

Q1 report 2019/2020:

# Successful initiatives in the US, now Sectra's largest market

Presentation September 3, 2019

Torbjörn Kronander, CEO and President Sectra AB

Mats Franzén, CFO Sectra AB

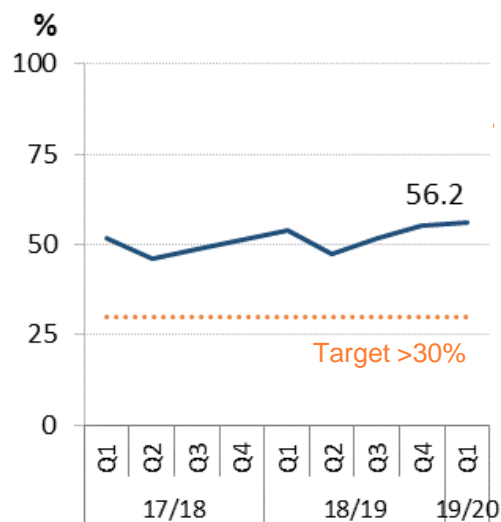
# Highlights from Q1

Torbjörn Kronander, CEO and President

# Financial targets for the Group

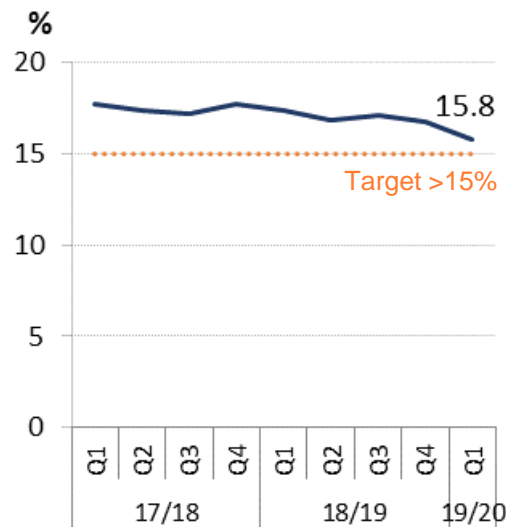
## 1. Stability

Equity/Assets ratio



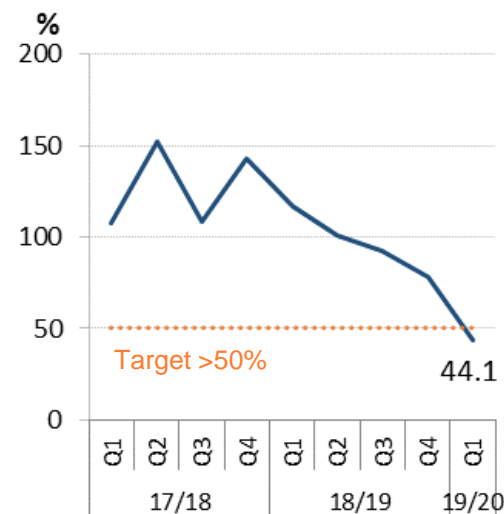
## 2. Profitability

Operating margin



## 3. Growth

EBIT/share growth over a 5-year period



Priority

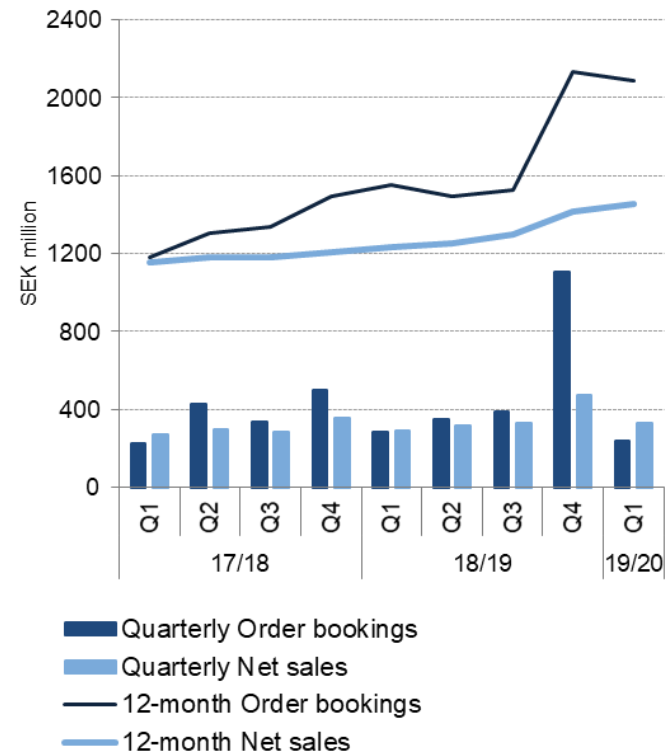
# Growth target is not fulfilled.

## Why and what happens now?

- The large order intake of 18/19 has entered delivery
- Cost comes now, income comes when operational
- And the denominator in the goal is based on EBIT 5 years ago, and EBIT grew rapidly at that point in time
- The large investments will burden the first half year of this fiscal year
- We see no reason not to keep the goal as is and goals should be met

# Order bookings for the Group

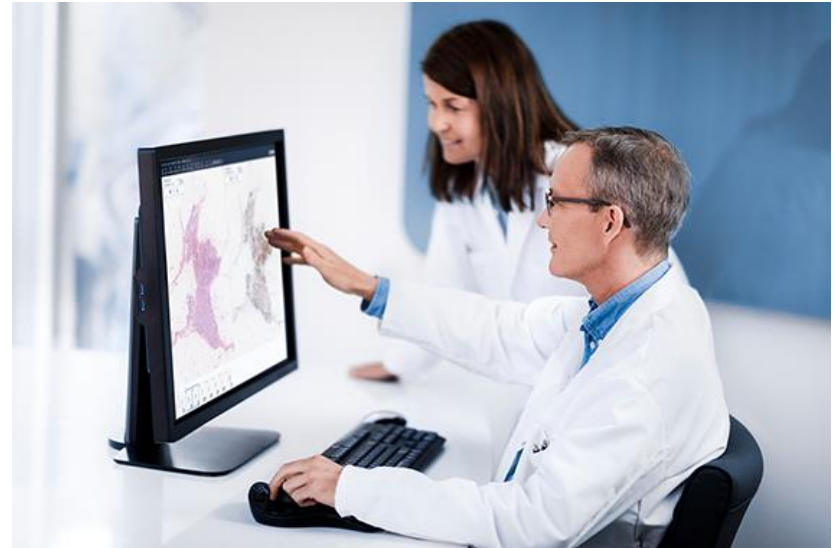
- Record-high 18/19 order booking is in delivery phase
- A historical substantial variation between quarters, has with new accounting principles increased further



# Imaging IT Solutions

Pathology market gaining momentum. Order from:

- » North Tees and Hartlepool NHS Foundation Trust in the UK, signed Q4 18/19



# Imaging IT Solutions

Vanderbilt Health, a leading US medical academic center in Nashville chose Sectra's enterprise imaging solution.

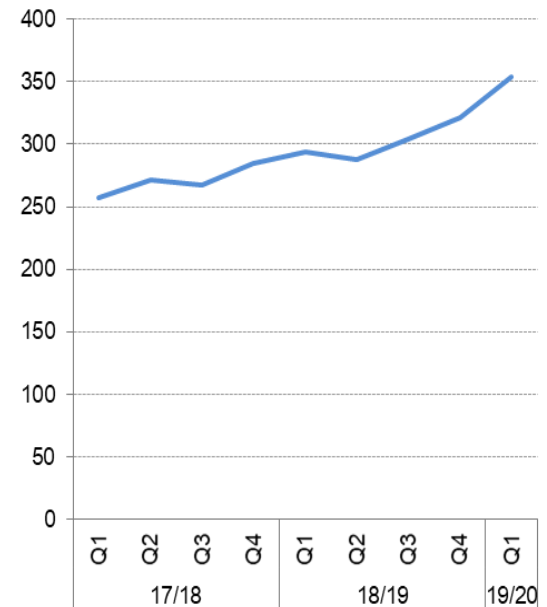


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# Imaging IT Solutions in the US

- Special focus area
- Opportunity:
  - The world's largest market
  - Sectra tops customer satisfaction
  - Small, but growing, market share
- Recent orders from well respected customers strengthen Sectra's market position
- The US is now Sectra's largest market

Revenue trend in the US market, SEK million





# 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:
  - » USA
  - » Scandinavia
  - » UK
  - » Netherlands



# Secure Communications

**Acquisition** of the assets of the Swedish IT security company **Columbitech**, including the shares in its US subsidiary.

Broadens portfolio with a world leading mobile VPN.

Adds USA to the market for Secure Communications



Sectra now owns one of the world's most secure VPNs for mobile solutions – used by government authorities around the world.

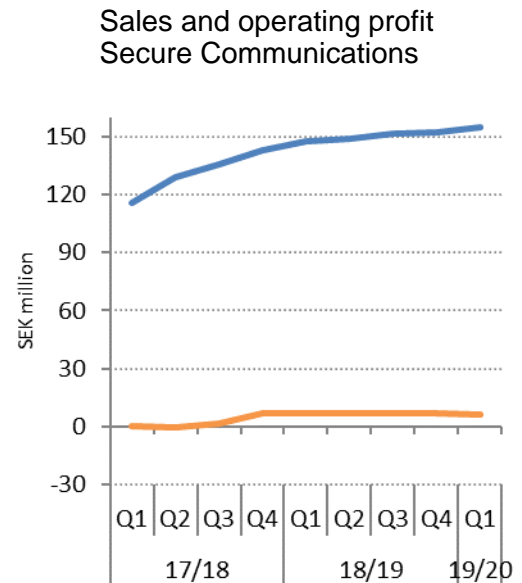


# Secure Communications

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# Trend

- Expanding secure mobile communications offering
- Growth in critical infrastructure
- Growth initiatives:
  - Critical infrastructure product area
  - Mobile secure ecosystems
  - New geographic areas, active sales now also for CI in Finland and Norway



# Critical infrastructure @ Sectra

- Sweden is one of the leading countries in cybersecurity in CI
- Sectra has a dominant market share in Sweden

## Growth strategy:

- Focus on the energy sector
- Expand into new geographic markets based on solid references in Sweden.
- Active sales started in Finland and Norway.



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

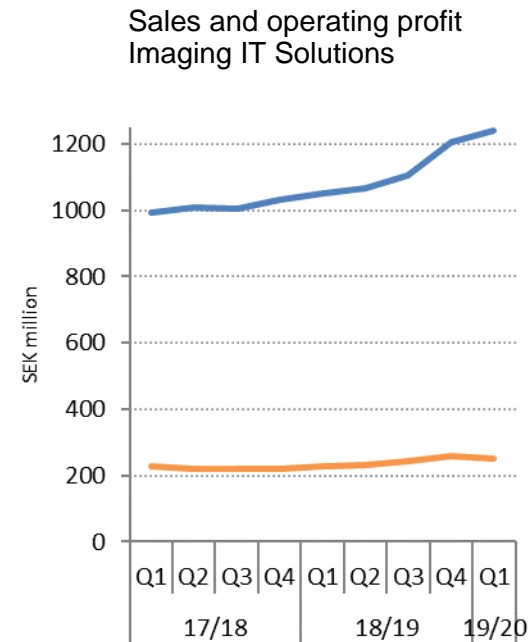


# Imaging IT Solutions

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# Trend

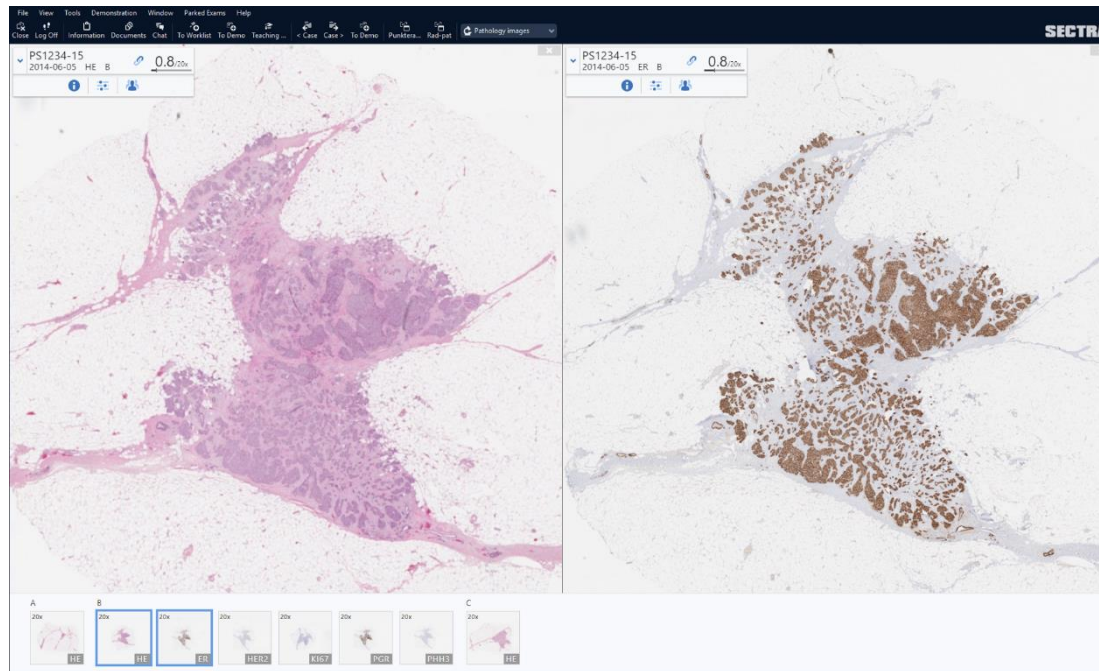
- Adding new customers
- Extending contracts with existing customers
- Strengthened delivery capacity to take care of more customers
- Example of growth initiatives:
  - Focus US
  - Digital pathology & integrated diagnostics
  - Cardiology
  - New markets, direct and indirect





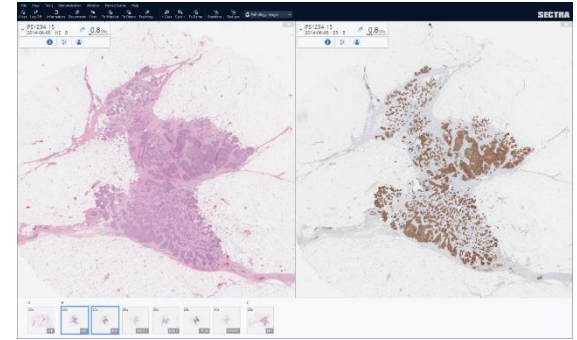
# Digital pathology @ Sectra

Digital pathology: The next wave in digitization of hospitals.





# Digital pathology @ Sectra



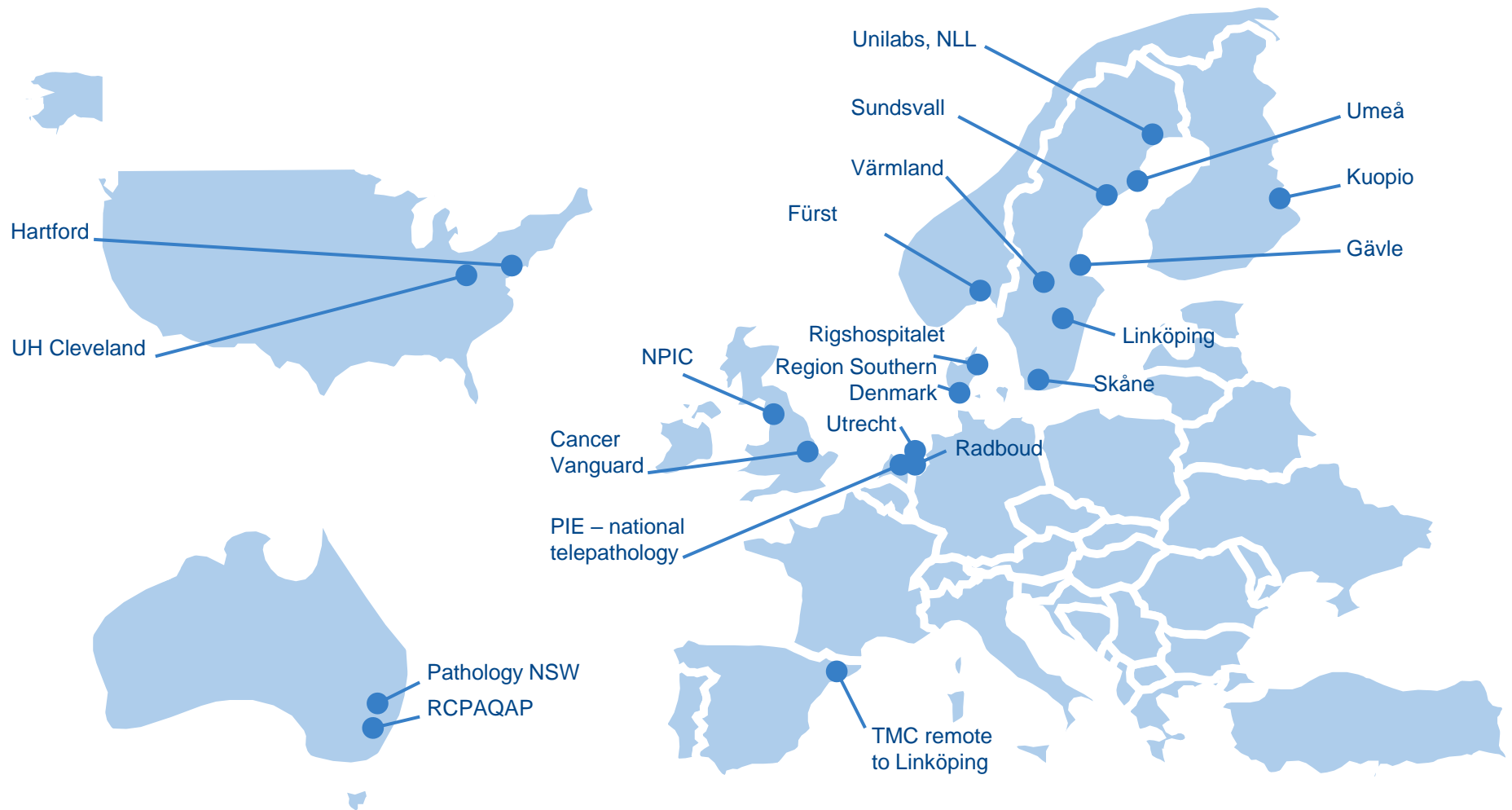
## Status

- The last frontier in digitization of medical images
- Large synergies with Radiology
- Sweden is world leading in digital pathology penetration
- Sectra has a dominant market share in Sweden
- Nationwide telepathology solution in the Netherlands
- Increasing sales in the UK

## Growth strategy

- A single system for Pathology, Radiology and Cardiology Imaging
- Integrated diagnostics
- FDA submission in the over-seeable future.

# Digital Pathology @ Sectra





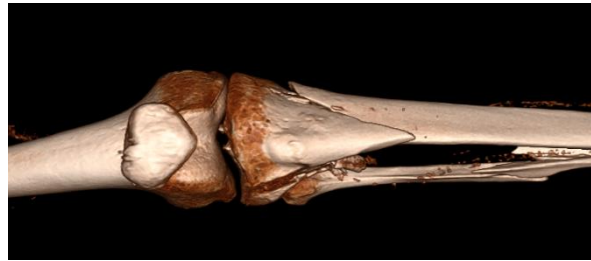
# Business Innovation

# Future growth projects

## Business Innovation



Medical education



Software tools for  
orthopedic surgery



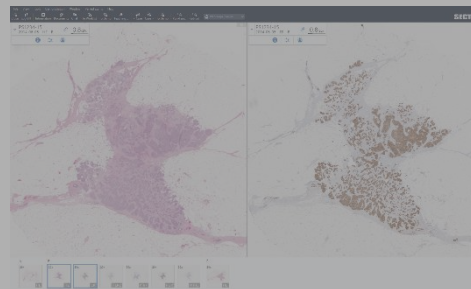
Research

## Secure Communications



IT security for  
critical infrastructure

## Imaging IT

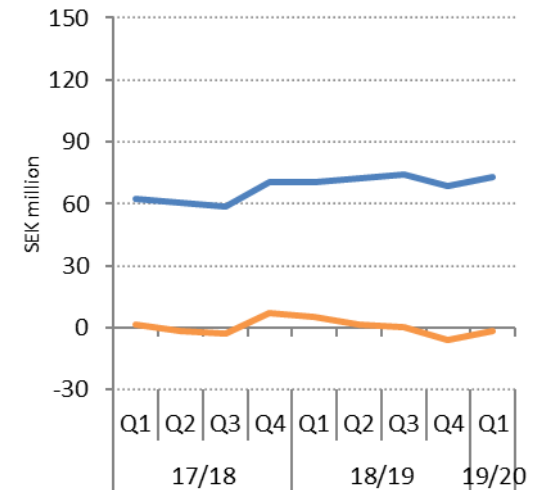


Digital pathology

# Trend

- **New areas within orthopaedics:**
  - IMA: Sectra Implant Movement Analysis (Post OP)
  - CTMA: Computer Tomography Micro motion Analysis (For clinical research & studies)
- **Medical Education transition:**
  - From device delivery to a service including cloud-based content subscriptions
- **Research**
  - Large focus on AI for medical applications

Sales and operating earnings  
Business Innovation



# AI/Machine learning

- Increase the efficiency of physicians' daily work, not replacing them
- “App-store” of AI applications to be added to Sectra's solutions for managing medical images
- AI will permeate most business units in the future

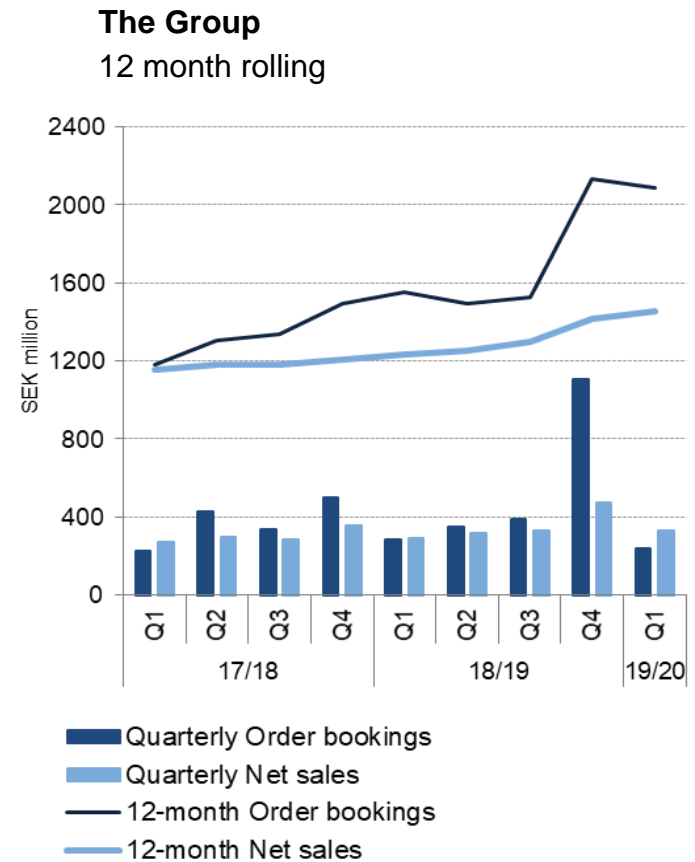


# Financial figures

Mats Franzén, CFO

# Order bookings and net sales trend

- Order intake -16.7%
- Net sales +13.3%
  - Adjusted for currency fluctuations up 10.6%
- Weaker SEK
  - USD 6,7 %
  - EUR 2,9 %
  - GBP 1,4 %

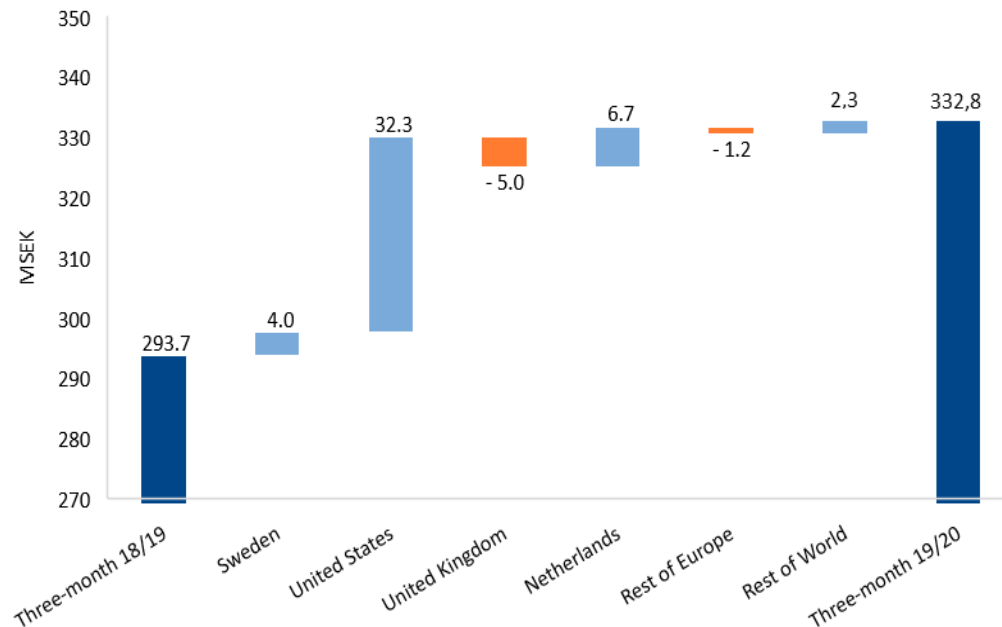


Changes compared with the corresponding quarter the preceding fiscal year.



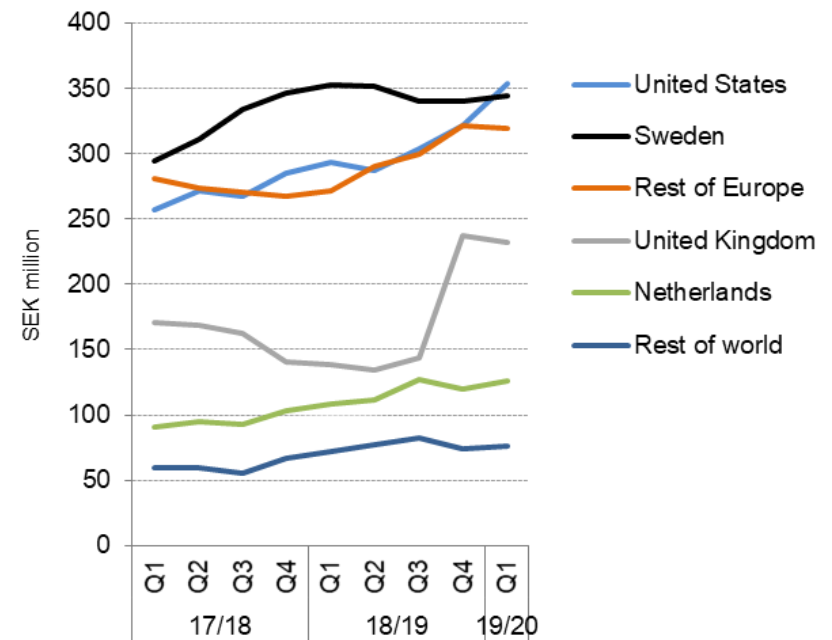
# Sales trend by geographic market

By geographic market



Trend

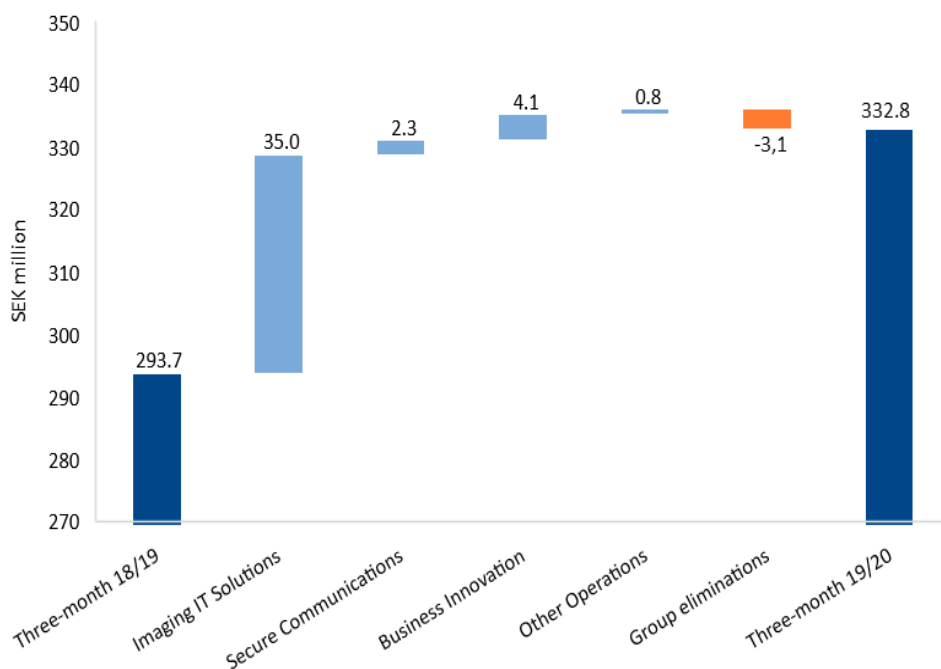
12 month rolling



Changes compared with the corresponding quarter the preceding fiscal year.

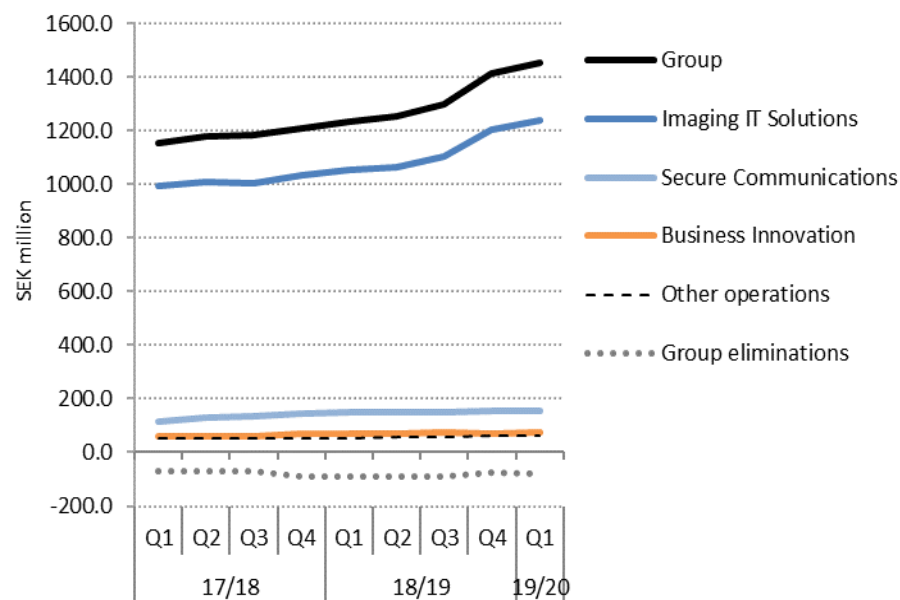
# Sales trend by business segment

By business segment



Trend

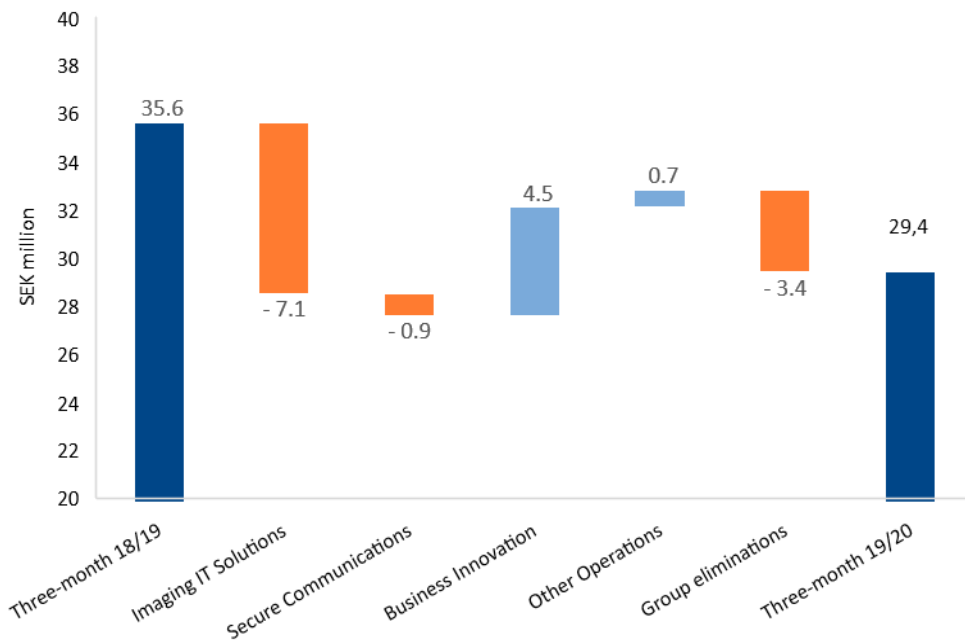
12 month rolling



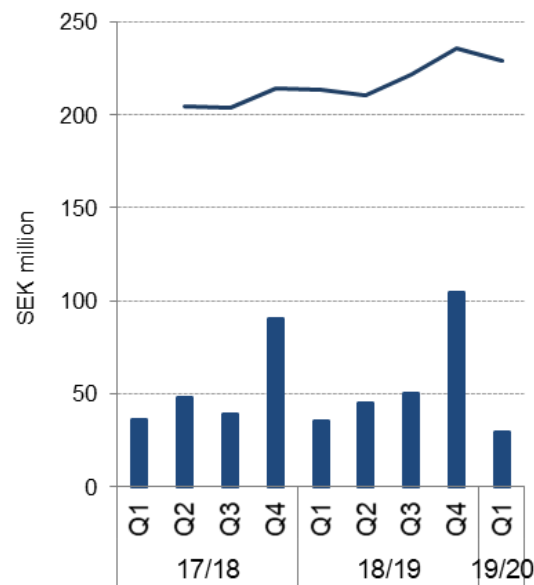
Changes compared with the corresponding quarter the preceding fiscal year.

# Operating earnings trend

By segment



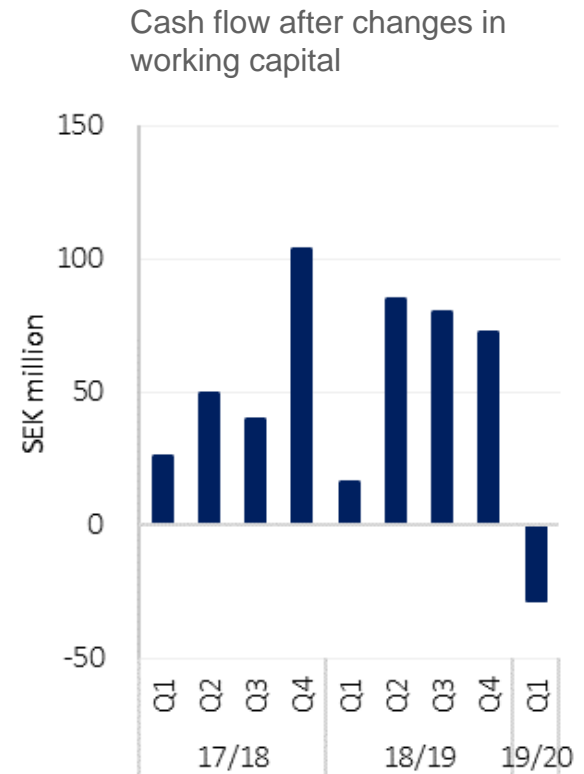
Trend for the Group  
12 month rolling



Changes compared with the corresponding quarter the preceding fiscal year.

# Cash flow

- Several large contracts signed 18/19 ties up considerable capital and resources during the installation phase
- Long-term, the contracts will contribute to a solid future



# Sectra's way forward

Torbjörn Kronander, CEO and President

# Sectra's markets

- Sectra is positioned in healthcare IT and cyber security – markets where society dynamics mandates growth
- Growth is easier in growing markets





Everything is the  
same...

# #1 in customer satisfaction – 6 years straight







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

# Philosophy - Shareholders

If you have

- Happy customers
- Happy employees
- Perseverance and reasonable cost control
- A good position in growing markets
- Then shareholders WILL be happy





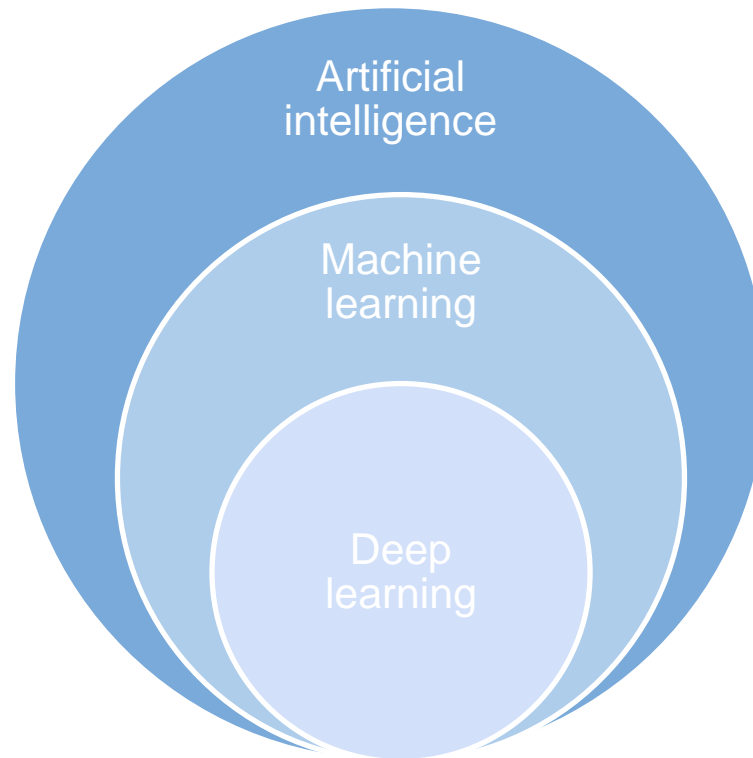
...and everything  
is different

# Quantum computers

- Will turn the security world upside down
- All of Internet security and certificate-security at risk
- Nobody knows if, or when, they will be for real
- Perhaps they already exist?



# AI landscape



Healthcare and cybersecurity  
are in rapid change

"Where there is change,  
there is margin"



# Being a shareholder in Sectra

# Redemption program and dividend

- Proposal to AGM:  
SEK 4.50 per share to the shareholders through a redemption process
- No ordinary dividend is proposed



# 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 AGM, financial report & CMD

- September 5, 2019: Annual General Meeting
- September 26, 2019: CMD – Cybersecurity
- November 29, 2019: Six-month interim report and presentation

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 use the email button or  
send your questions to [info.investor@sectra.com](mailto:info.investor@sectra.com)

# SECTRA

*Knowledge and passion*

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