

Three-month interim report 2018/2019:

# US success contributes to increased order bookings

Presentation September 4, 2018

Torbjörn Kronander, CEO and President Sectra AB

Mats Franzén, CFO Sectra AB

# Summary of the quarter

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- Imaging IT lead the way but all areas showed growth.
- Special focus and happy customers in the US resulted in good order intake.

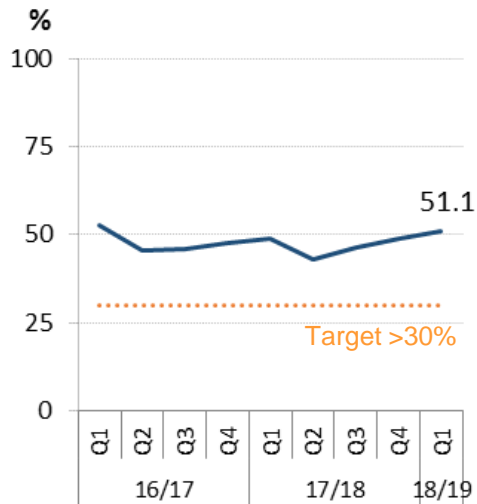
# Highlights from Q1

Torbjörn Kronander, CEO and President

# All financial targets for the Group fulfilled

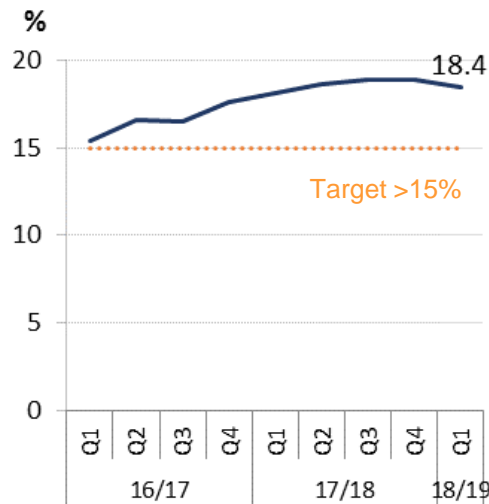
## Stability

Equity/Assets ratio,  
%



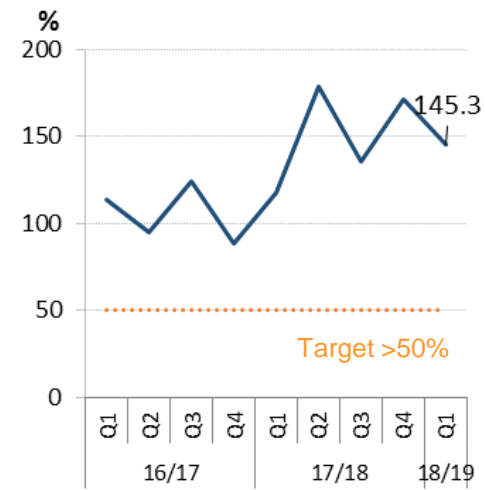
## Profitability

Operating margin,  
%



## Growth

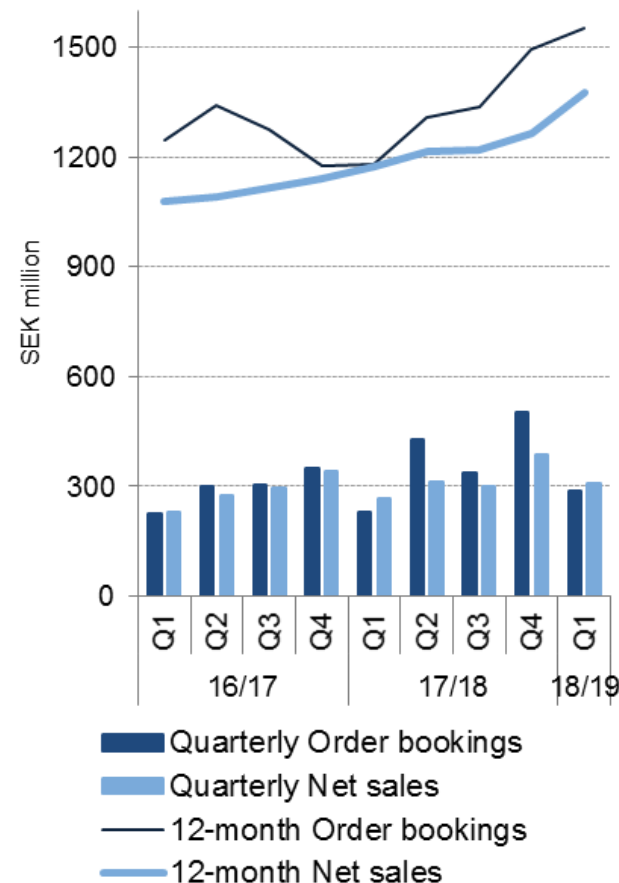
EBIT/share growth over a 5-year period,  
%



Priority

# Order bookings for the Group

- The increase Q1 compared with the corresponding quarter in the preceding year was attributable to.
- Geographically, the increase in order bookings Q1 was mainly attributable to operations in Australia, Sweden and the US.
- Substantial variation between quarters as orders sometimes are very large.



# Imaging IT Solutions

US orders received:

- Sanford Health, a major US hospital chain primarily operating in North and South Dakota.
- Texas Scottish Rite Hospital for Children in Dallas, Texas, renowned for its treatment of paediatric orthopaedic conditions.
- Memorial Hermann Health System in the US ordered Sectra's cloud-based solution for radiation dose monitoring, Sectra DoseTrack.



# Imaging IT Solutions

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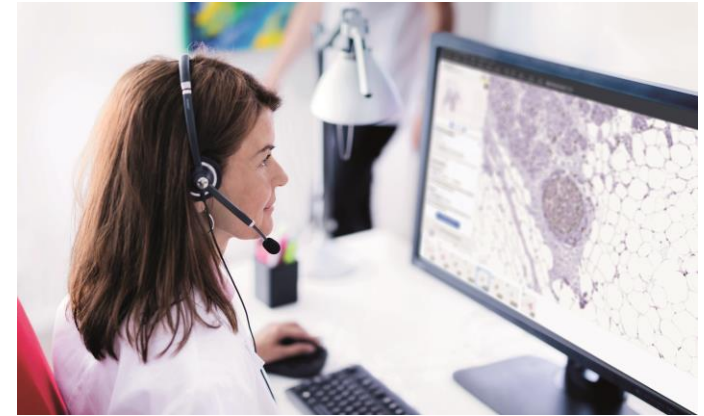
- Sectra entered into a proof of concept agreement with NSW Health in Australia.



# Imaging IT Solutions

- Sectra completed a unique nationwide telepathology solution in the Netherlands.
- Hospital Instituto Português de Oncologia de Lisboa ordered Sectra's IT solution for digital pathology.

The customer is renowned for its cancer care and is the first hospital in Portugal to include digital pathology in its existing Imaging IT solution.



# Local and global presence

- Direct sales in 19 countries
  - France (medical) and Finland (security) established 2015/2016,
  - Canada (medical) 2016/2017
- Partner sales in select markets and business units
- Customers in > 60+ countries
- Sectra's largest markets are:
  - Scandinavia
  - USA
  - UK
  - the Netherlands

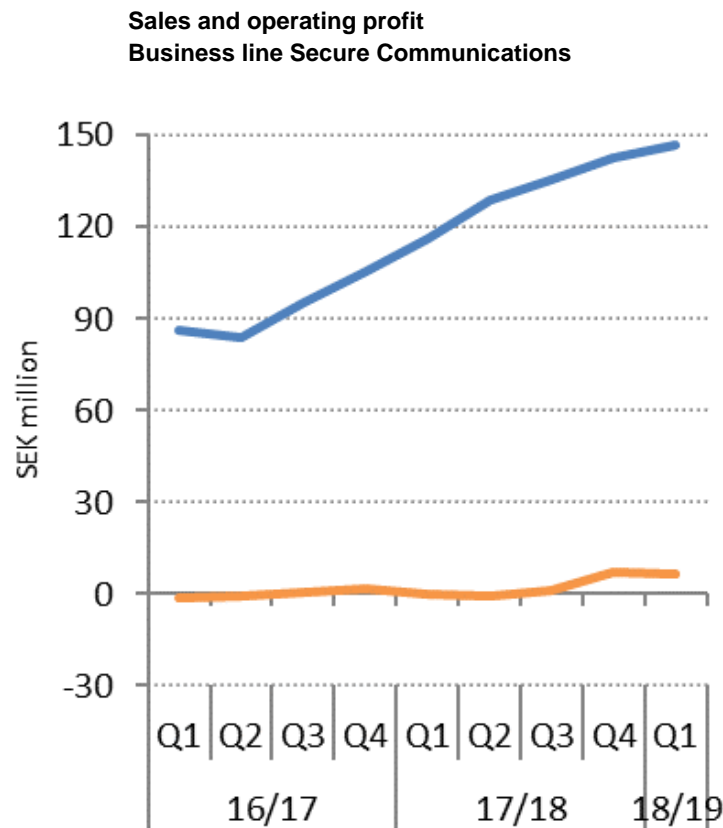




# Secure Communications

# Secure Communications

- Good growth.
- Growth initiatives:
  - Critical infrastructure product area
  - Strengthen the offering in the secure communications segment
  - New geographic areas
- Increased focus on the critical infrastructure product area will be charged to the operating area's earnings during the fiscal year.



# Critical infrastructure @ Sectra

- Substantial interest, but by its nature a slow market.
- Several customers now fully operational.

## Growth strategy:

- Focus on the energy sector.
- Expand into new geographic markets based on solid references in Scandinavia.



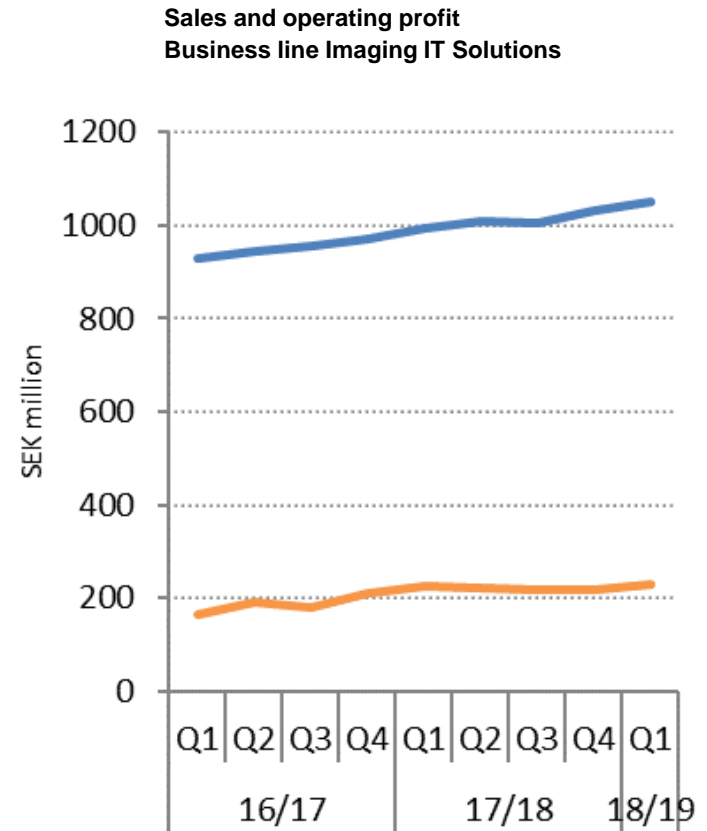
IT security solutions for the energy sector—a fast-growing market.



# Imaging IT Solutions

# Imaging IT Solutions

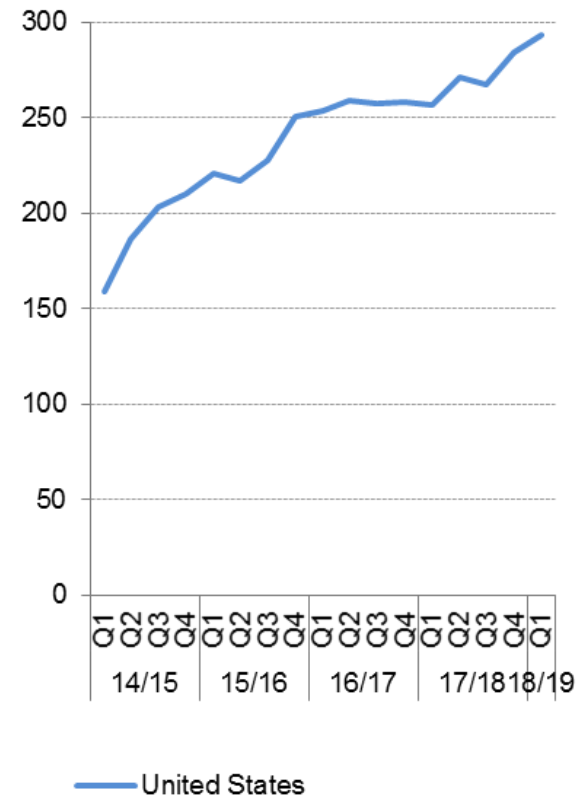
- Continued trust & extended agreements with existing customers.
- Improved growth.
- Investments in future growth areas and new geographic areas.



# Imaging IT Solutions in the US

- US - an important growth opportunity.
- Recent orders from respected customers strengthen Sectra's market position.

Sales growth in the US market





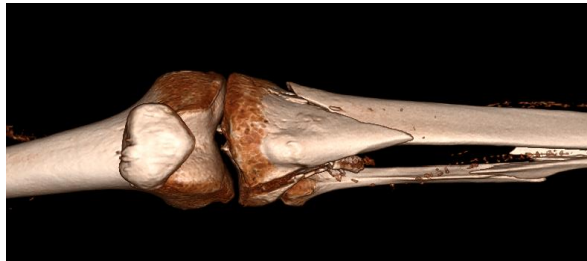
# Business Innovation

# Future growth projects

## Business Innovation



Medical education



Software tools for  
orthopedic surgery



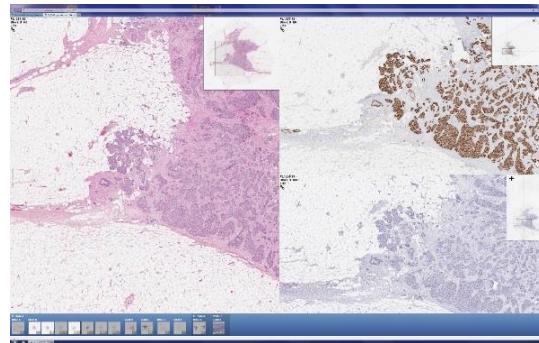
Research

## Secure Communications



IT security for  
critical infrastructure

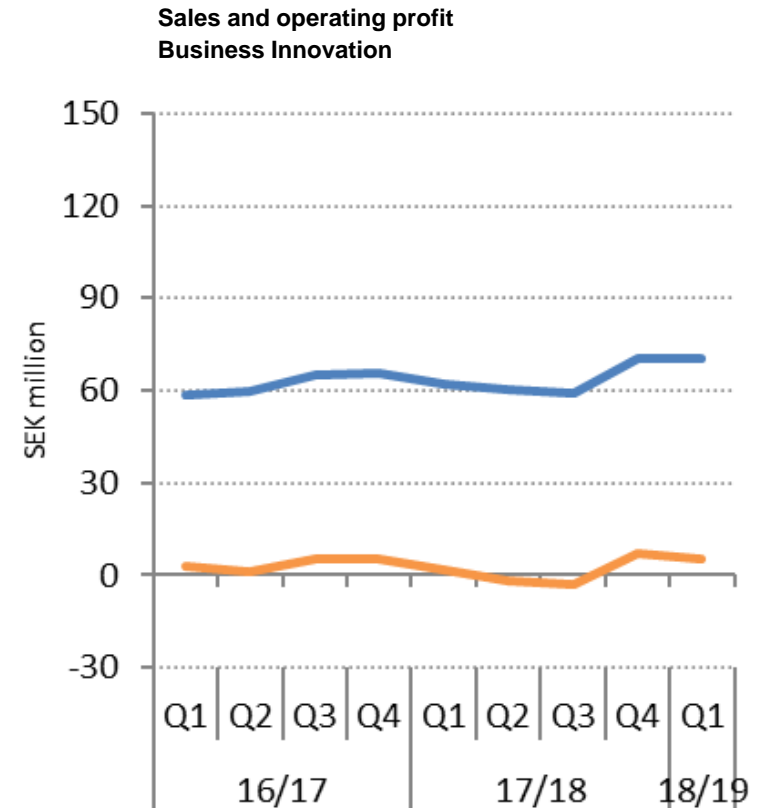
## Imaging IT



Digital pathology

# Business Innovation

- New areas within orthopaedics:
  - Visualization and planning for 3D trauma surgery (Pre OP).
  - Sectra Implant Movement Analysis (Post OP).
- Medical Education transition:
  - From device delivery to a service including cloud-based content subscriptions.
- Research



# AI/Machine learning

- A core focus area for Sectra.
- Increase the efficiency of physicians' daily work, not replacing them.
- An “app-store” of AI applications in Sectra's solution for managing medical images.
- Will permeate most business units in the future.



According to a KLAS report, Sectra top a list of vendors ranked for their ability to set and deliver on expectations related to AI in medical imaging.

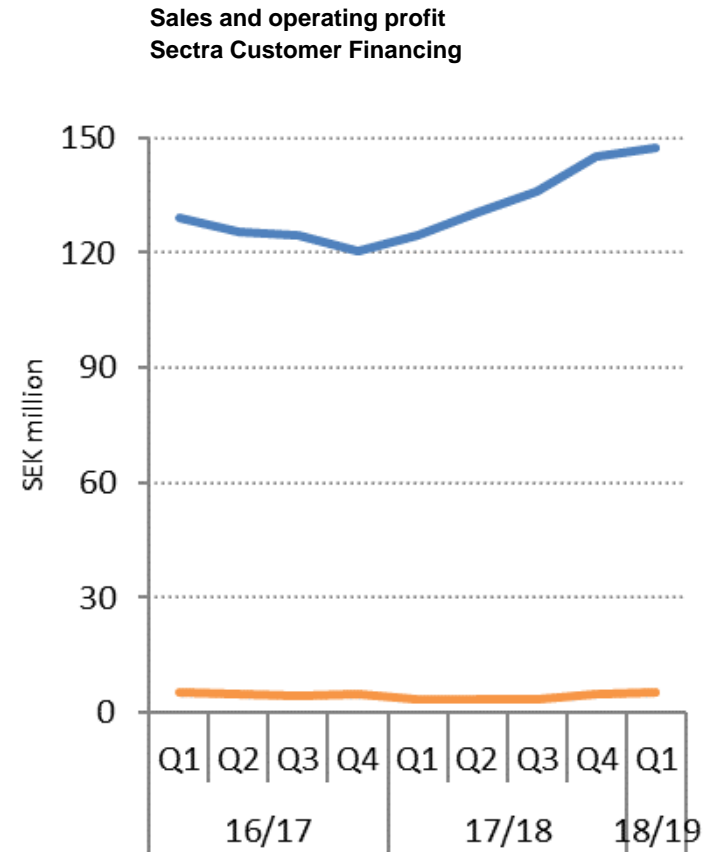
Artificiell Intelligence in Imaging 2018,  
Klas Research



# Customer Financing

# Sectra Customer Financing

- Main income from multiyear contracts in the UK.
- Significant exposure to the GBP.



# Highlights after the period

Torbjörn Kronander, CEO and President

# Imaging IT Solutions

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- Sectra signed an agreement for PACS with the world-renowned university hospital Stanford Health Care and Lucile Packard Children's Hospital in the US.



# Imaging IT Solutions

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- Sectra's medical IT operations received "Cyber Essentials" national cybersecurity certification in the UK. .



# Financial figures

Mats Franzén, CFO

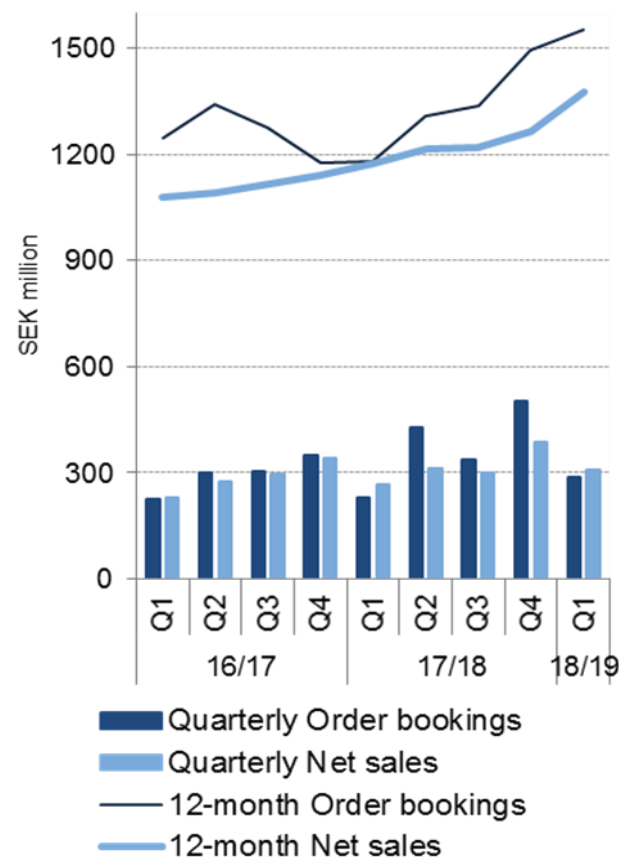
# Order bookings and net sales

Changes compared with the corresponding period previous fiscal year:

- Order intake up 25.9%
- Net sales increased 15.5%
  - Adjusted for currency fluctuations up 11.5%
- Weaker SEK

## Trend

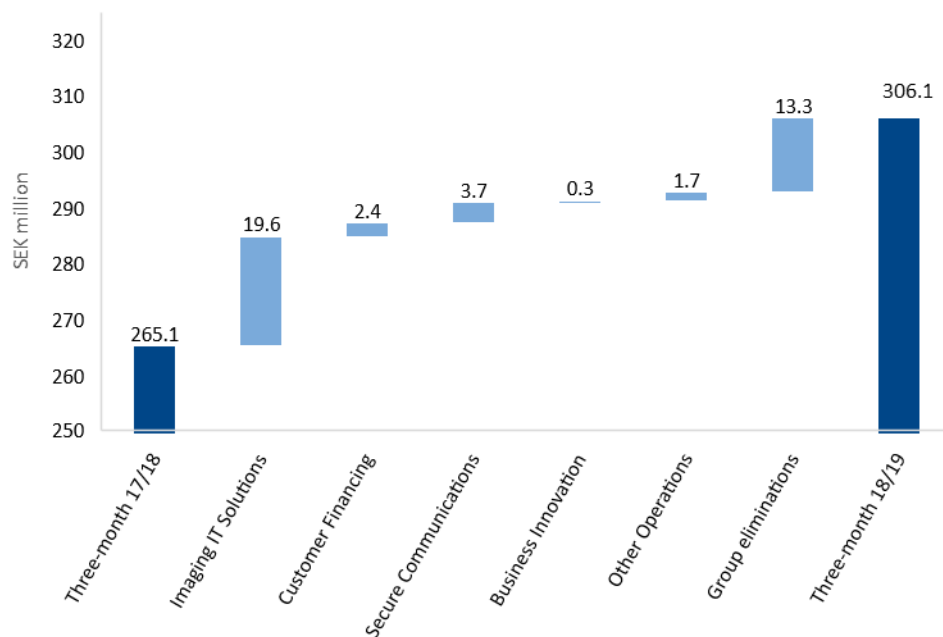
12 month rolling



# Sales trend by geographic market

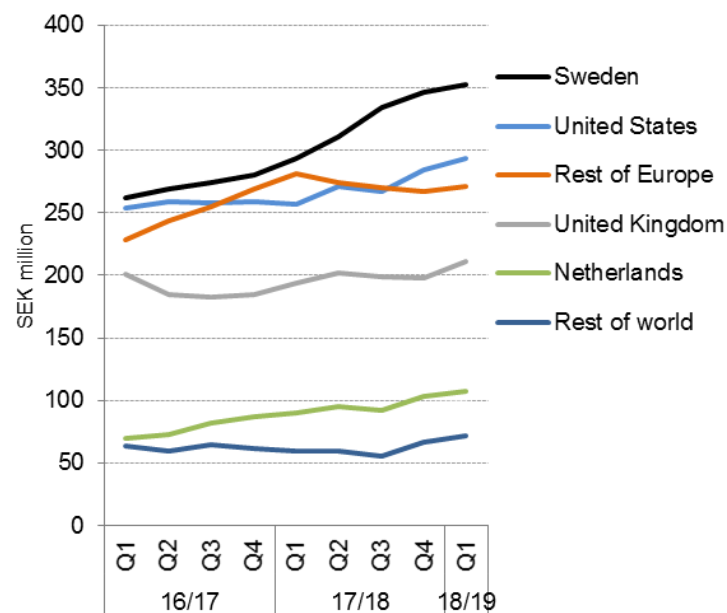
## By geographic market

Change compared to corresponding period previous year



## Trend

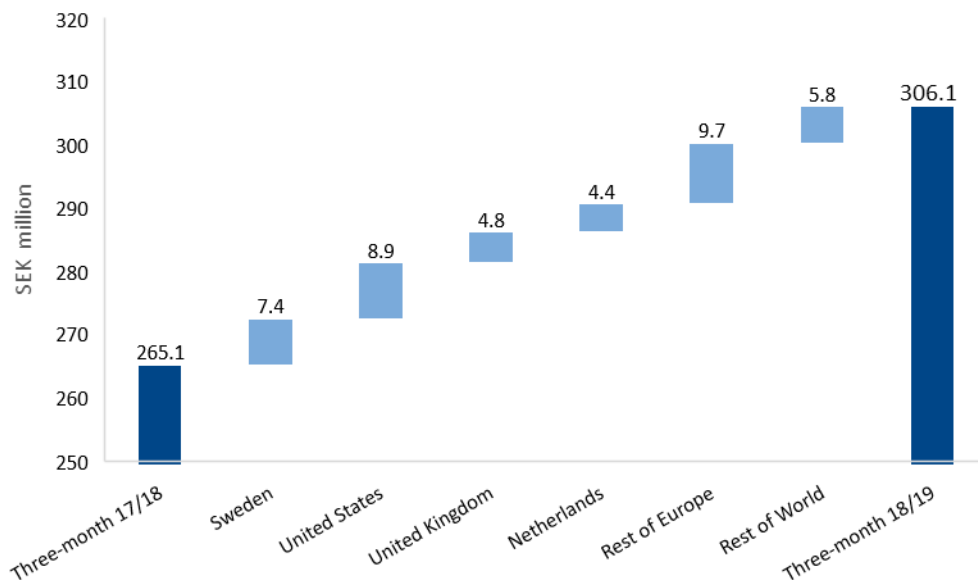
12 month rolling



# Sales trend by business segment

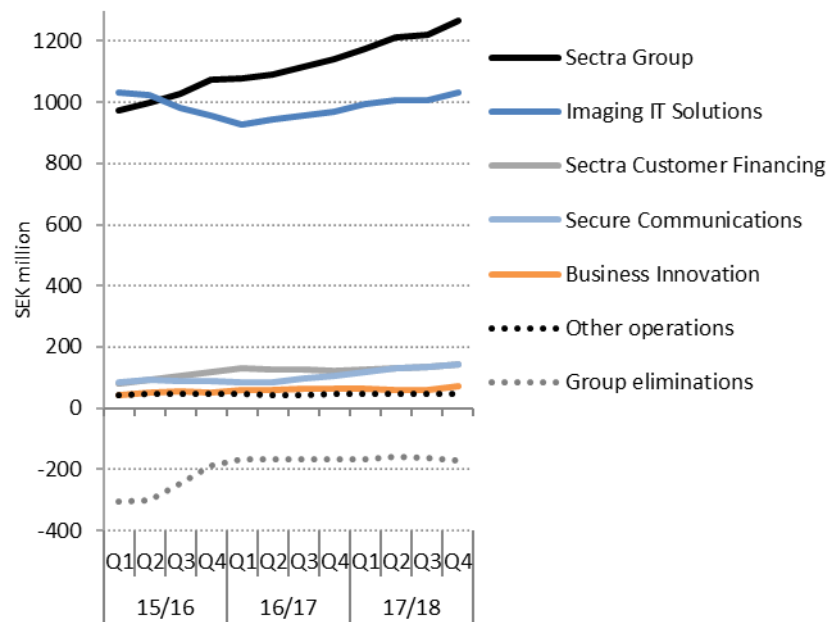
## By business segment

Change compared to corresponding period previous year



## Trend

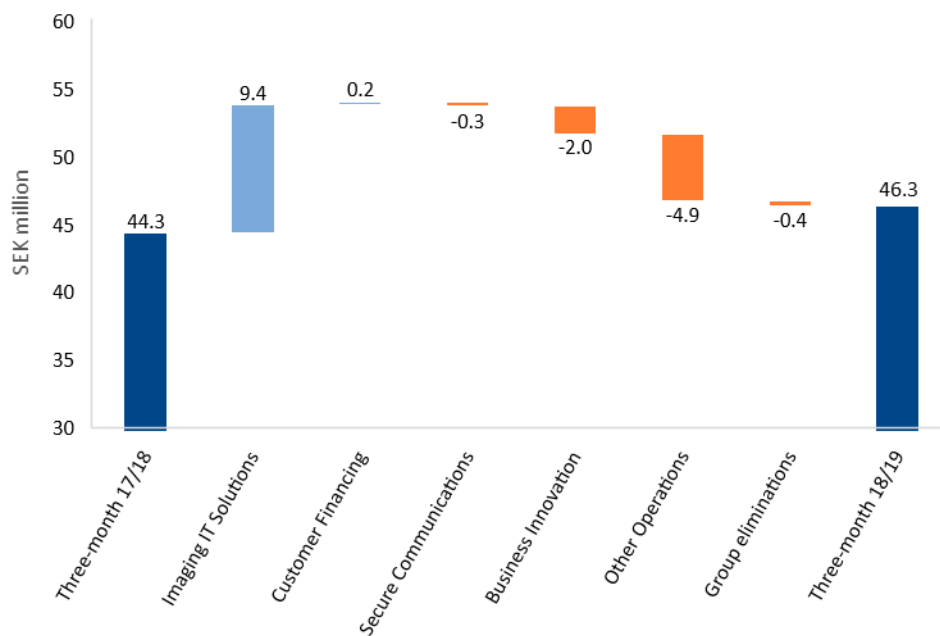
12 month rolling



# Operating earnings trend

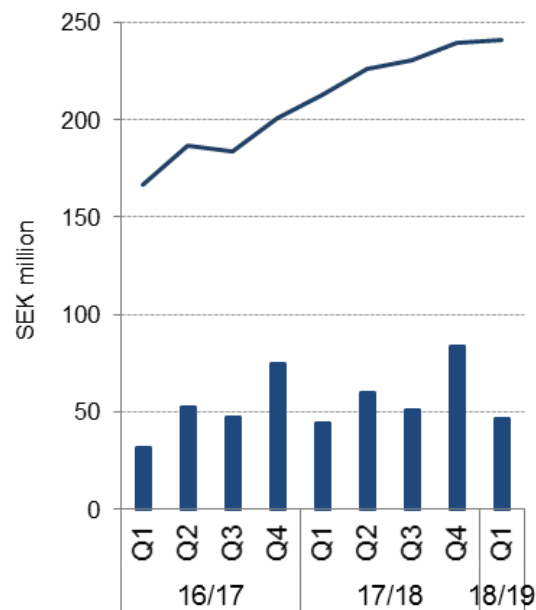
## By segment

Change compared to corresponding period previous year, MSEK



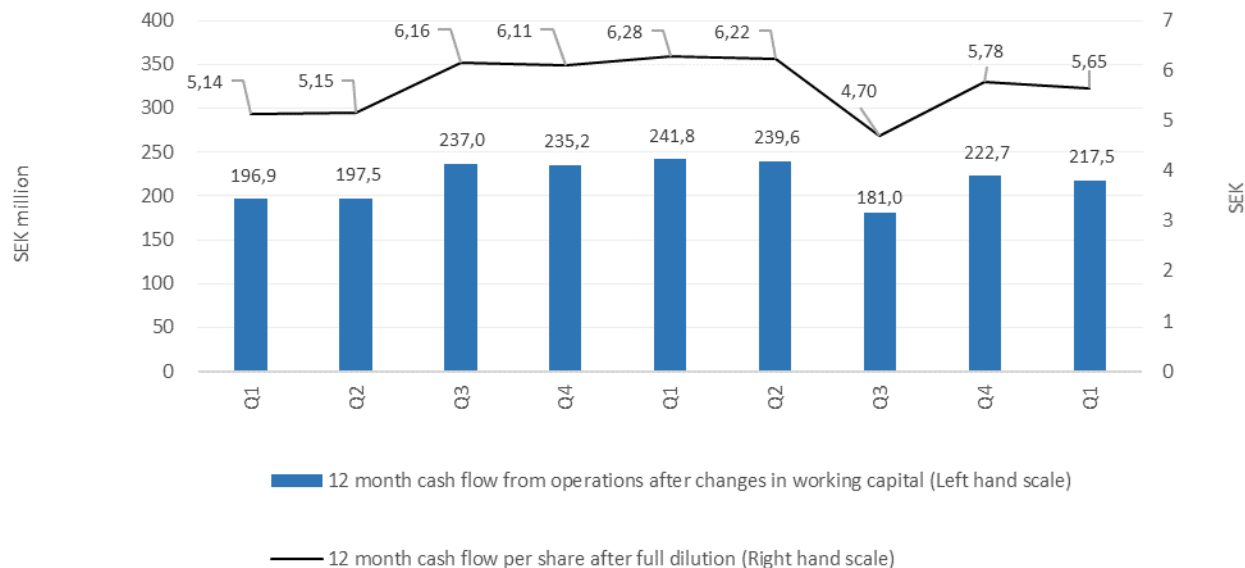
## Trend for the Group

12 month rolling



# Cash flow

- Several comprehensive, long-term contracts signed 17/18 – will tie up considerable capital during the installation phase.
- Long-term, the contracts will contribute to a solid future.



# Sectra's way forward

Torbjörn Kronander, CEO and President

# Happy Customers

**RATED #1 IN**  
**CUSTOMER**  
**SATISFACTION**  
**5 years and counting**



- Quality is profitable
- Customer satisfaction is the best marketing one can have
- In addition—it boosts morale and creates "flow"!



Profit in business comes from repeat customers,  
customers that boast about your project or service,  
and that bring friends with them.

(W. Edwards Deming)

[izquotes.com](http://izquotes.com)

**SECTRA**

Knowledge and passion

Basic philosophy

# If you have

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- Happy customers
- Happy employees
- Reasonable Cost control
- And good longterm strategies
- Then shareholders WILL be happy.



Major focus  
activities

# Overall focus

- Maintain high customer satisfaction
  - Grow fast, but not too fast!
- Reach financial targets
  - Growth in EBIT/share is the ultimate financial goal
- Prioritize large market shares in a few geographies
  - Target is #1 or #2 in markets where we are present
  - Grow in the USA (Medical)
  - Open new markets after careful consideration





# Medical

- Customer satisfaction
- Outcomes/Cost
- Integrated diagnostics
- Enterprise healthcare IT
- Machine learning
- Cybersecurity



# Cybersecurity

- Customer satisfaction
- Top of the line security
- Critical infrastructure
- Internationalization and growth

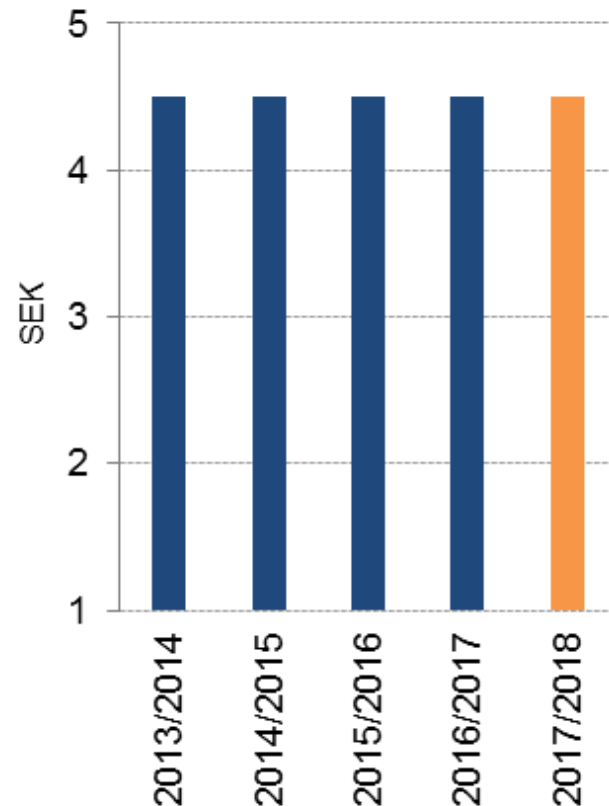
**SECTRA**

Knowledge and passion

# Being a shareholder in Sectra

# Proposal to AGM 2018

That the 2018 AGM resolve to distribute SEK 4.50 per share to the shareholders through a 2:1 share split in combination with a mandatory redemption process.



# Why Sectra?

- High customer satisfaction
- A strong brand in markets where trust is critical
- Profitable, strong cash flow, and a solid balance sheet
- Substantial and increasing recurring revenue
- Positioned in niche markets with substantial underlying growth
- Management owns shares
- Sustainable investments in R&D with exciting future opportunities



# Upcoming financial report & AGM 2018

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- September 6, 2018: Annual General Meeting
- December 7, 2018: Six-month interim report
- March 6, 2019: Nine-month interim report
- May 28, 2019 : Year-end report

Your feedback is important!

Please let us know what you think at

[www.sectra.com/irsurvey](http://www.sectra.com/irsurvey)

# Questions?

If you follow online, please email your questions.

# SECTRA

*Knowledge and passion*

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