

June 3, 2022

# Year-end report

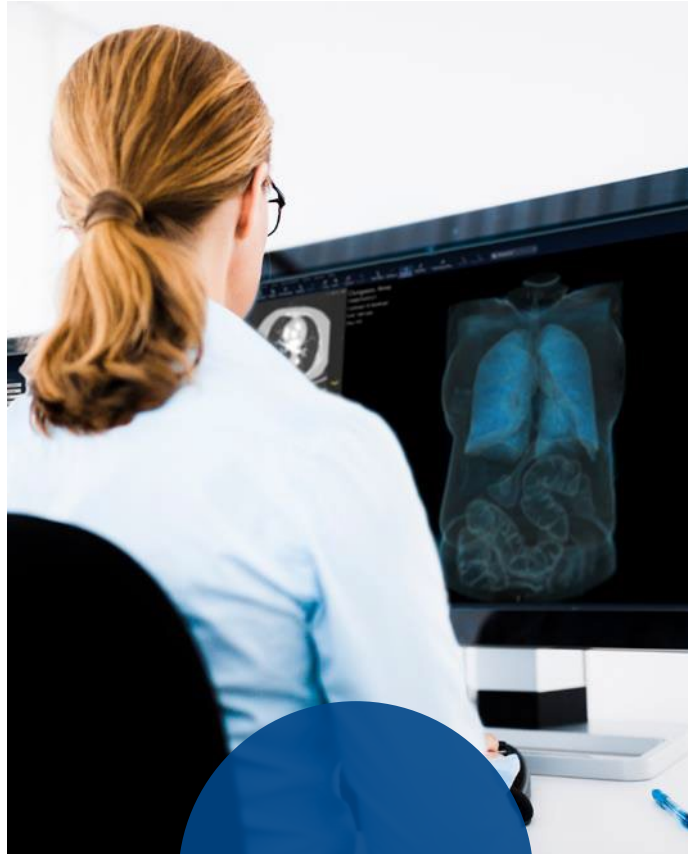


**SECTRA**

# Agenda

1. Intro and Q4 highlights – CEO and President Torbjörn Kronander
2. Financial development – CFO Jessica Holmquist
3. Special session: External reporting in a cloud/SaaS world  
– CTO Fredrik Gustavsson
4. Sectra's way forward – Torbjörn Kronander
5. Q&A session  
Via chat function and email

# The value we create for customers



Imaging IT



Business  
Innovation



Secure  
Communications

# Q4 highlights

Torbjörn Kronander



# The industry's most satisfied customers for the 9th consecutive year

## Sectra Enterprise Imaging

— with Best in KLAS winning PACS



[sectra.com/KLAS](https://sectra.com/KLAS)

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Fiscal year 21/22:

# Satisfied customers – best way to grow

Net sales

**+19.4%**

SEK 2,320 million

Profit/share

**+14.0%**

SEK 1.63

Recurring revenue

**+11.7%**

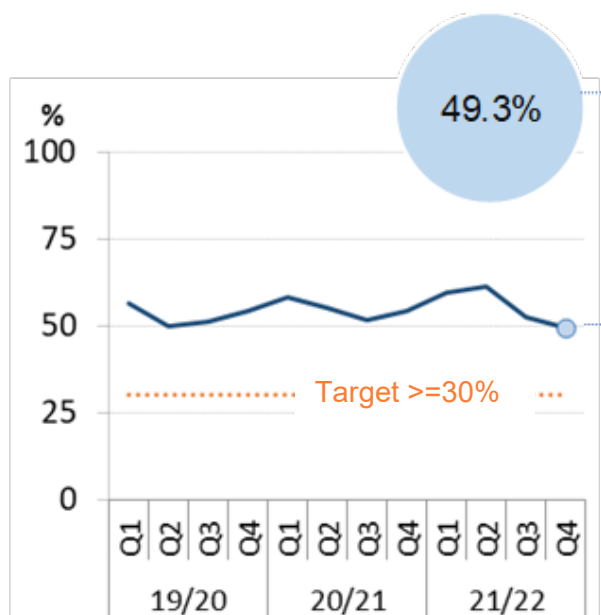
SEK 1,081 million



# Financial targets for the Group fulfilled

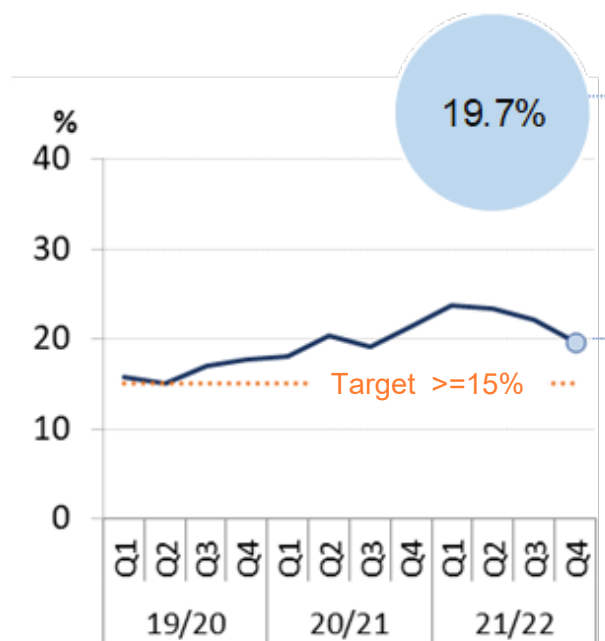
## 1. Stability

Equity/Assets ratio



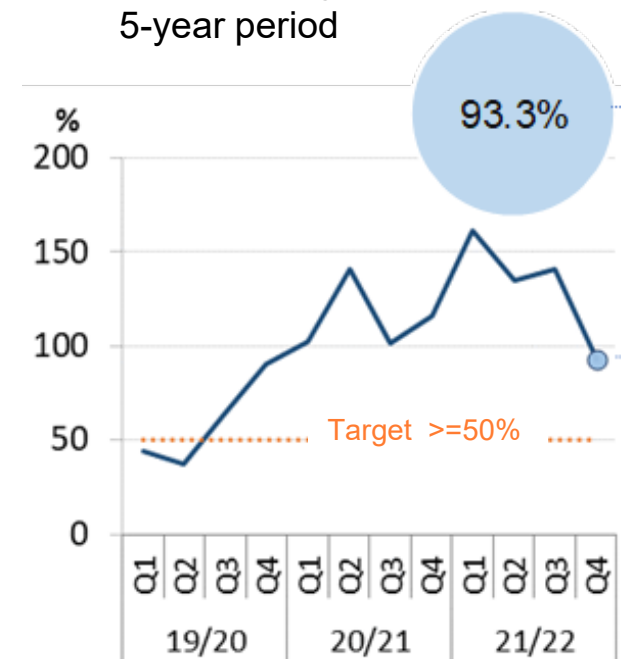
## 2. Profitability

Operating margin



## 3. Growth of profits

EBIT/share growth over a 5-year period



Priority

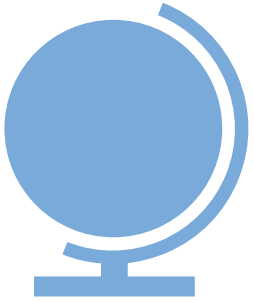
# Q4 order bookings surpassed SEK 1 billion

- » Shows high demand for Sectra's offerings
- » Combination of high volumes and long contracts
- » Substantial quarterly variations, due to individual large orders that do not come every quarter

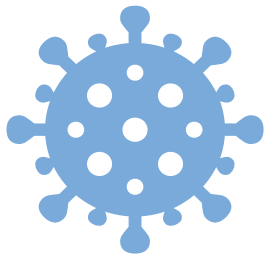




# Specific uncertainties



Invasion of Ukraine



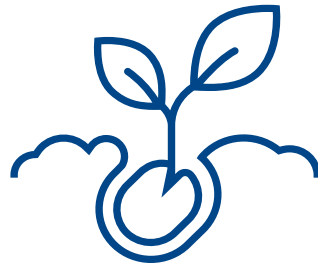
COVID-19

None was material for  
Sectra in the quarter

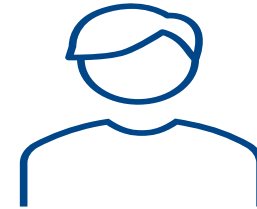
# Secure Communications – Q4 highlights



Orders from the  
Swedish Defence and  
Dutch Ministry of Defense



Impact from  
pandemic  
improved

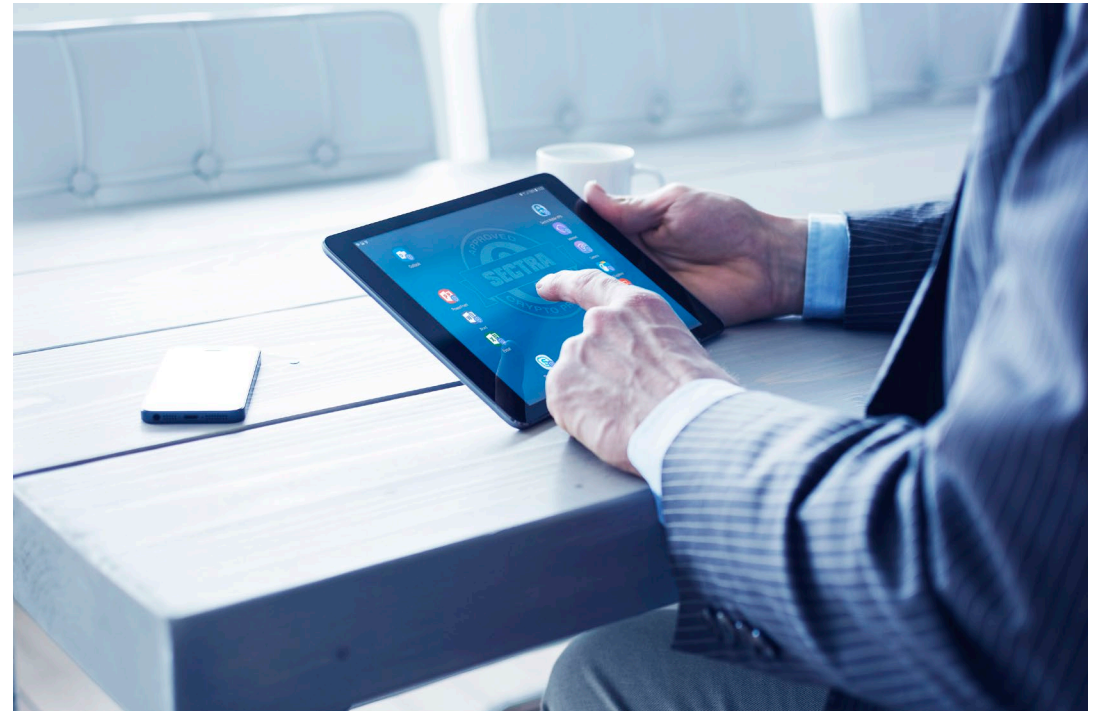


Magnus Skogberg  
new President  
from August 2022

# Secure Communications impact of the Ukraine crisis

Increasing demand for:

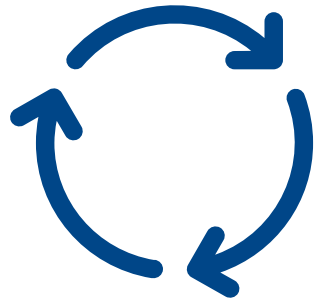
- » Cyber security overall
- » Secure communications and encryption products



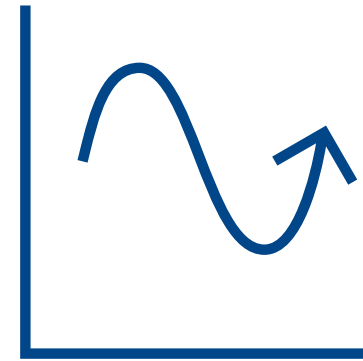
Sectra products – approved for use both in the EU and in NATO.



# Business Innovation – Q4 highlights



Focus is  
increasing usage and  
recurring revenue



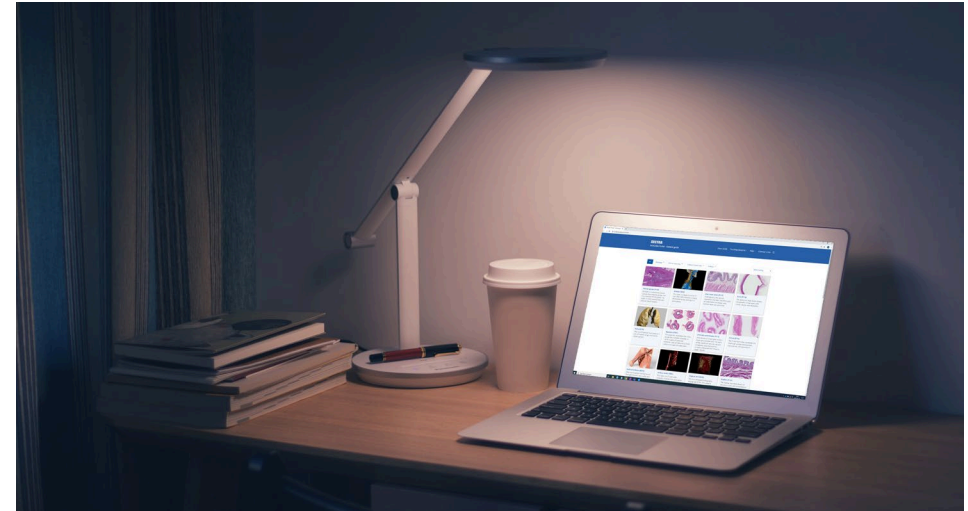
Results vary significantly  
between quarters in the  
relatively small business units

# Business Innovation growth initiatives



## New orthopaedics areas

- » Sectra Implant Movement Analysis (Post OP)
- » Computer Tomography Micro motion Analysis (for clinical research & studies)



## Medical Education transition

- » From device delivery to a service including cloud-based content subscriptions
- » Remote and modern teaching demand.

# Business Innovation growth initiatives

Research: Focus on AI for medical applications and other future areas within diagnostics



# Imaging IT Solutions – Q4 highlights



French framework  
agreement for digital  
pathology



Sectra One SaaS for most  
of the new contracts



In the middle of  
transiting to SaaS  
and  
cloud deliveries

# Imaging IT Solutions growth initiatives

- » New markets, direct and indirect
  - ✓ Expanding indirect sales region to South America
- » Enterprise Imaging, including:
  - ✓ Digital pathology and integrated diagnostics
  - ✓ Cardiology
  - ✓ Ophthalmology (new)
- » Focus US
  - ✓ The world's largest market
  - ✓ Sectra tops customer satisfaction
  - ✓ Small, but growing, market share

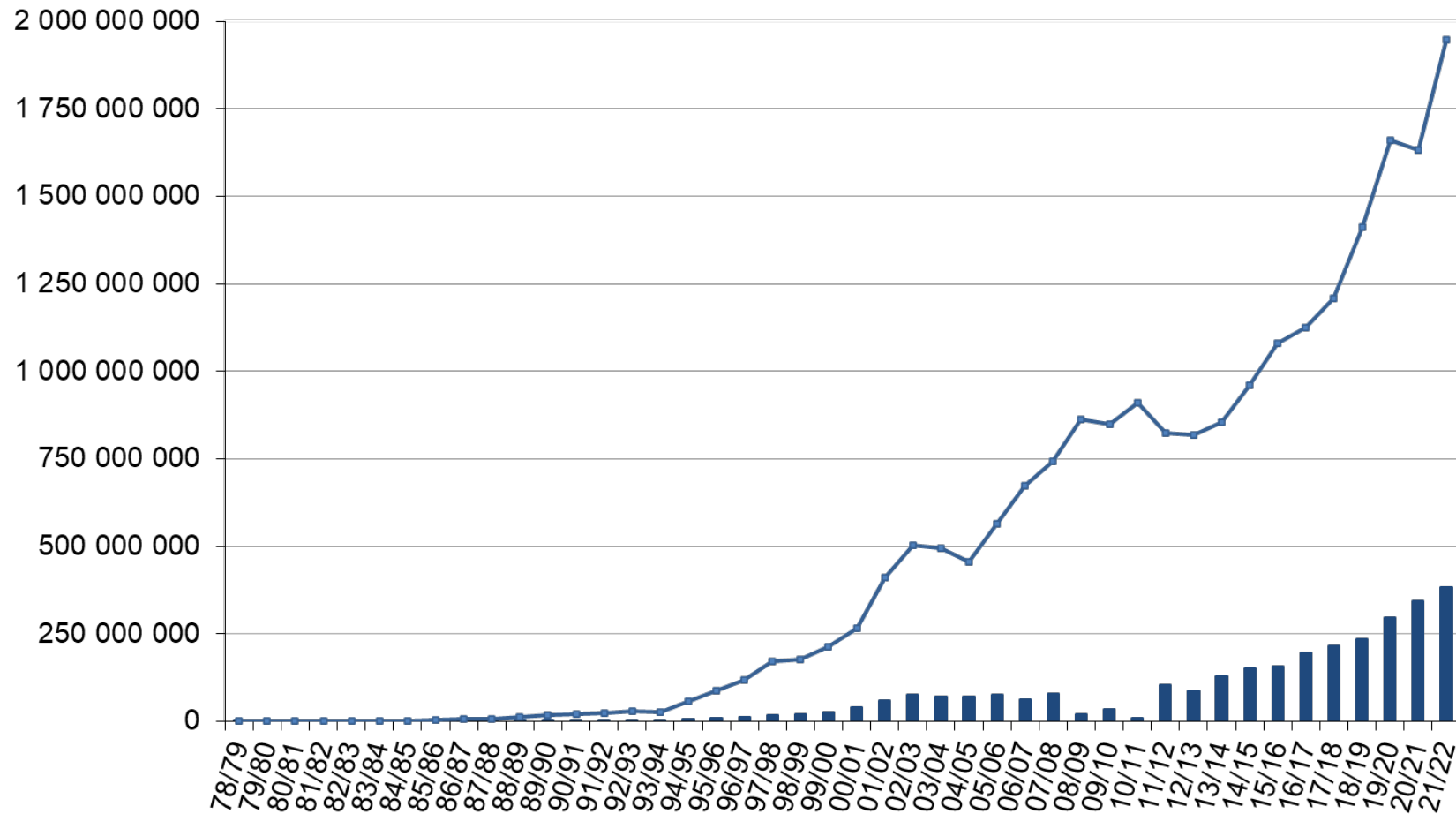


# Financial development

Jessica Holmquist, CFO



# Financial trend 1978-2022



Net sales  
SEK 1,949 million  
+19.4%

Operating profit  
SEK 383 million  
+9.5%

# Order bookings and net sales

SEK million

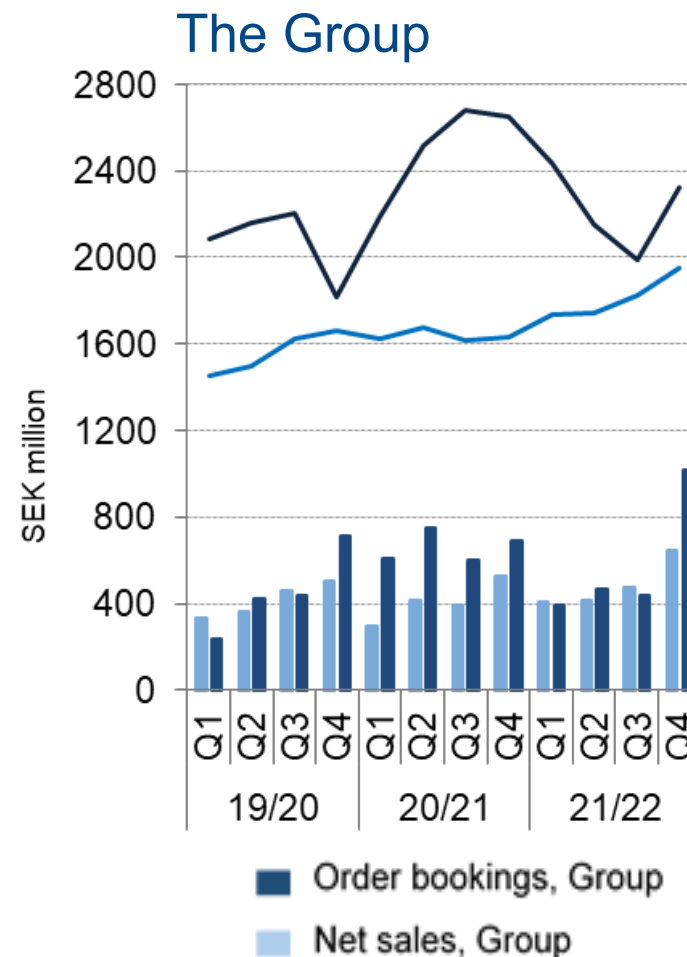
- » Order intake 2,320 MSEK, down 12.5%
- » Net sales increased 19.4% to 1,949 MSEK

- » Weaker SEK has positive impact

4<sup>th</sup> quarter

Fiscal year

- |              |       |
|--------------|-------|
| ■ USD +12.5% | +2.8% |
| ■ EUR +2.7%  | -0.3% |
| ■ GBP +5.4%  | +4.9% |



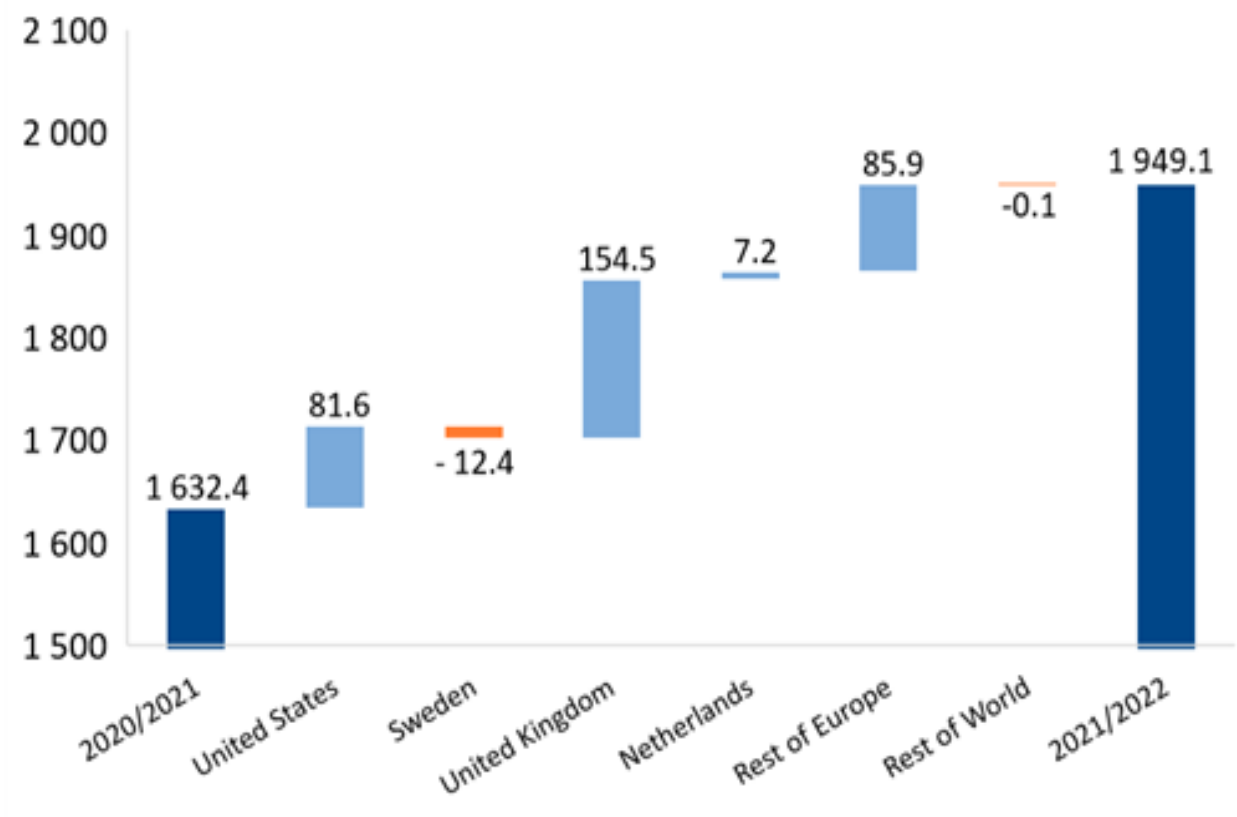
Average exchange rates compared with the average rates in the preceding year

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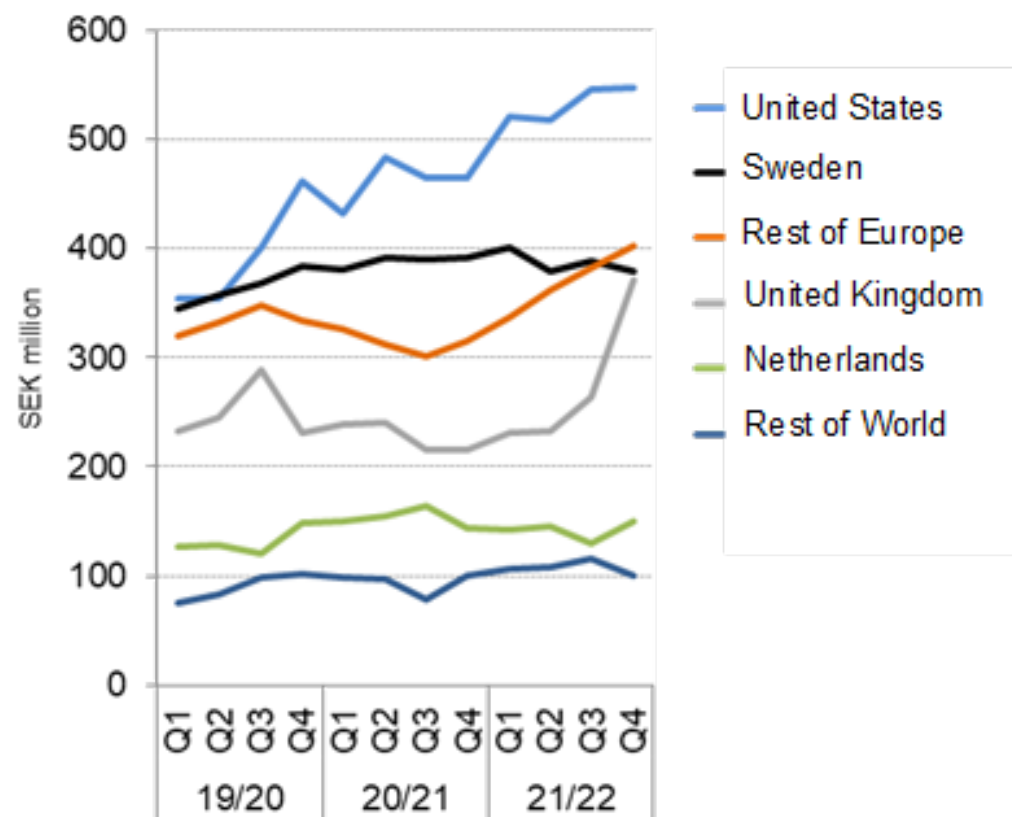
# Sales by geographic market

SEK million

Trend by market



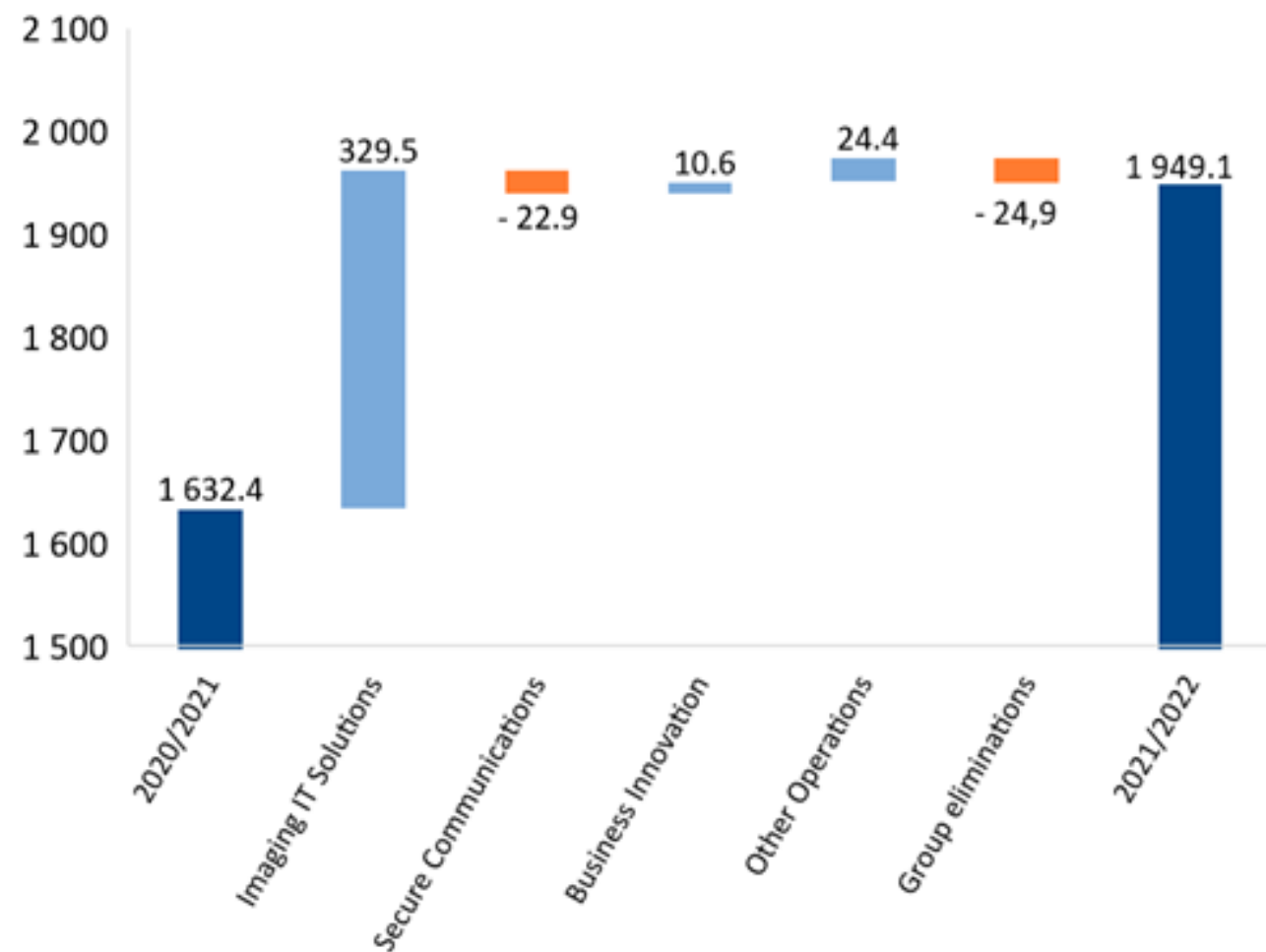
Trend 12-month rolling



# Sales by business segment

SEK million

Trend by operating area

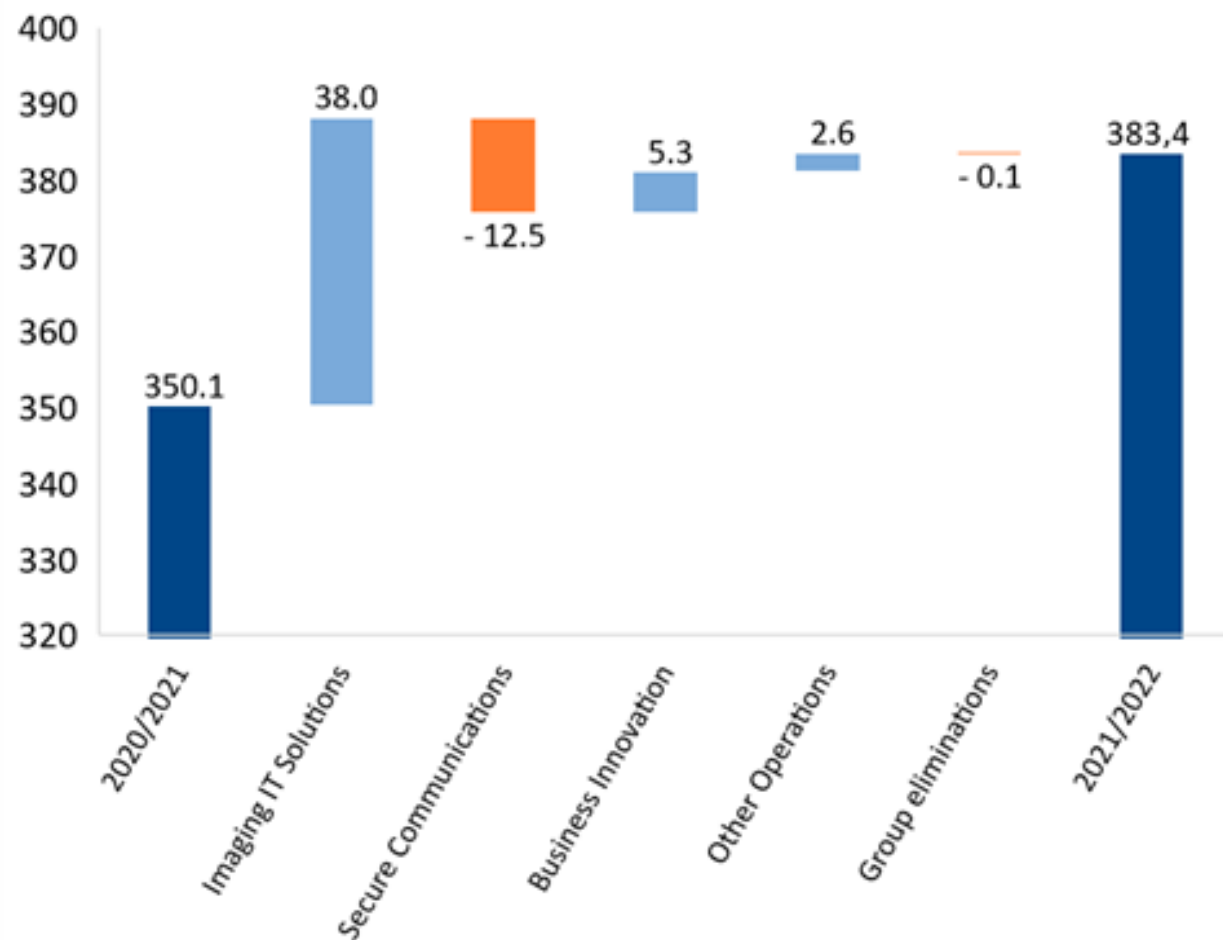




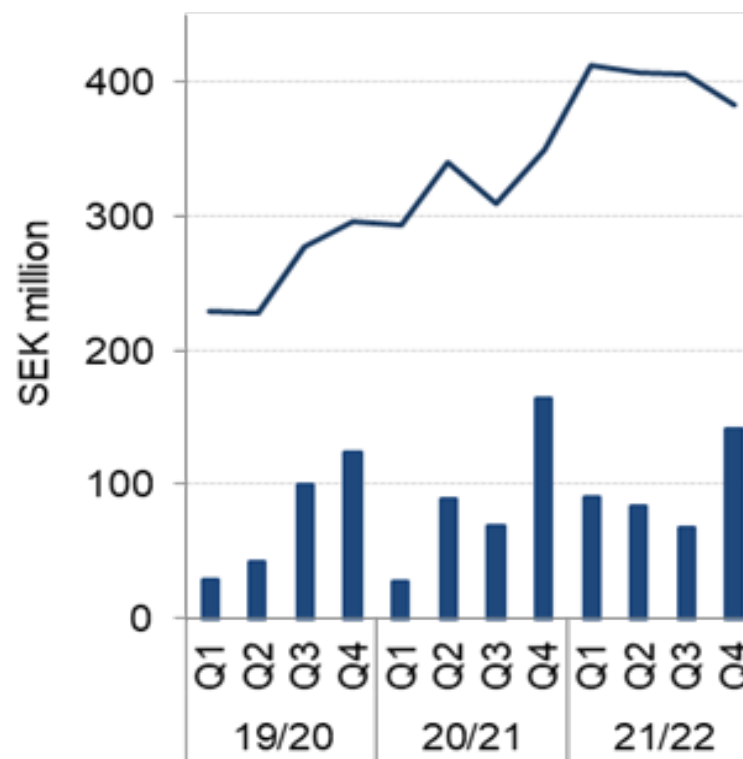
# Operating profit

SEK million

By operating area



Trend 12-month rolling  
for the Group

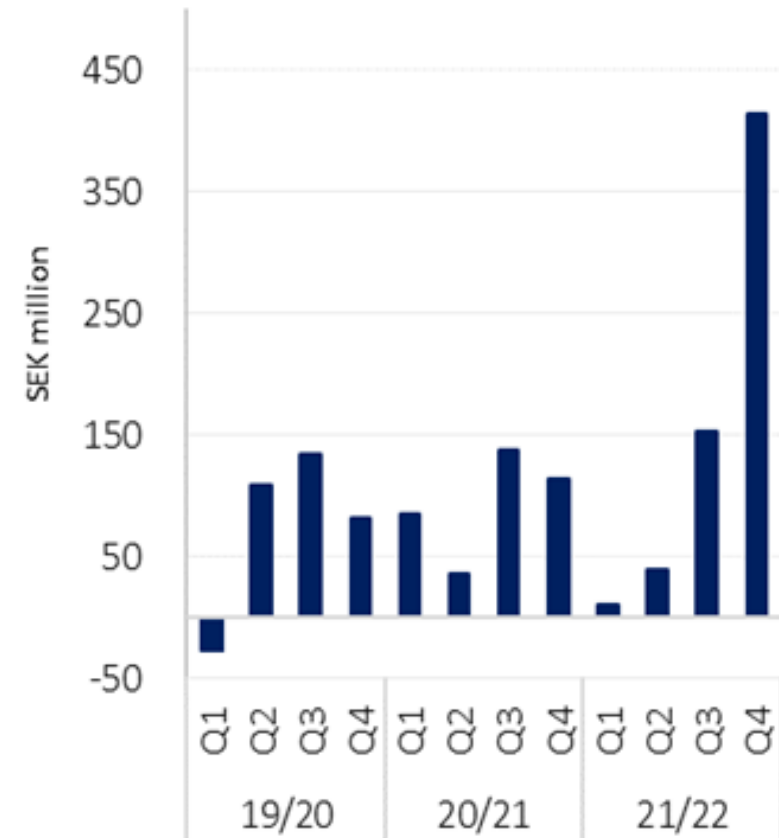


# Cash flow

SEK million

- » Operating profit increase
- » Increase in advances from customers

Cash flow after changes  
in working capital



# External reporting in a cloud/SaaS world

Fredrik Gustavsson, CTO



# Introduced 2 years ago

Software, maintenance and  
support in a unified subscription



A majority

of new deals are

Sectra One or Sectra One Cloud

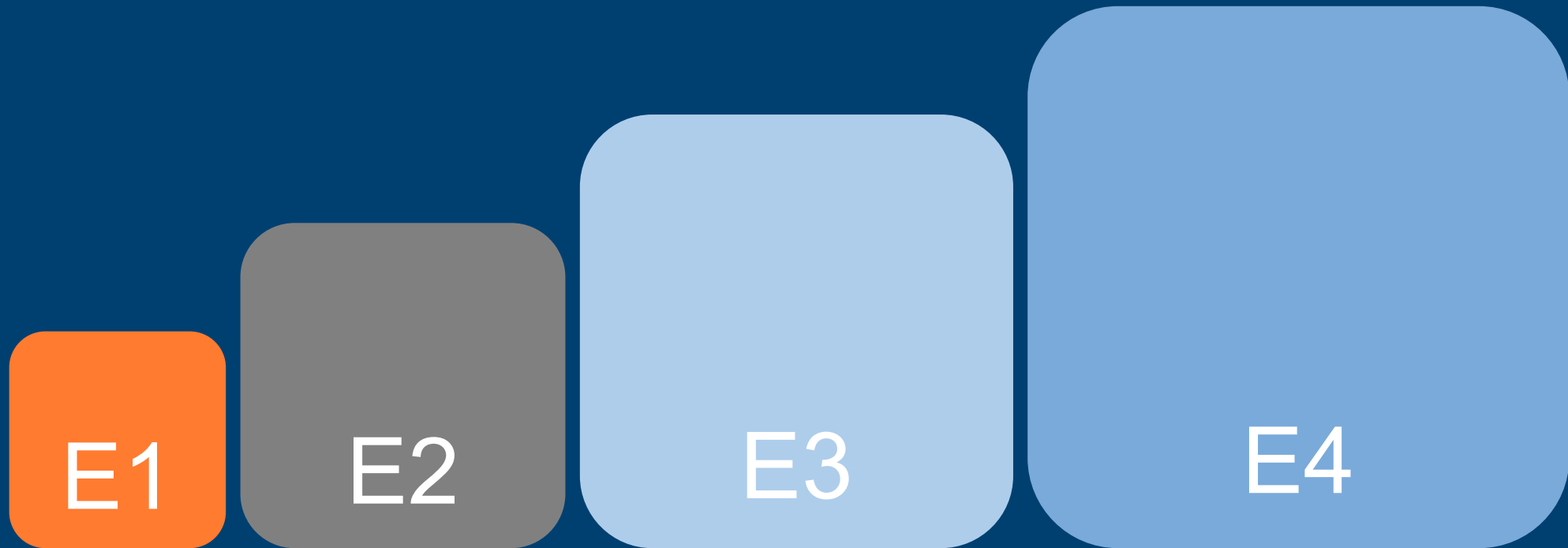


Reduce complexity



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Offered in four tiers





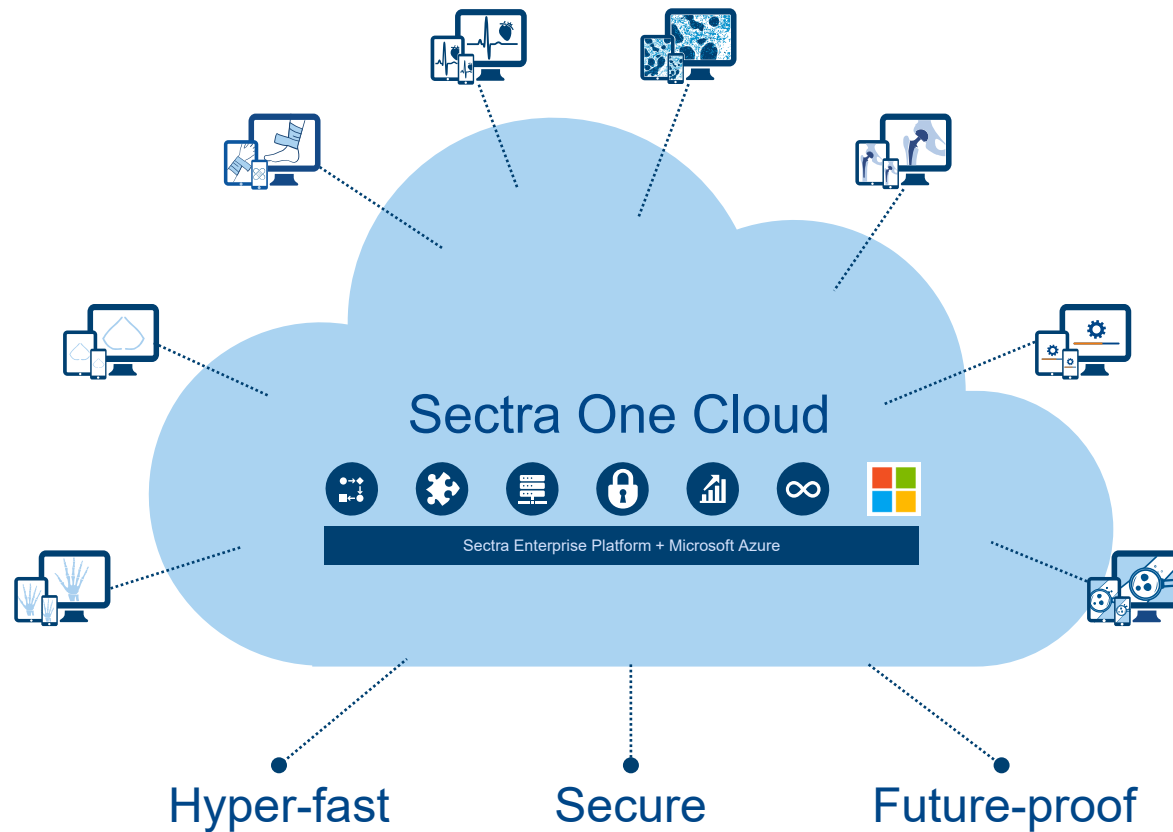
Access to future modules,  
features, and functionality





Predictable operational cost,  
no upfront licenses

# A fully managed software as a service





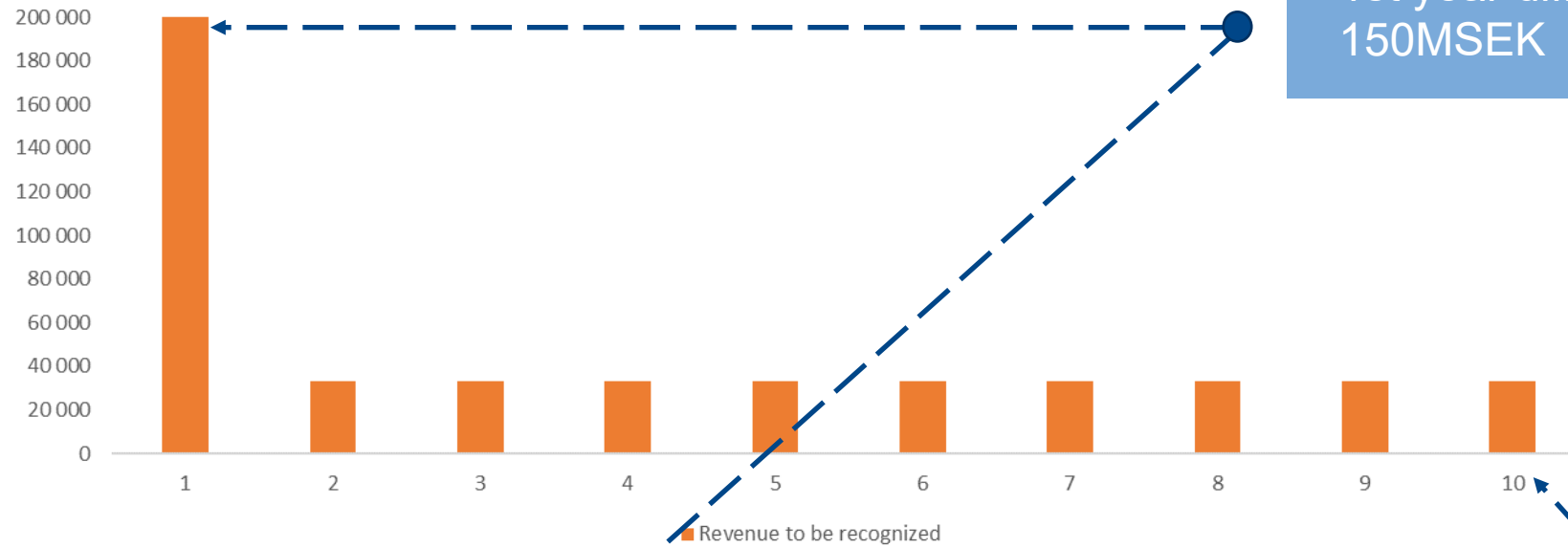
# Example

## **Sectra One Cloud**

- Sectra One Subscription 500 MSEK  
(Software + maintenance)



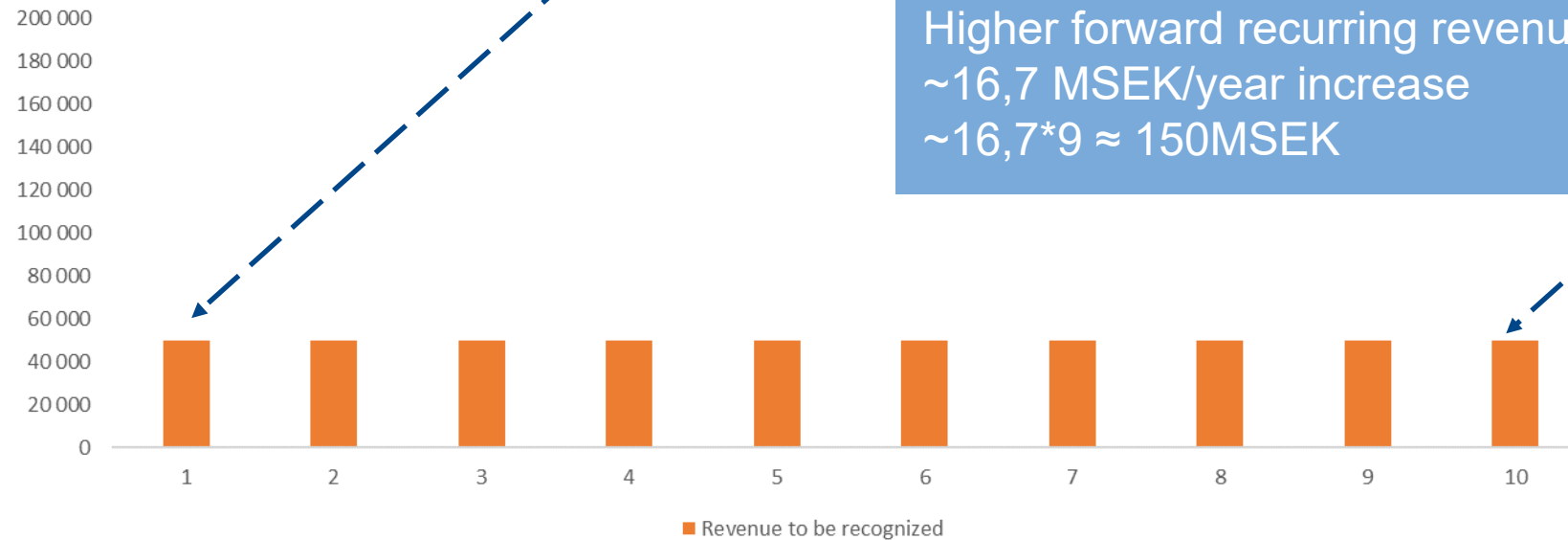
On prem



1st year difference  
150MSEK



Cloud



Higher forward recurring revenue  
~16,7 MSEK/year increase  
 $\sim 16,7 \times 9 \approx 150 \text{ MSEK}$



Throughout this shift

## Trends effecting Sectra and external reporting measures

1. Cloud is growing and increasing quickly
2. Revenues are thus increasingly recognized over time
3. New contracts reflect SaaS business model - service delivery over time

From Q1 FY 22/23

# To reflect this we will provide:

- ✓ Increased details on order intake during the transition period, removed after 2 years from now
- ✓ Focus on Recurring Revenue
- ✓ A new APM Cloud Recurring Revenue

# Increased details on Order intake

## Contracted order intake

**Definition:**

The value of products and services the customer has procured and intends to purchase during the contract period

## Guaranteed

**Definition:**

Customer committed purchase at contract signature

Added as a consequence of new contract expectations

Already recognized  
a)

Estimated within 12 months  
b)

**Definition:**

Proportion of guaranteed order intake that is a) already recognized as revenue in the reported period or b) is estimated to be recognized as revenue within 12 months

# Revenue recognition

**Definition:**

All revenue for the reported period

Total revenue

**Definition:**

The part of total revenue that is classified as recurring revenue

Recurring revenue

**Definition:**

The part of recurring revenue that is earned by selling cloud services

Cloud recurring revenue



# Recurring revenues

Revenue during the period that is expected to recur at least for 12 months from the reporting day

Revenues from customers that are unable to continue benefitting from the full functionality delivery without recurring payments

## Included

- Maintenance
- Sectra One Cloud
- Other cloud services

## Excluded

- One time/upfront license fees
- Professional services
- Sales of hardware

# Cloud Recurring Revenue – new APM



## Recurring Revenues earned from Sectra cloud services

Private or Public

Examples: Sectra One, Sectra Amplifier, Sectra Education portal



## Software, infrastructure, operations

Includes all recurring revenues related to operation of the cloud service



## Excluding for example:

Professional hours that are not part of recurring operation

On premises installations

Single environment customer hosting contracts

- All cloud revenue for the reporting period expected to recur
- CRR will show cloud business growth
- Provides an indication of future recurring cloud revenues



Public cloud and mid to long term effects

# Transition to SaaS/Cloud



## Balance sheet

No significant balance sheet effects in relation to infrastructure acquisitions. Costs expensed as incurred



## Cashflow

Costs: Invoiced monthly on consumption

Customer payments: A mix between quarterly in advance and monthly on consumption



## Profit margins

All things else equal: Profits improved over time due to economies of scale, efficiency gains and higher recurring revenue

# Sectra's way forward

Torbjörn Kronander

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# Focus forward



High customer  
satisfaction



Employees and  
culture



Profitable  
growth



Skate to where  
the puck is  
going to be

# High customer satisfaction drives business



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

# Choose your markets

- » Growth is easier in growing markets



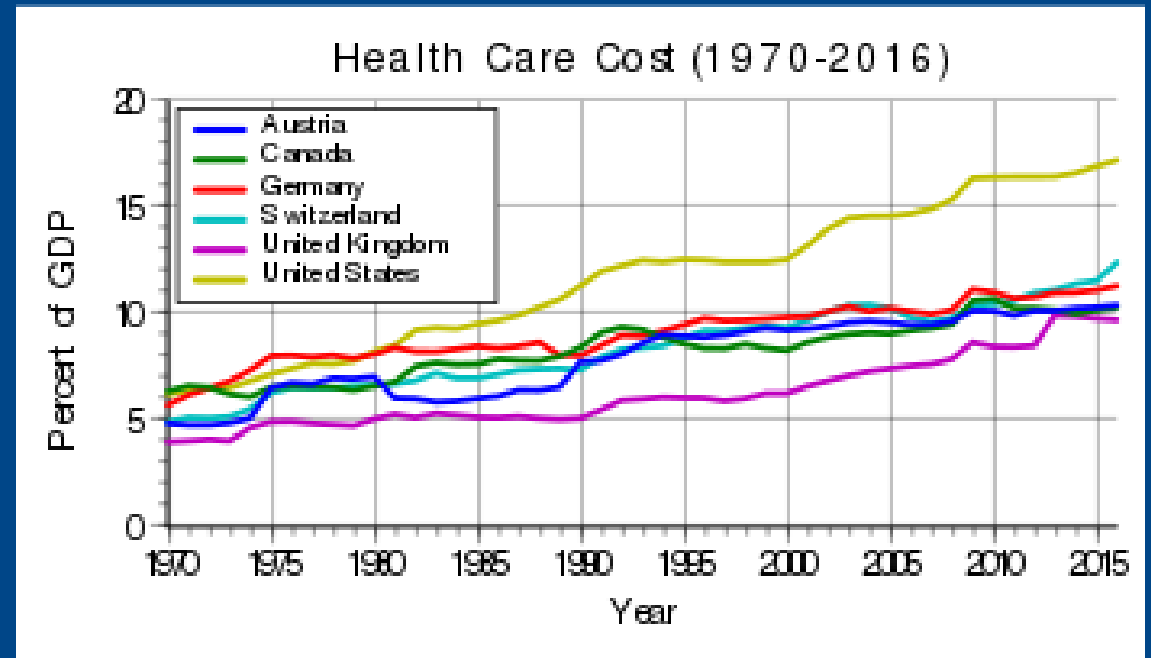


Medical



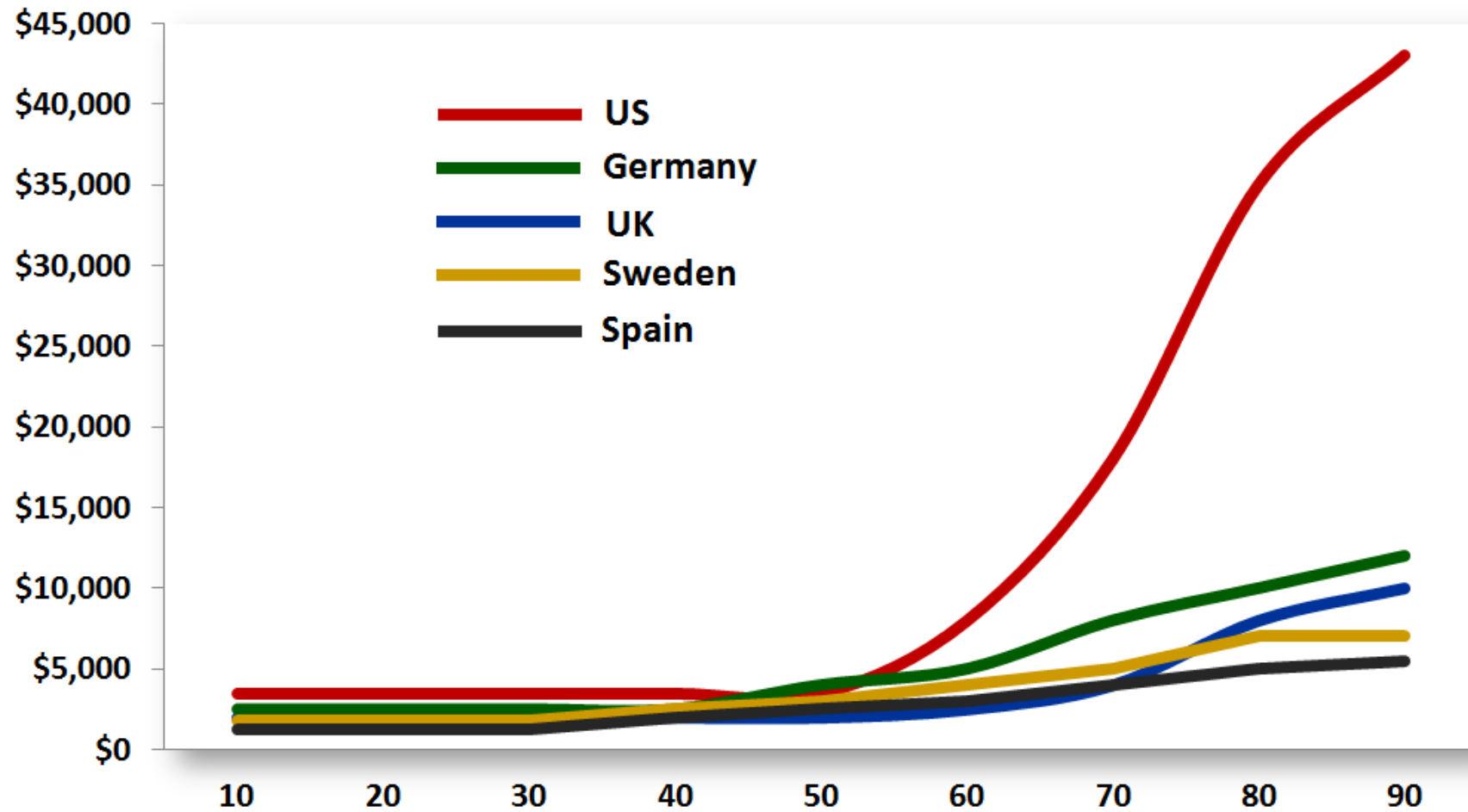


Cost for healthcare  
is increasing



# What drives the cost explosion of healthcare?

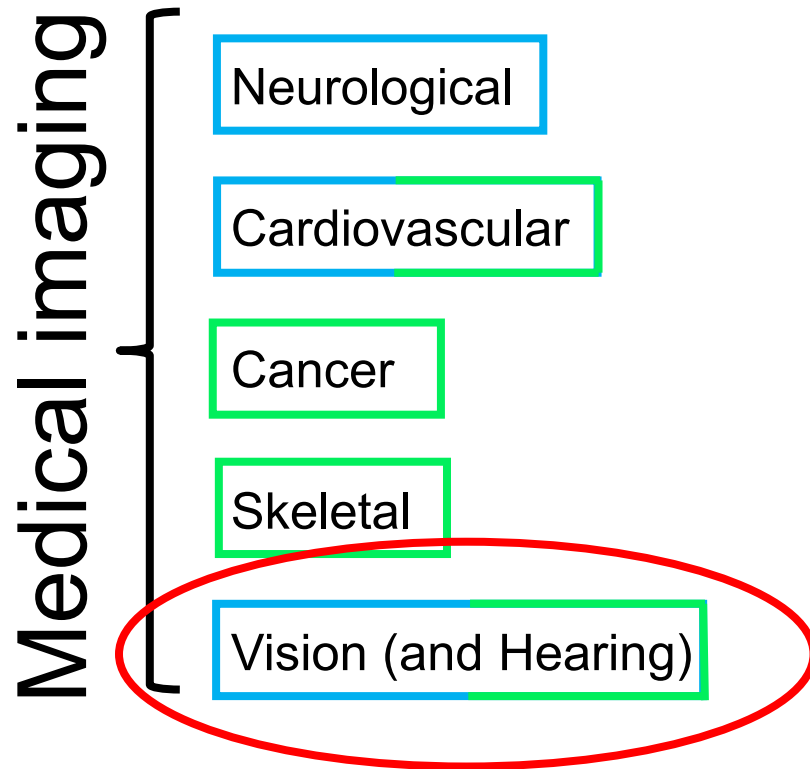
Annual Per Capita Healthcare Costs by Age



# Medical systems

## Growth areas

Age related diseases:



# Cybersecurity









# COLONIAL PIPELINE NETWORK

U.S. ENERGY INFORMATION ADMINISTRATION





# Patient Dies as Ransomware Attack Cripples University Hospital in Germany

■ The death of a patient is the first reported casualty of a ransomware attack that crippled the systems of University Clinic Dusseldorf

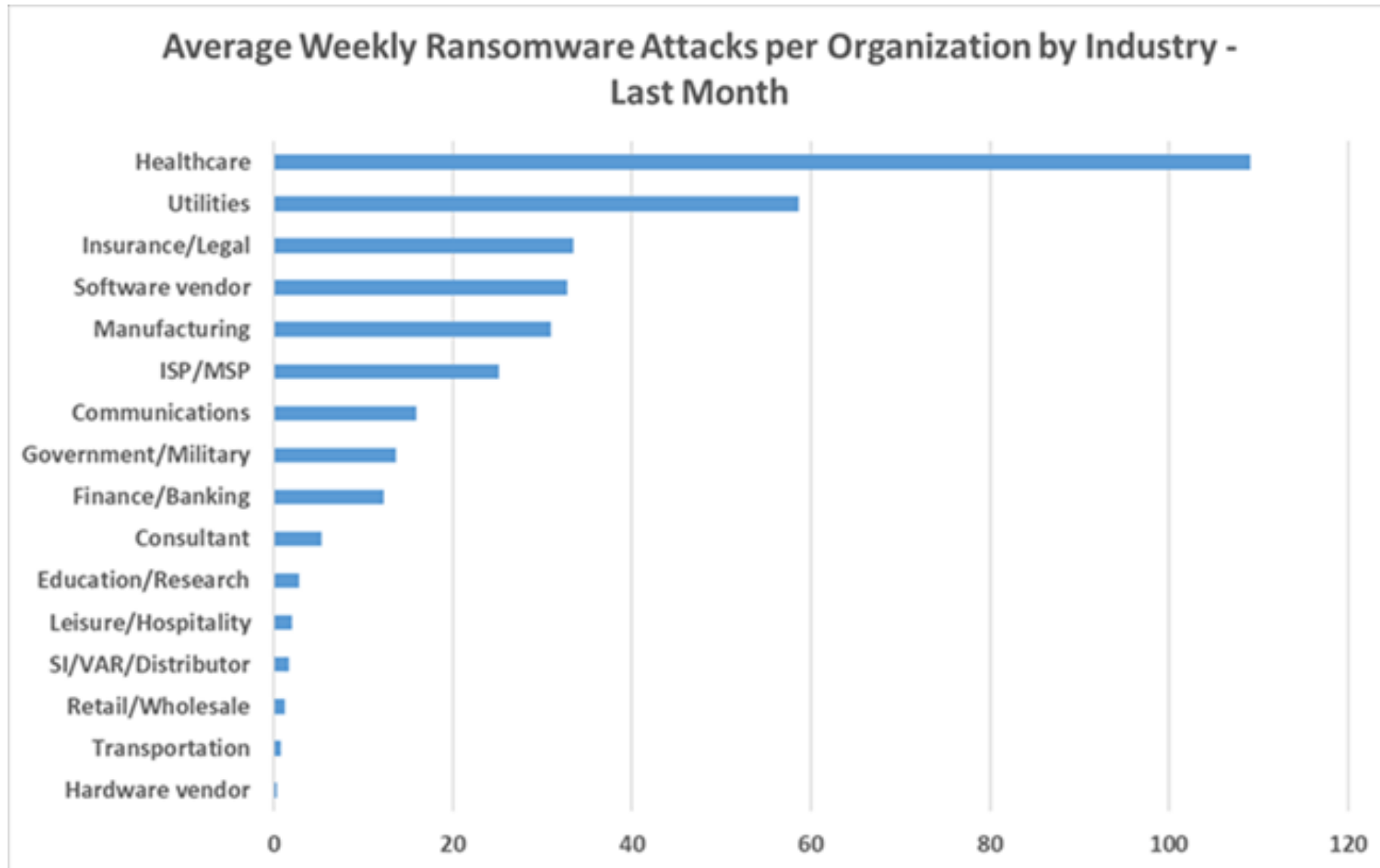
By Krishnendu Banerjee

September 18, 2020 19:44 +08



10 facts about ransomware

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Source: Check Point Research, June 2021

# We have built a very fragile society

- » Like building a skyscraper, one floor at the time.
  - » "Lets build one more floor  
The previous floors worked..."
- » This is dangerous and needs to be adressed!
- » Both against criminals but also against national actors and terrorism



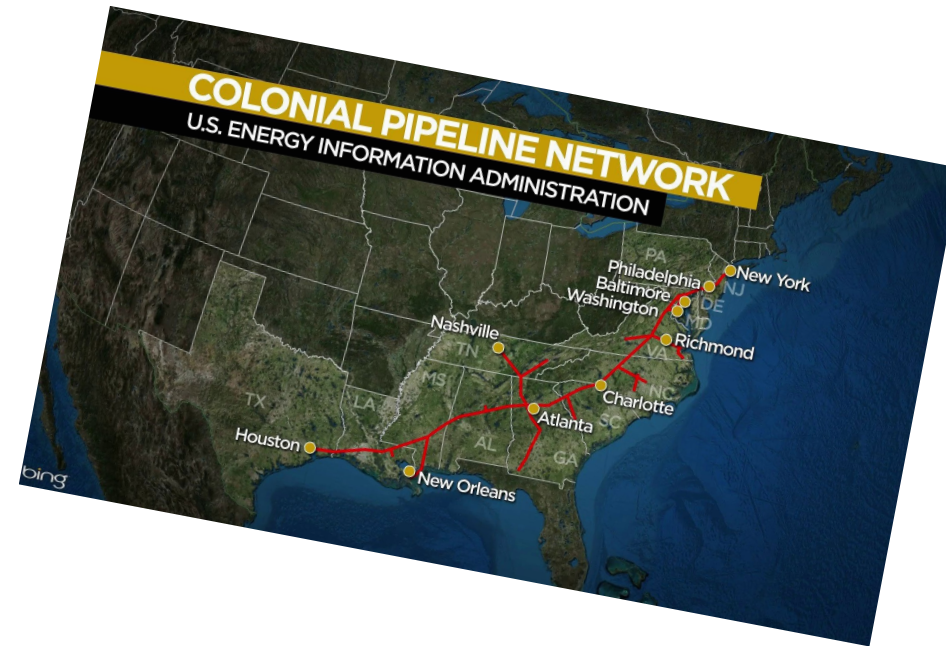
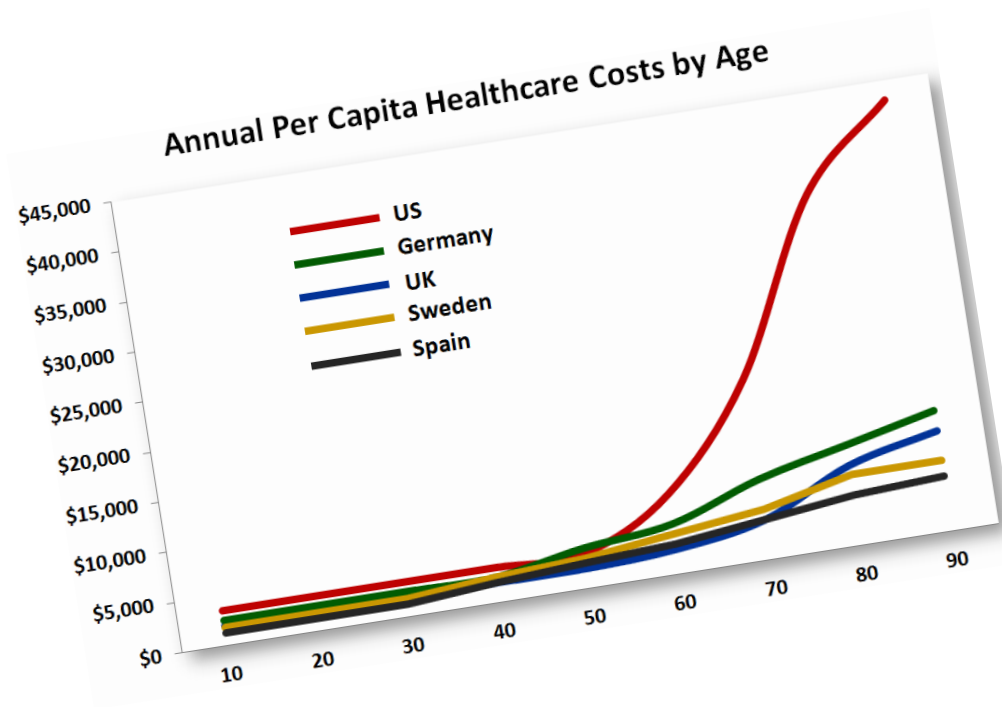
# Sectra is well positioned

- » Profitable growth is easier in growing markets
- » Ideally it is a market that is forced to grow by external factors
- » Healthcare and Cybersecurity are such markets.





# Where others see a problem...



we see...

OPPORTUNITY

Our special niche is when healthcare must  
scale up and become stream lined production





# When asked why he was so good in Hockey

*"I do not skate to where the puck is,  
I skate to where the puck is going to be"*

Wayne Gretzky



# "Skate to where the puck is going to be"

Examples:

- » Imaging IT systems
  - Consolidated hospitals and IT systems
  - Enterprise medical imaging, a "Pixel-EMR"
  - New "ologies", Pathology, Ophthalmology...



# "Skate to where the puck is going to be"

Examples:

- » Cybersecurity
  - Secure mobile workplaces
  - High speed, high security network infrastructure
  - Expecting increasing demand due to the crisis in Europe



# "Skate to where the puck is going to be"

Examples:

- » Business innovation
  - The entire image-based orthopedics planning and follow up process
  - Lifelong education of medical staff
  - Other new medical areas that are on the threshold of becoming “industrialized”.
  - Post quantum encryption systems.





# Philosophy shareholders

Start with a good position in growing markets.  
Then if you have:

- » Happy customers
- » Happy employees
- » Perseverance and reasonable cost control

Shareholders WILL be happy



# Strong cash position

Board proposes to distribute SEK 1 per share to shareholders through a share redemption program (increase of SEK 0.10 per share)





# Upcoming financial report and the AGM

- » September 2, 2022      Three-month report
- » September 8, 2022      Annual General Meeting

# Your feedback is important!

Please let us know what you think.

Send an email to: [info.investor@sectra.com](mailto:info.investor@sectra.com)

# Questions?

If you follow online, please use the chat function.

# SECTRA

*Knowledge and passion*