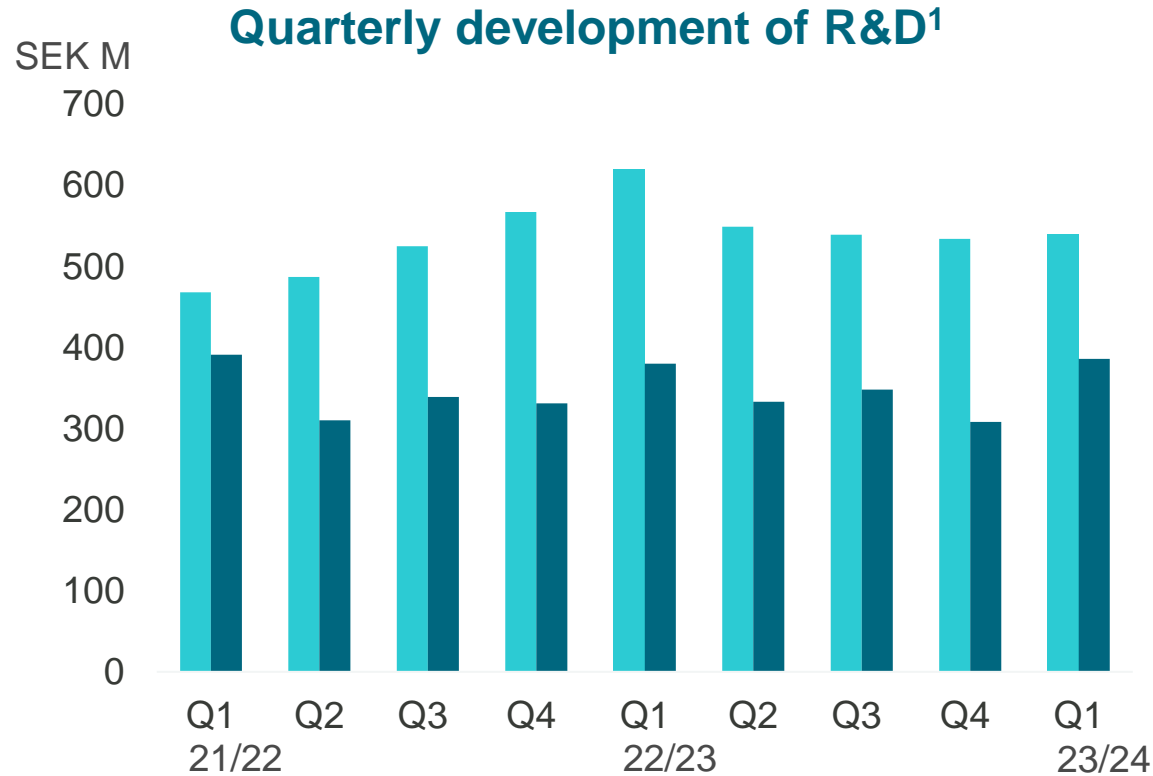
**Administrative expenses<sup>2</sup> declined** driven by strengthened cost control

**Net R&D expenses<sup>2</sup> decreased** driven by lower Gross R&D

## Quarterly expenses

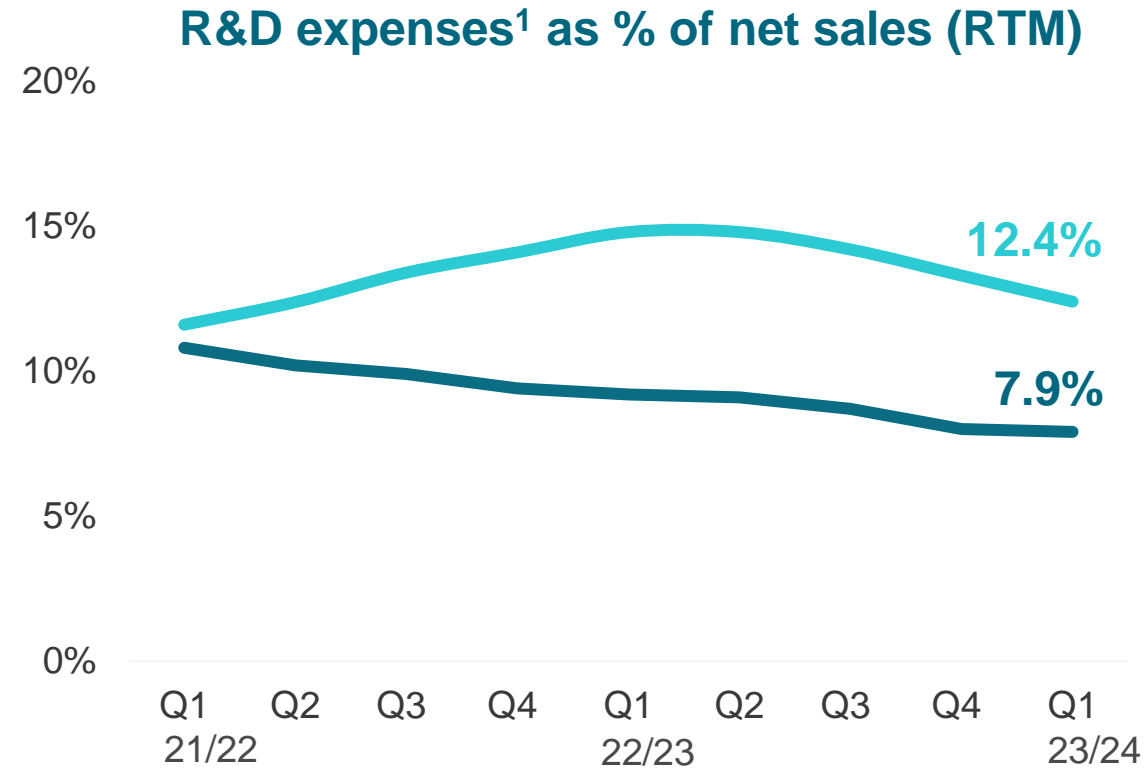
Expenses (SEK M)	Q1 <sup>1</sup> 23/24	Q1 22/23	Growth <sup>2</sup> Y/Y
Selling	425	390	➔ 6%
Administrative	309	317	➔ -8%
Net R&D	386	380	➔ -3%
<b>Total</b>	<b>1,121</b>	<b>1,088</b>	<b>➔ -1%</b>

# Continued selected investments while maintaining cost control



Gross R&D decrease y-o-y

■ Gross R&D  
■ Net R&D

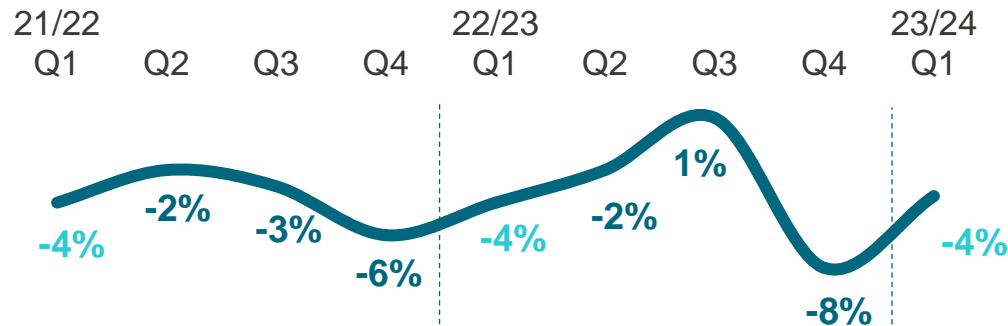


Sequentially lower capitalization and higher amortization in Q1



# Seasonable stable NWC ratio to net sales

## NWC as % of net sales (RTM)



Net working capital (NWC) as share of net sales **in line** with Q1 previous year

Seasonal build up of inventories and inflation-based revaluation

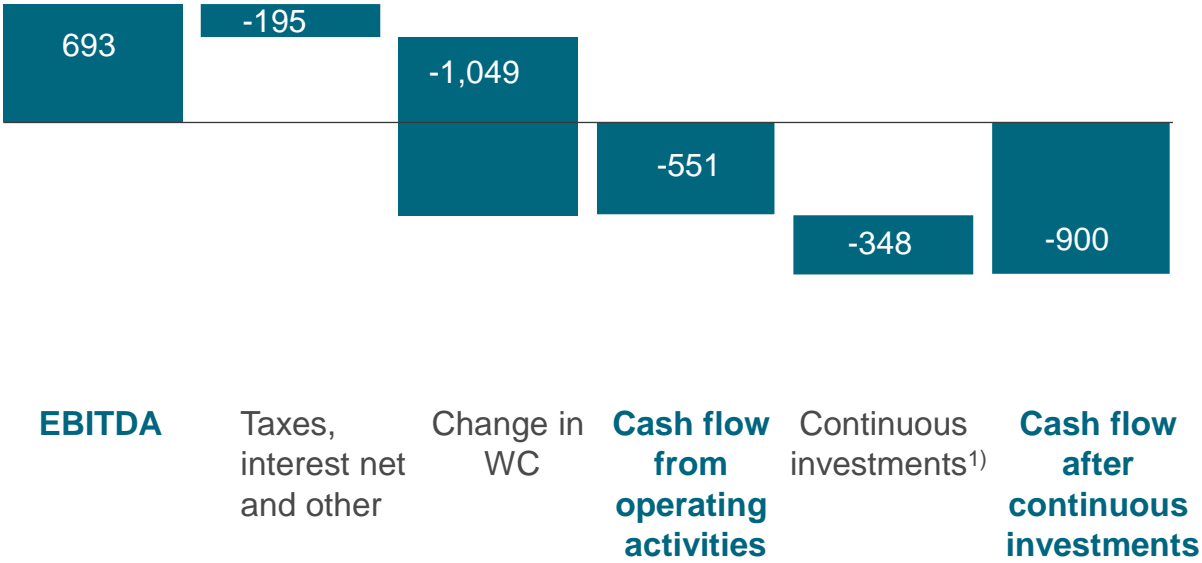
Higher **accounts receivable** as a result of more sales towards the end of the quarter

**Accrued income** increased due to a larger share of installations in Southern Europe with longer billing terms

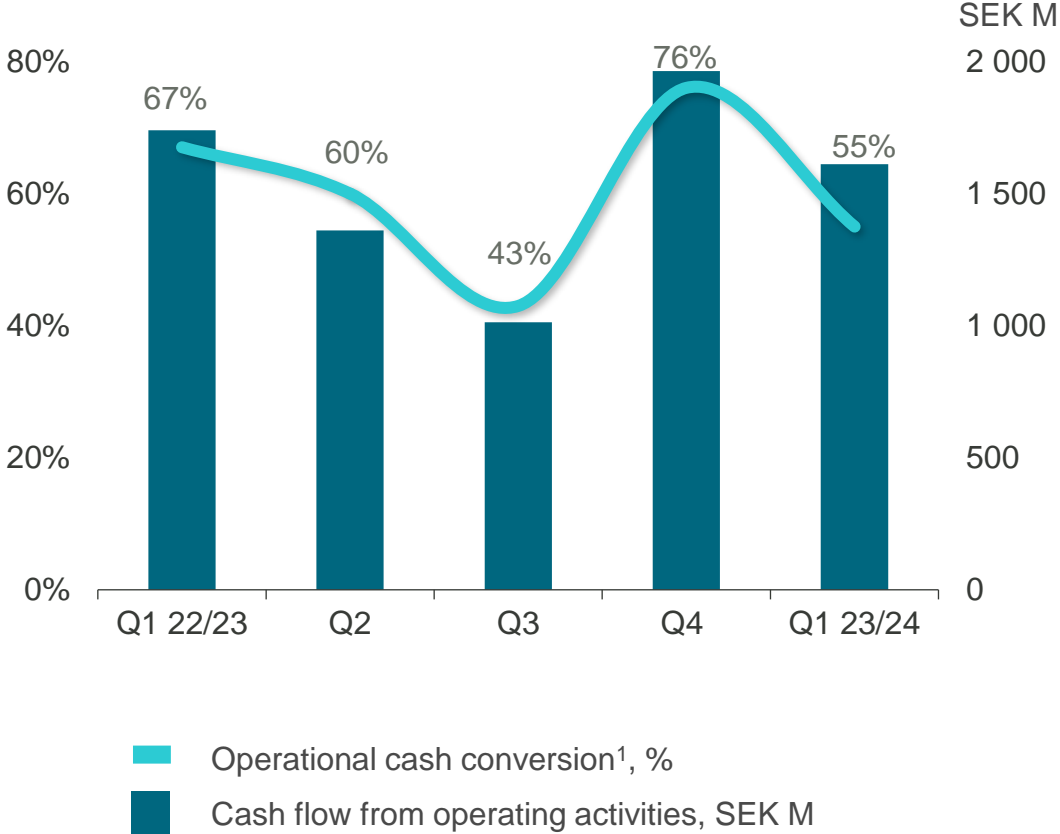
Increased shipments generated higher **customer advances**

# Following the record strong Q4, cash flow was impacted by seasonal build-up of NWC

Q1 Cash flow (SEK M)



Operational cash conversion, RTM



<sup>1</sup> Cash conversion = Cash flow from operating activities/EBITDA

# Outlook

# Outlook until 2024/25

Net sales



EBIT margin



Dividend policy



Focus on driving shareholder value

# Outlook

- Revenue growth and EBIT margin expansion is expected to continue in the next quarter
- Continued inflationary pressure
- Long-term market trends to support growth and investment in high-end radiotherapy equipment and margin expansion



# Summary Q1

- Delivering on our strategy ACCESS 2025
- Gaining market share in the quarter
- Third consecutive quarter with strong revenue growth.
- Strong improvements in margins



We don't just build technology,  
**we build hope**



# Q&A



