

Welcome to

Sectra Capital Markets Day Jan 17th, 2019



SECTRA
Knowledge and passion

This CMD

- Focus on Imaging IT
- Focus on 1-3 years going forward
- Focus on the "helicopter" perspective:
 - What problems do we solve?
 - Where are we?
 - Where are we going?
 - How shall we get there?

The Sectra brand and its promises

Sectra acts in markets where failure is not an option.

Requires: Customer obsession, Stability, Quality and Trust!

Provides: Healthy prices and Large barriers of entry.

The **Knowledge** to fulfill expectations
The **Passion** to exceed them




Knowledge & Passion

The Sectra brand and its promises



The Sectra brand is our most valuable asset and this is what it shall convey

- Trustworthyness.
- Stability, Kept promises and Honesty
- Quality and Customer obsession
 - We will NEVER let a customer down, even if it means a hit to ourselves
- Premium product, Premium price

A blue-tinted X-ray of a human torso, showing the skeletal structure. The heart area is highlighted with a glowing red and orange light, symbolizing the core or heart of the company.

Company Profile & Philosophy

(if you want to understand a company, begin with the culture)

Philosophy – Markets

- Profitable growth is easier in growing markets
- The healthcare and cybersecurity worlds are in rapid change, and:



"Where there is change, There is margin!"

Philosophy – Customers

Quality is profitable!

RATED #1 IN CUSTOMER SATISFACTION



PACS



PACS



PACS



PACS



PACS



GLOBAL
PACS



GLOBAL
PACS



GLOBAL
PACS

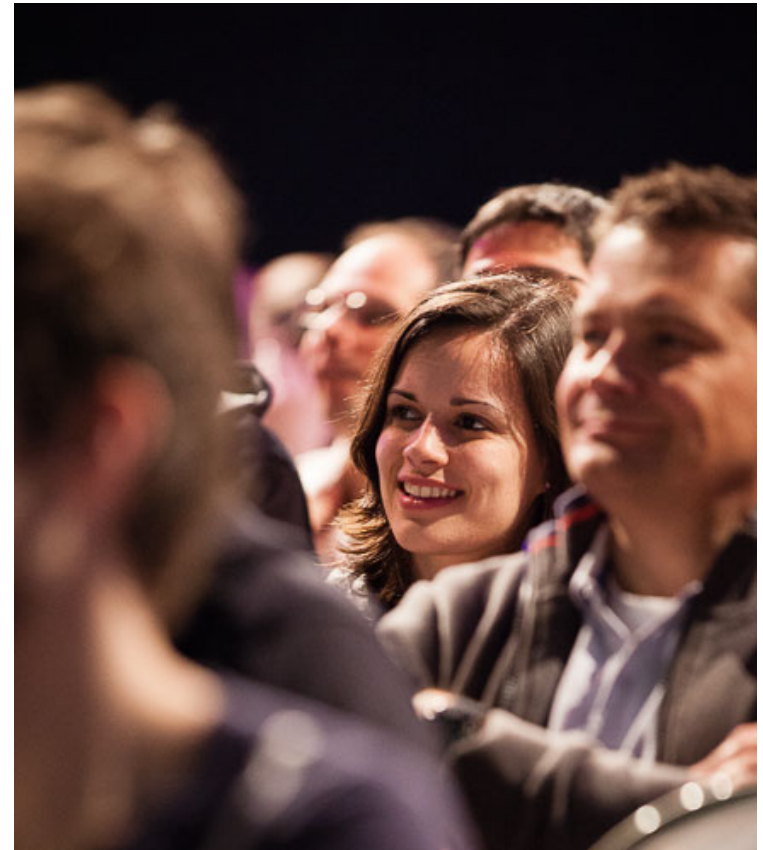


GLOBAL
PACS

Philosophy – Staff

It begins with:

*Hire for Attitude and Ability,
- Train for skill!*



And continues with:

“Culture eats Strategy
for breakfast!”

“Some famous guru”



How do you build lasting competitive advantage?

Product?

Promotion?

Place?

Price?

Process?

People!



Philosophy – Focus

- When you are to hunt elephants, bullets are better than shotguns
- Focus and specialization is the very core of quality!

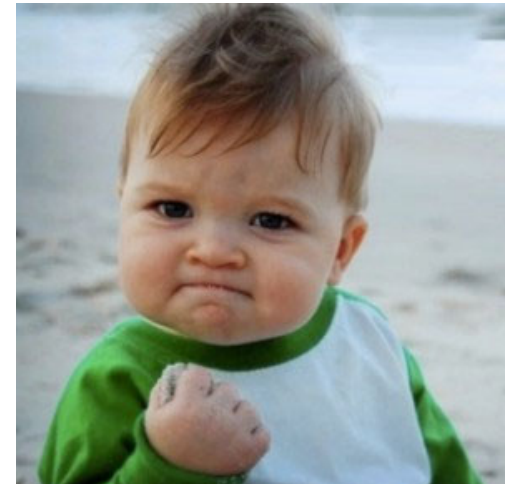


The main rule of war at sea



Define a goal and stick with it!

- Behind all success lies
 - Sticking with your idea
 - Perseverance
 - But also a continuous re-evaluation of all business

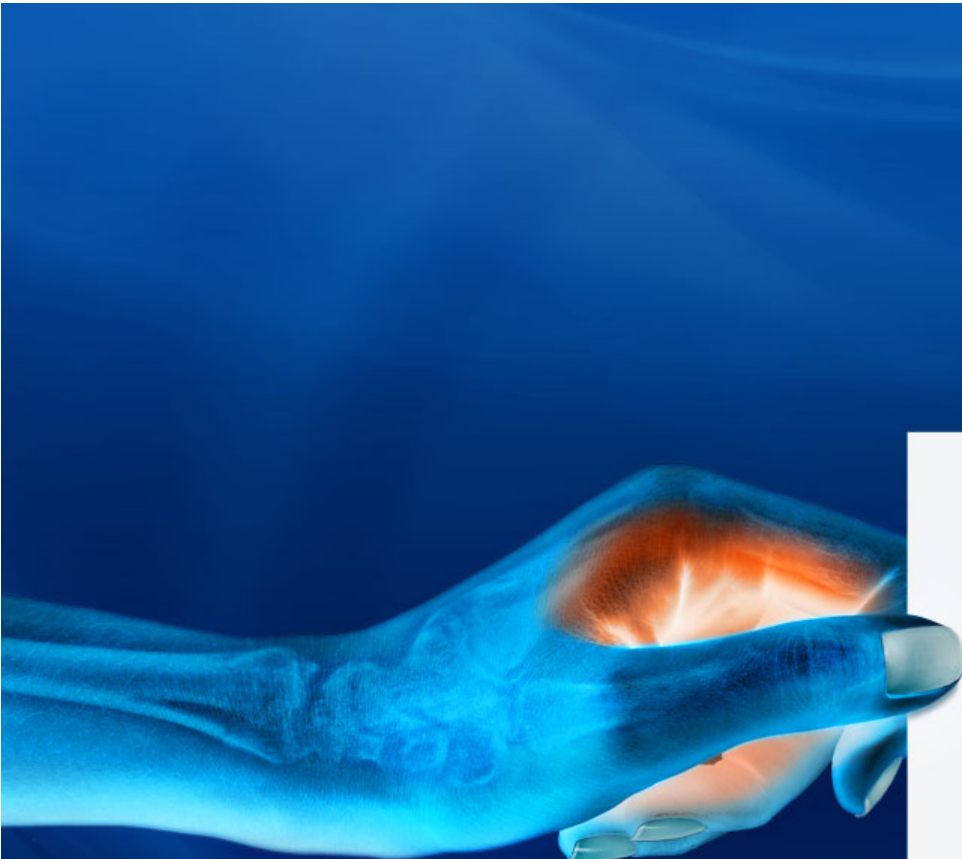


Philosophy – Shareholders

If you have

- Happy customers
- Happy employees
- Perseverance and reasonable cost control
- A rational long term strategy in growing markets
- Then shareholders WILL be happy





The problems we
solve

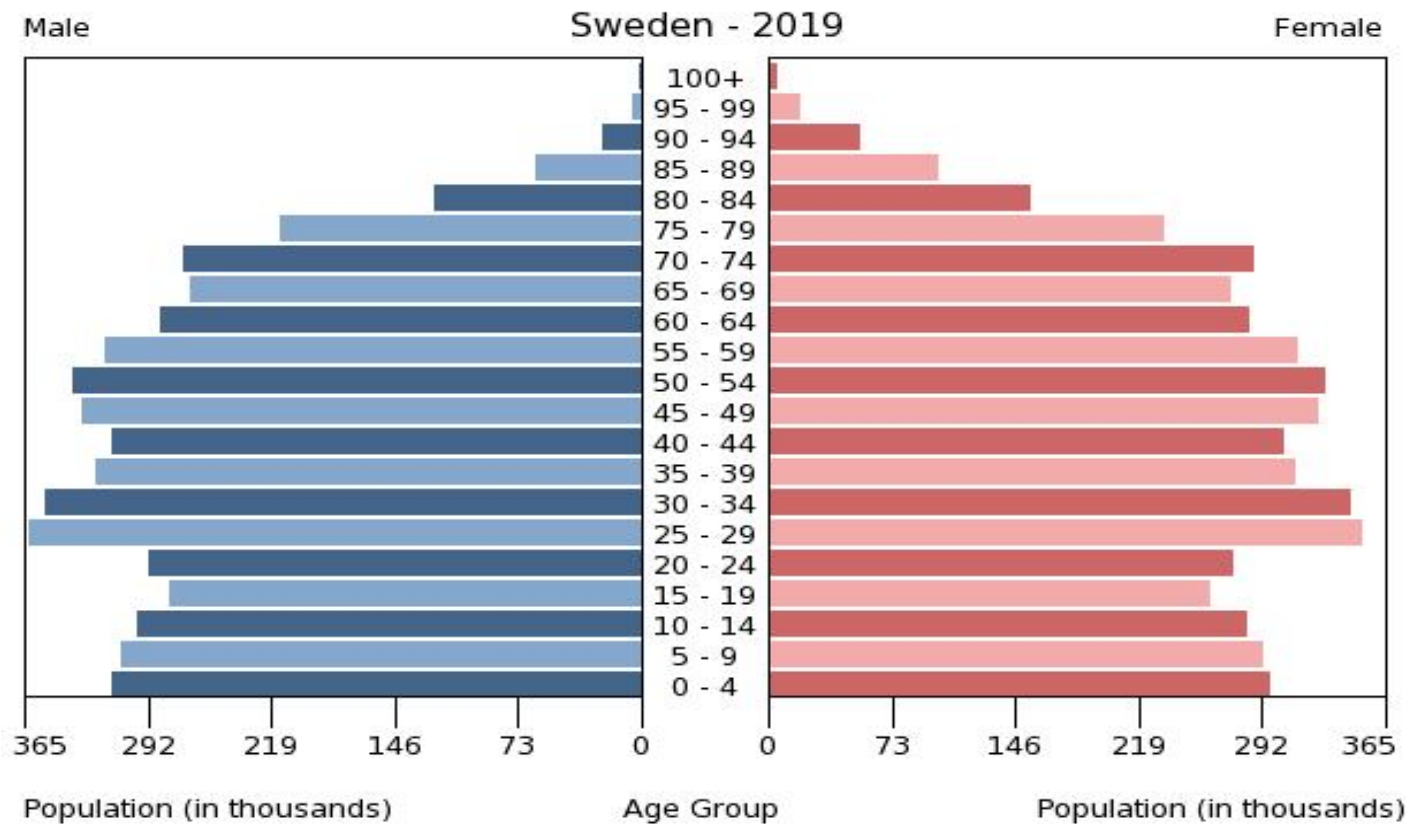
SECTRA



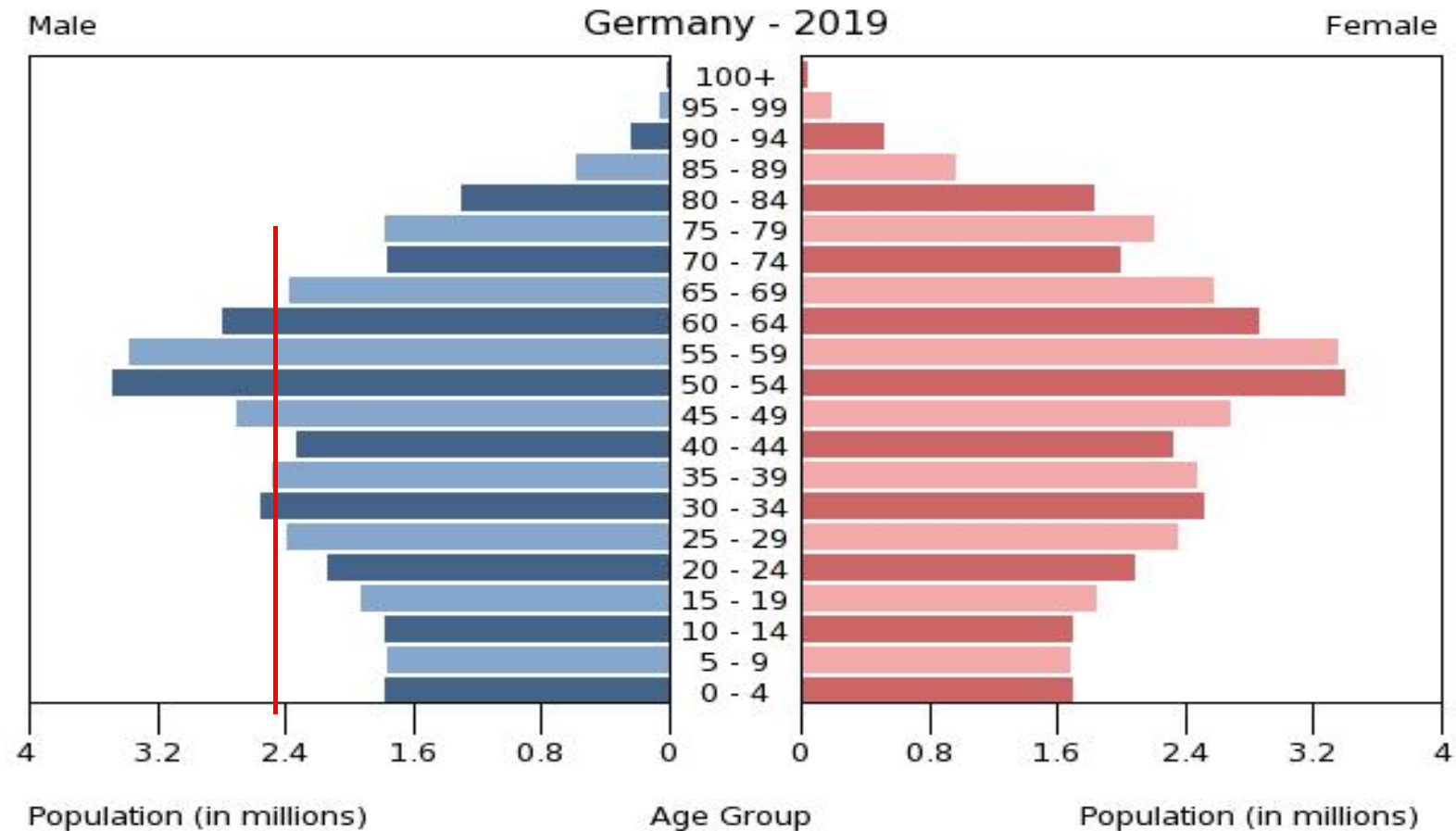
Medical

SECTRA

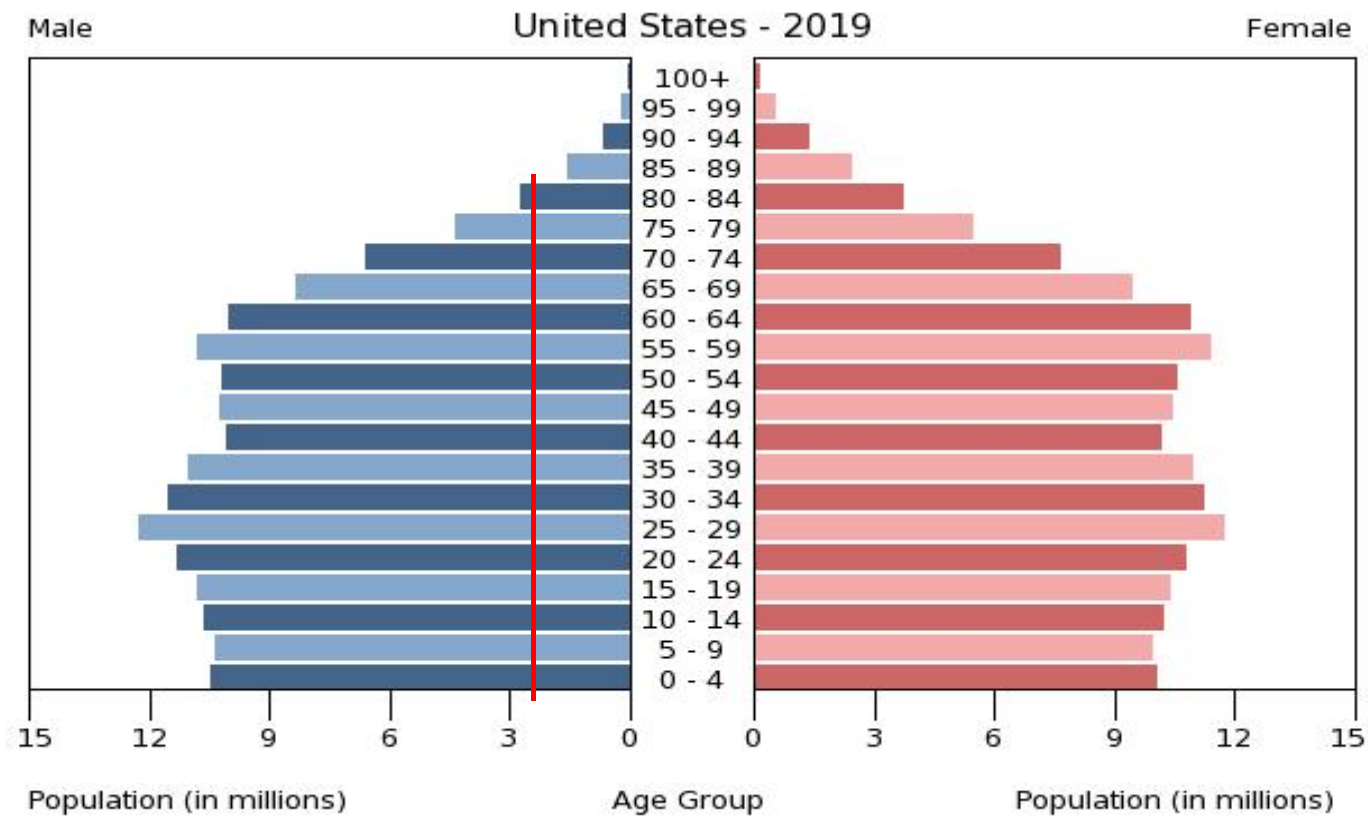
Population pyramid of Sweden



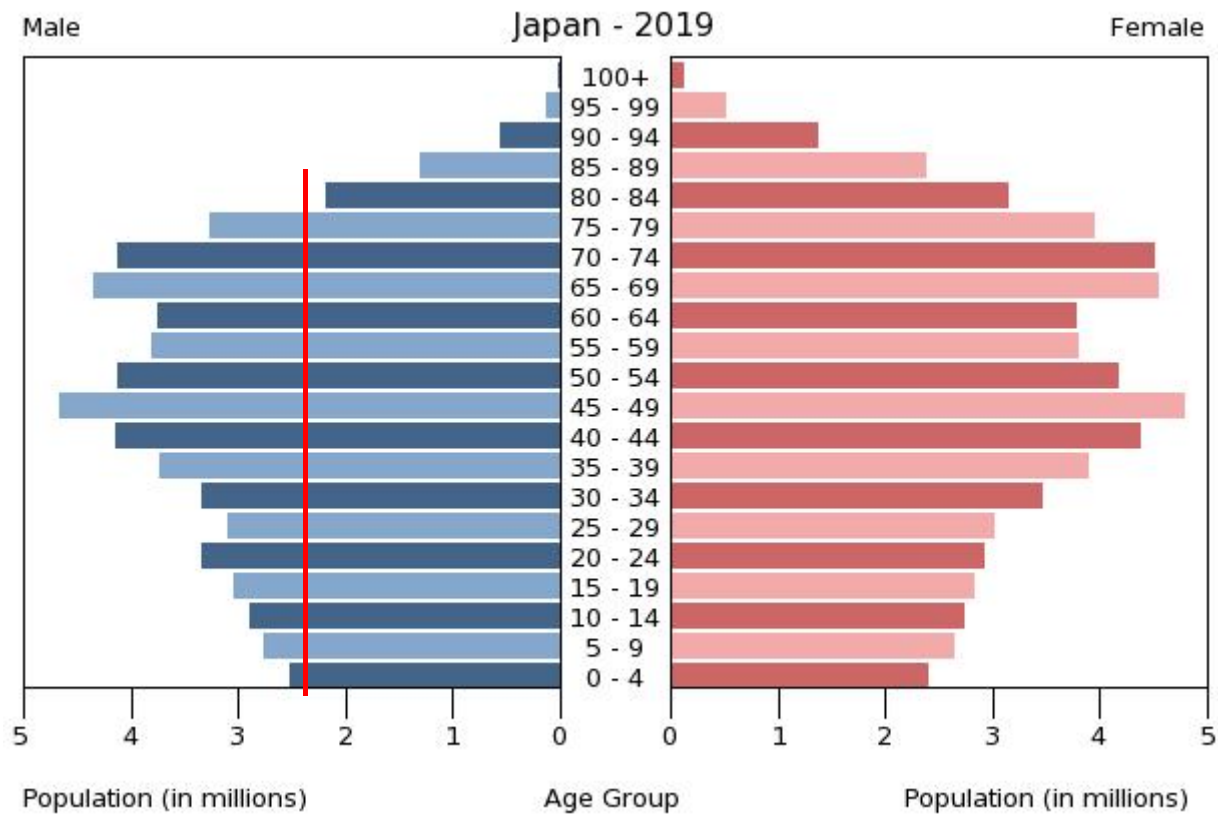
Population pyramid of Germany



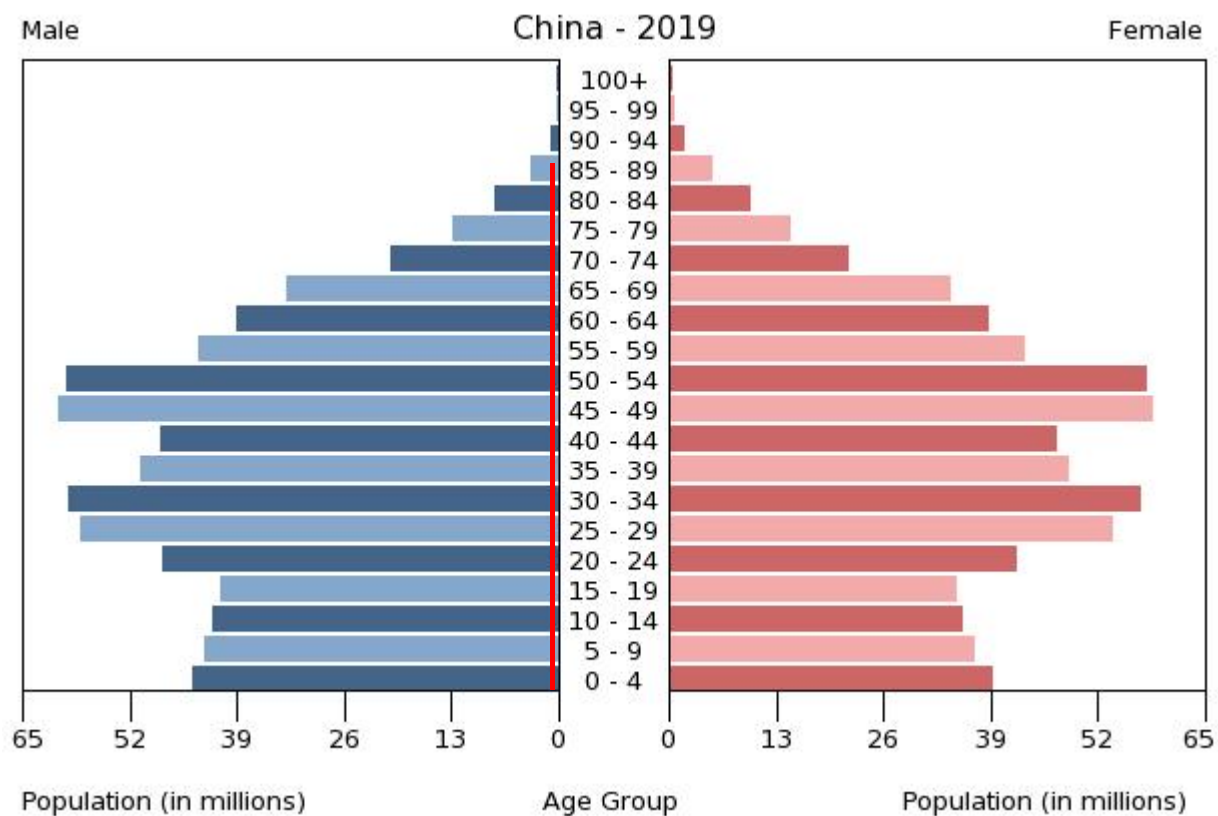
Population pyramid of USA



Population pyramid of Japan

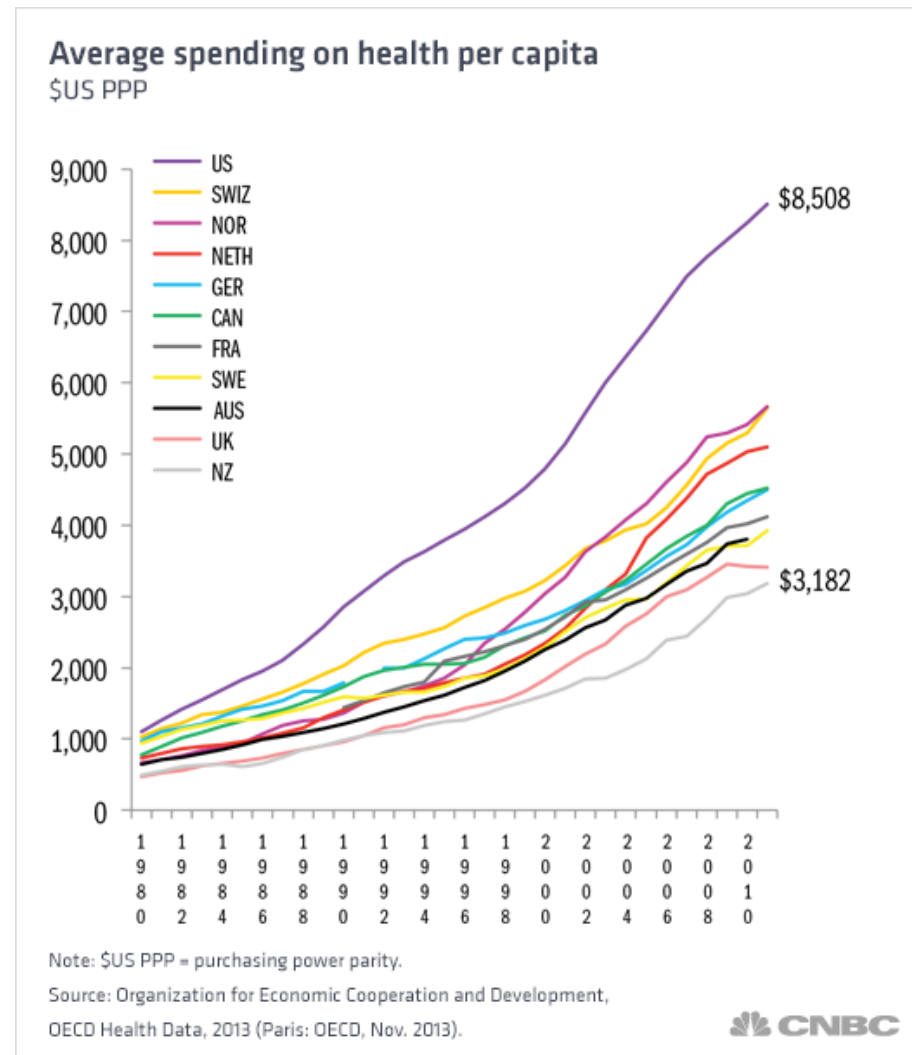


Population pyramid of China

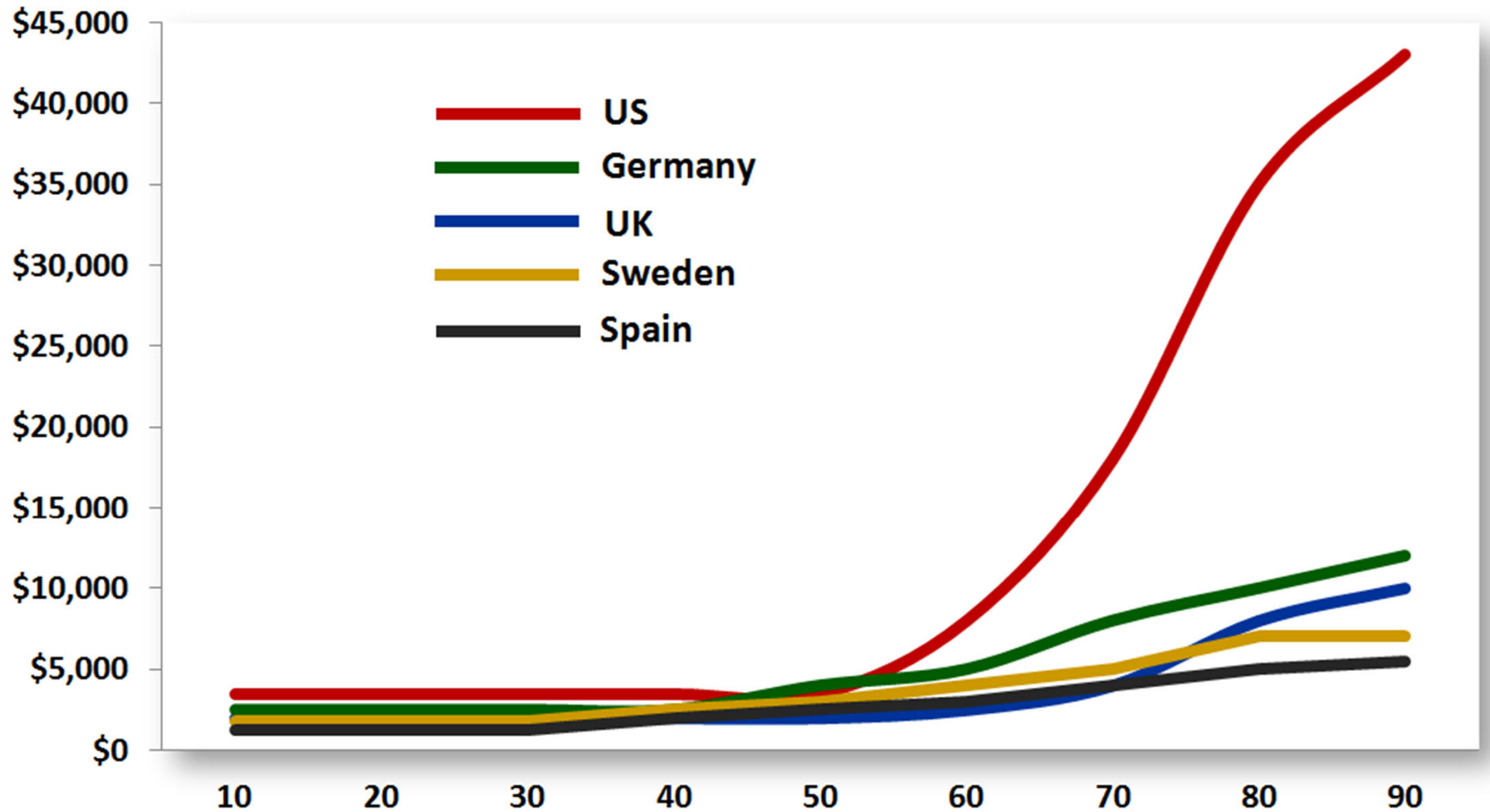


+ longer lives

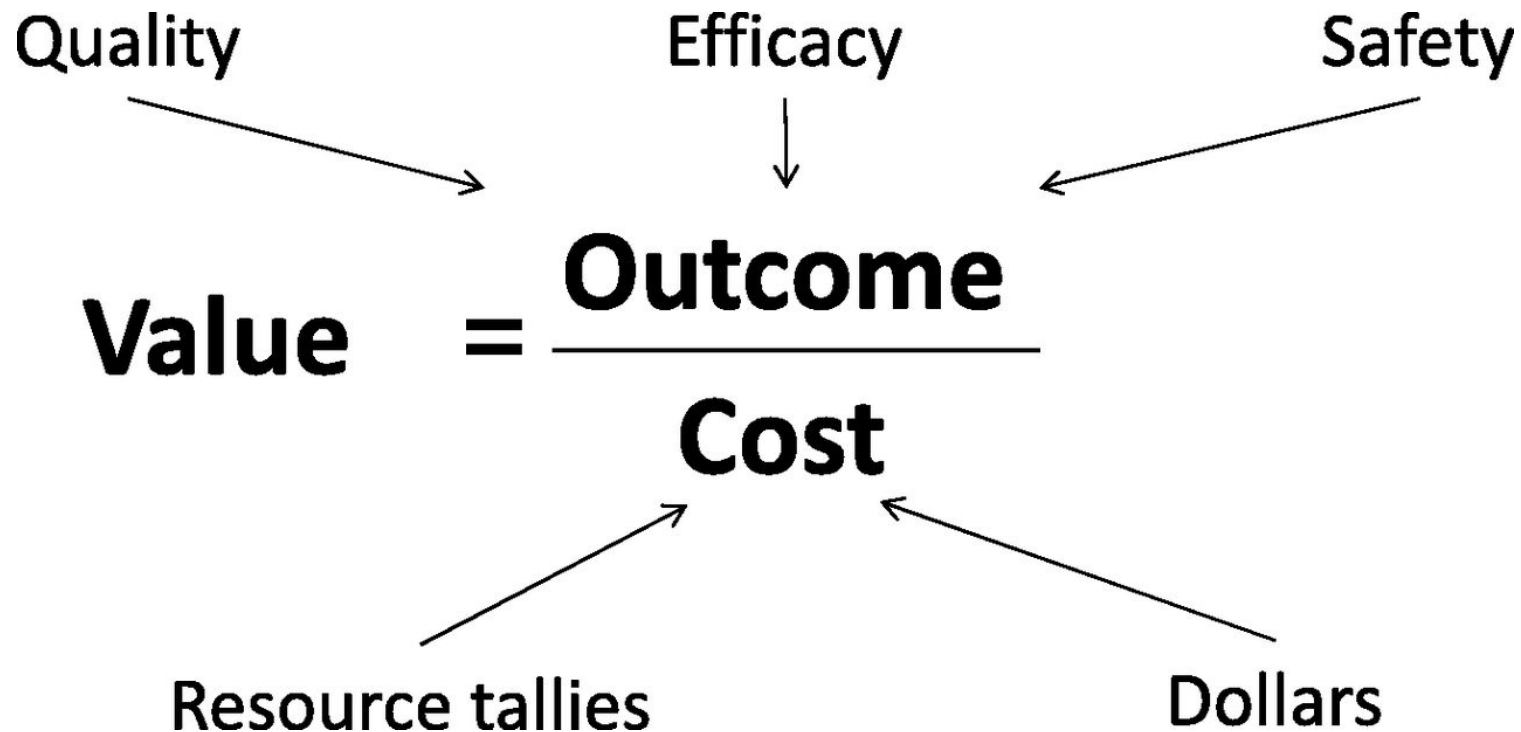
= cost for healthcare per capita



Annual Per Capita Healthcare Costs by Age



Healthcare's difficult equation:



What to do?



- Something has to change.
- Evolution will not suffice. Revolution is needed!
- IT-systems and AI will be crucial in this productivity race
- Most focus needs to be on diseases related to high age

Medical systems

Growth areas

Age related diseases:

Medical imaging

Neurological

Cardiac

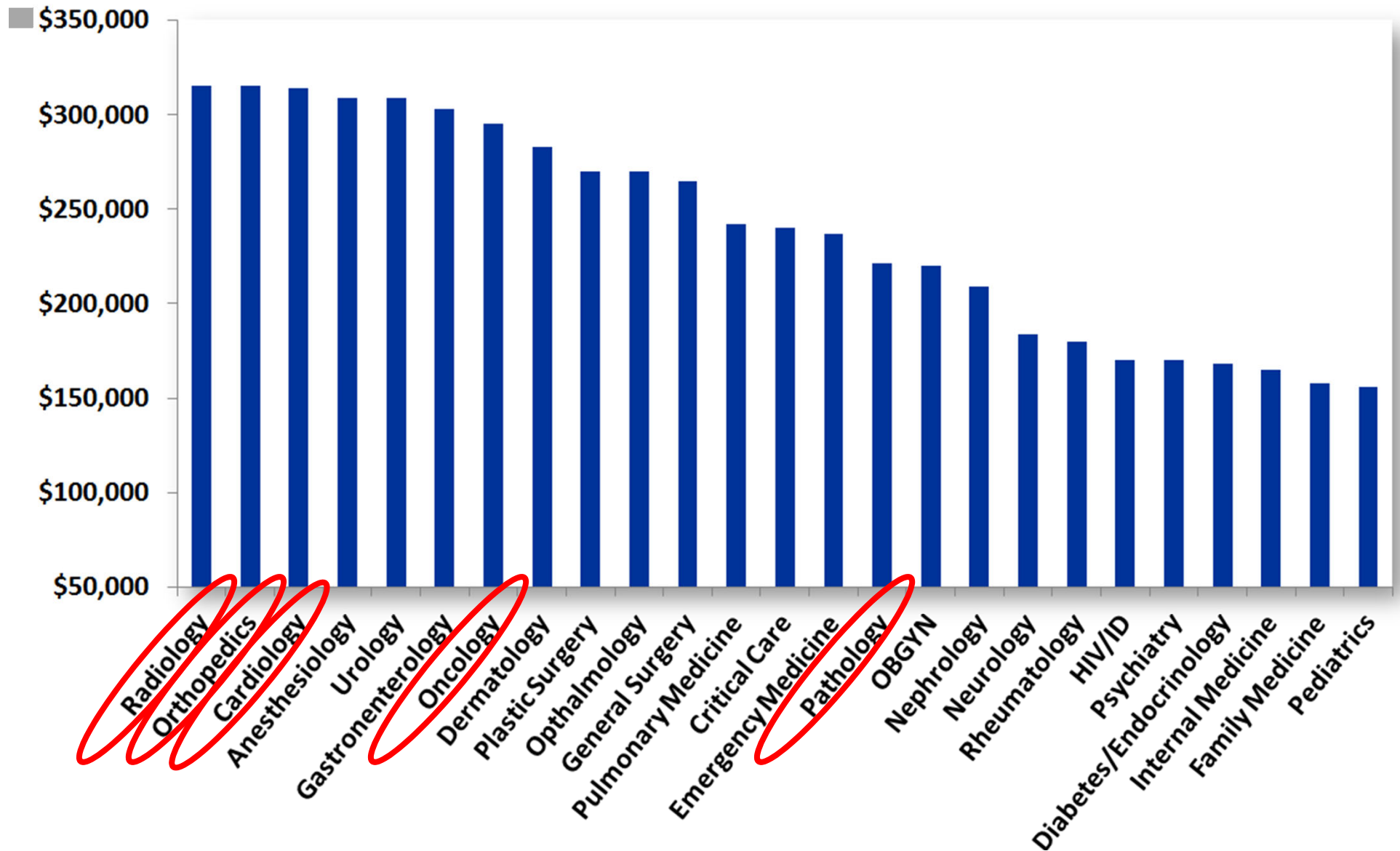
Cancer

Skeletal



Where the money is

Physician Compensation - 2011 (Average by Specialty)



Our mission statement in medical

To increase effectiveness of healthcare,
while maintaining or increasing quality in
patient care



A conceptual image showing several hands of different skin tones interlocking in a circular pattern. The hands are illuminated with a blue and orange glow, creating a sense of energy and unity. The background is dark, making the glowing hands stand out.

Business areas

~80+%

Imaging IT Solutions

IT systems for Diagnostic Image management

Special focus on Enterprise Imaging & Cancer diagnostics.

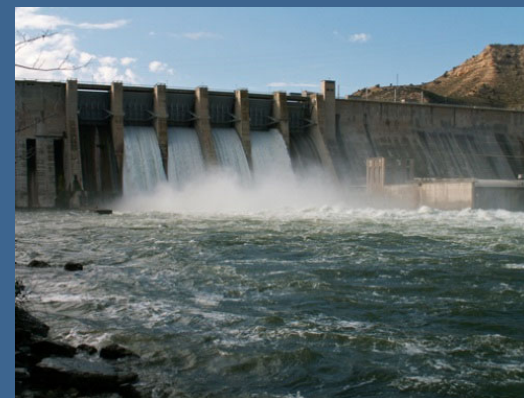


~10%

Secure Communications

Cybersecurity for Communications

Cybersecurity for Critical Infrastructure



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Knowledge and passion

<10%

Customer Financing

Financing customer
projects with substantial
software + hardware



<5%

Business Innovation

Orthopedics

Preoperative planning
and
Postoperative follow up
of orthopedic surgery



<5%

Education

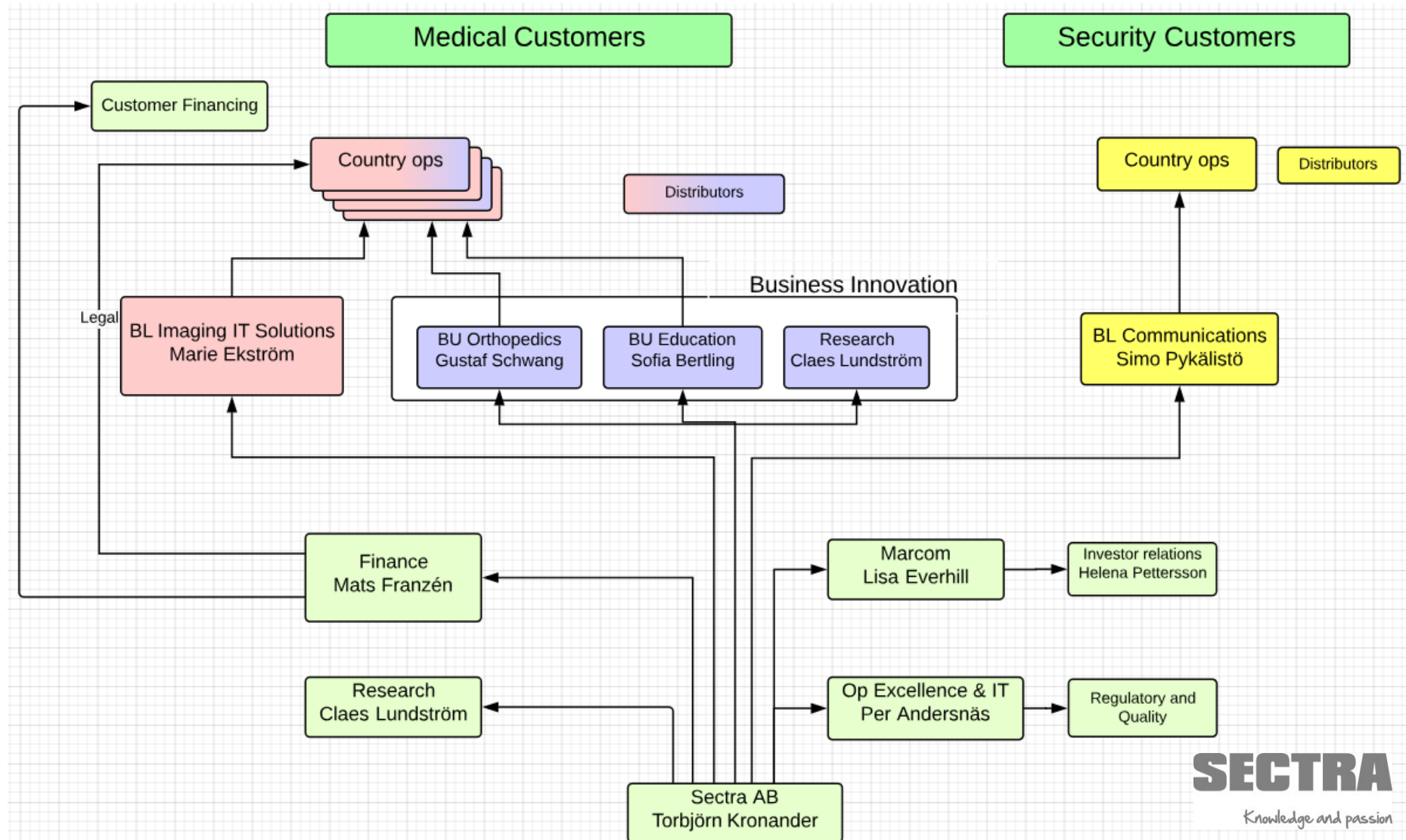
Education tools for
medical and
veterinarian students
based on imaging.



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Reporting structure



Main business is PACS for Radiology



transitioning into Enterprise Imaging

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The shift from radiology PACS to Enterprise imaging



Marie Ekström Trägårdh

President Sectra Imaging IT Solutions AB

Vice President Sectra AB

Three Things Today



The market and how ImIT will
contribute to Sectra's goals



The opportunities we have and
what we do today

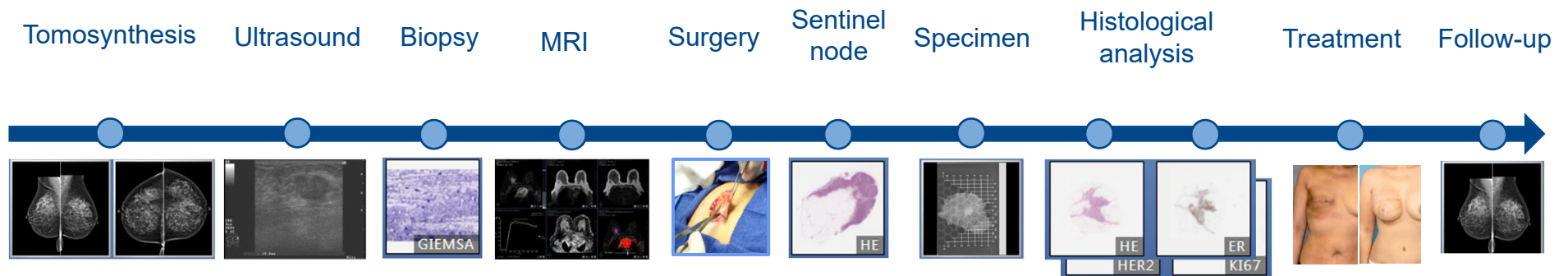


Our products and strategies for
growth

What are we doing?

Enterprise Image Management

- » Management and communication of all types of medical images for diagnostic purposes
- » Focus on cancer diagnostics
- » Large complex diagnostic imaging units
- » ...and all departments where medical images are used



Any new Sectra Radiology PACS deployment



Enterprise
Image
Management



Sectra
Enterprise Imaging Platform

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Most new Sectra enterprise deployments



Enterprise
Image
Management



Radiology



Breast Imaging



Pathology



Cardiology



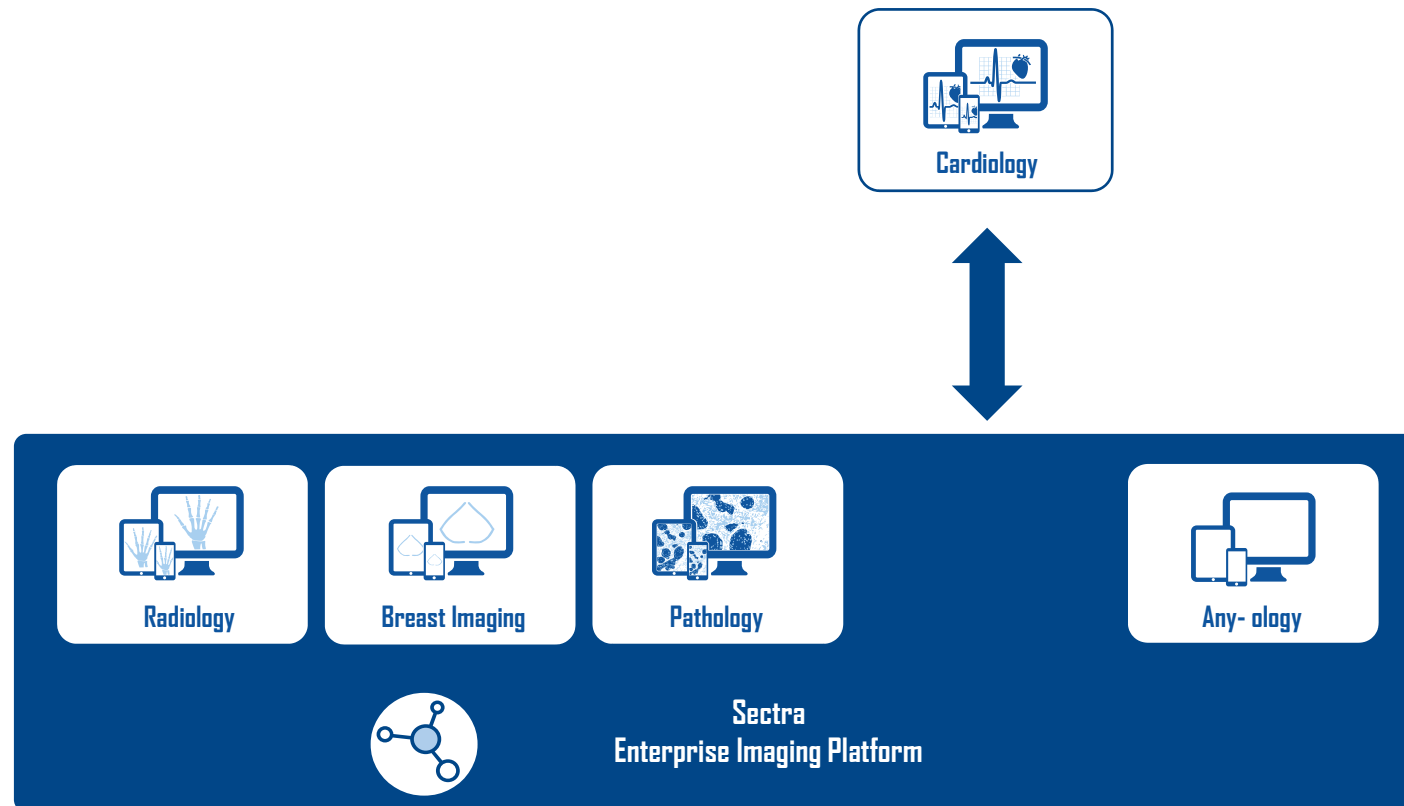
Any-ology

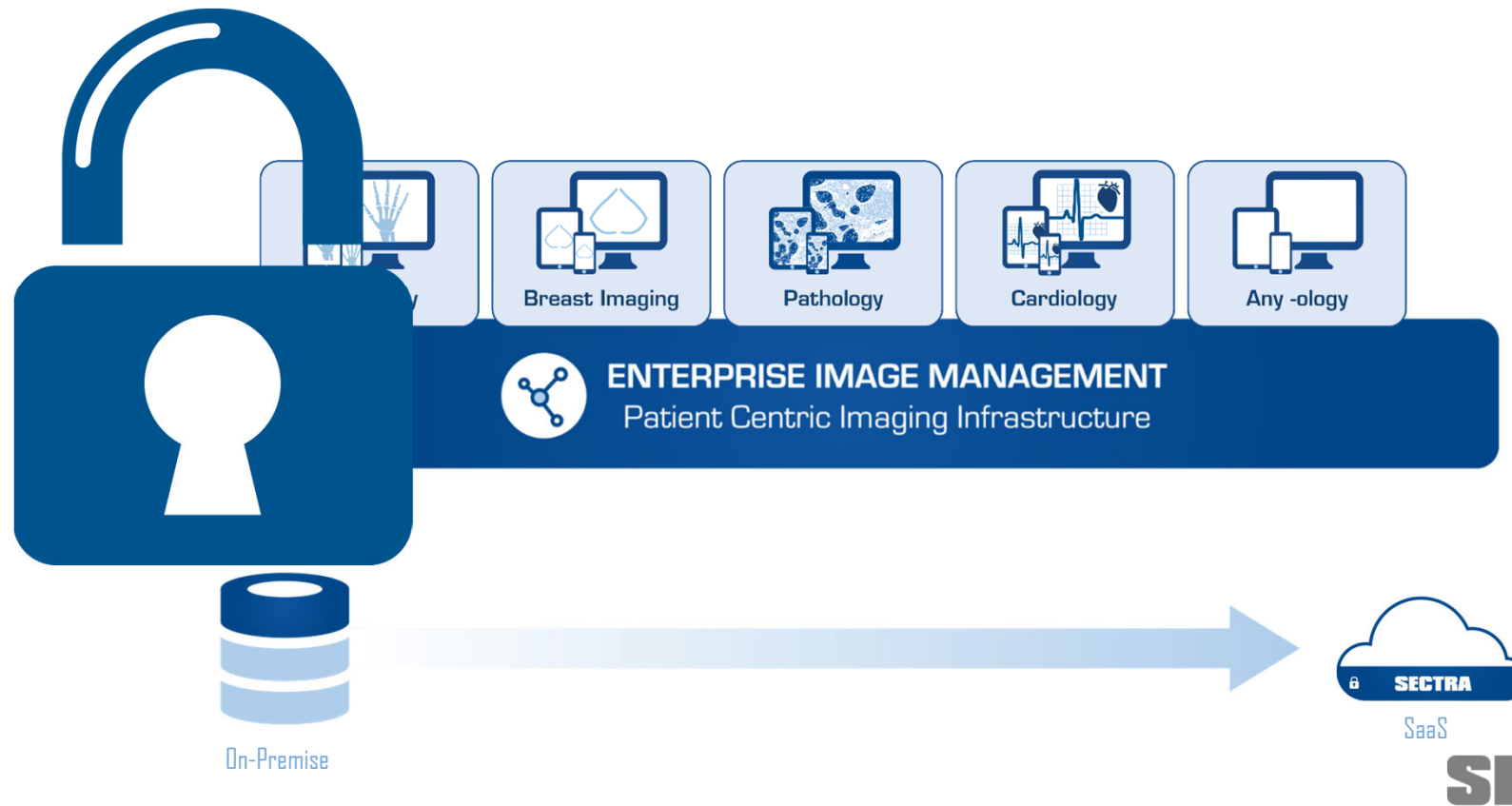


Sectra
Enterprise Imaging Platform

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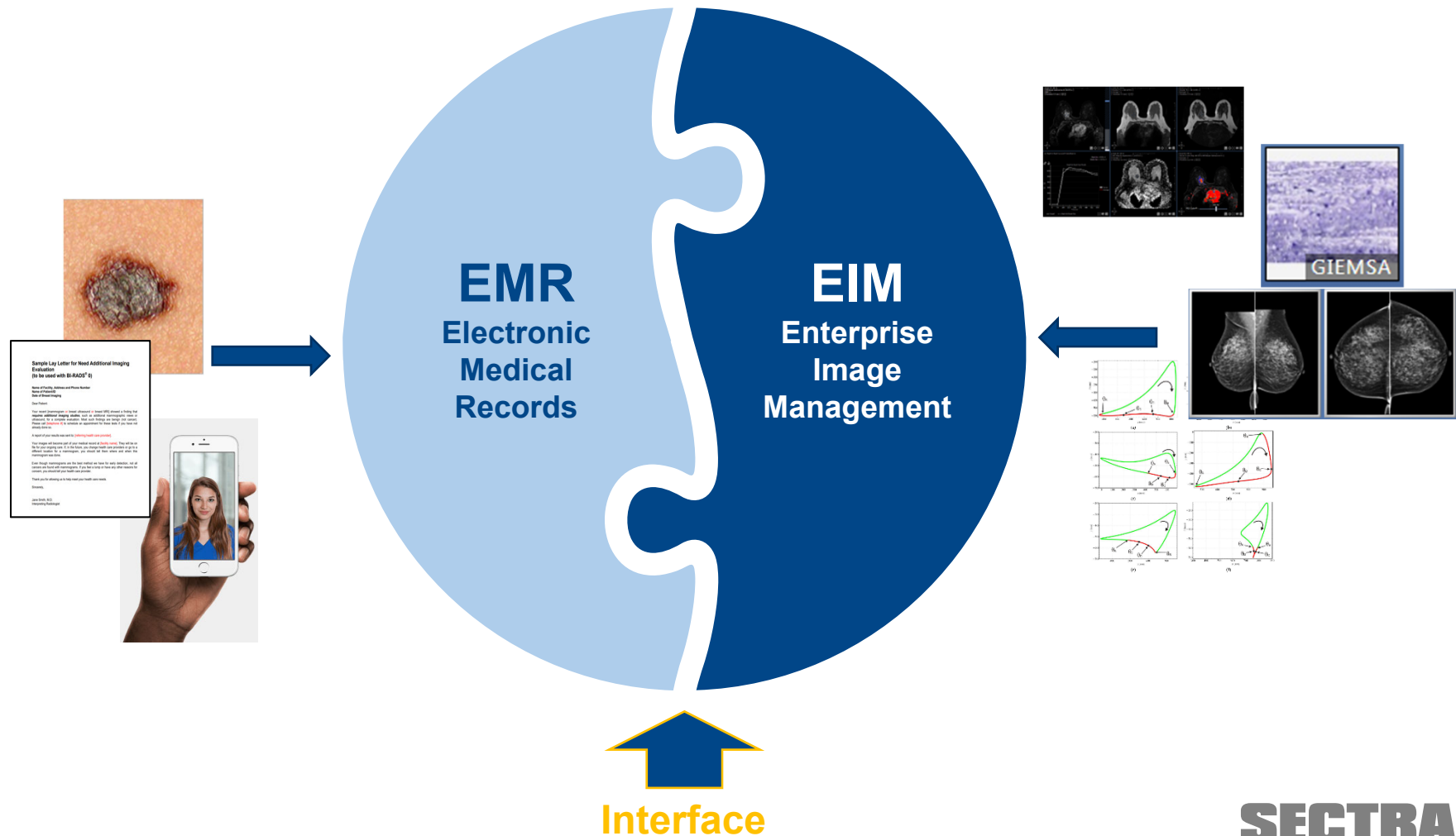
One platform
Modular design



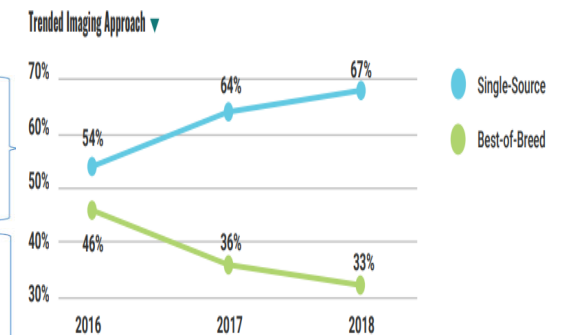
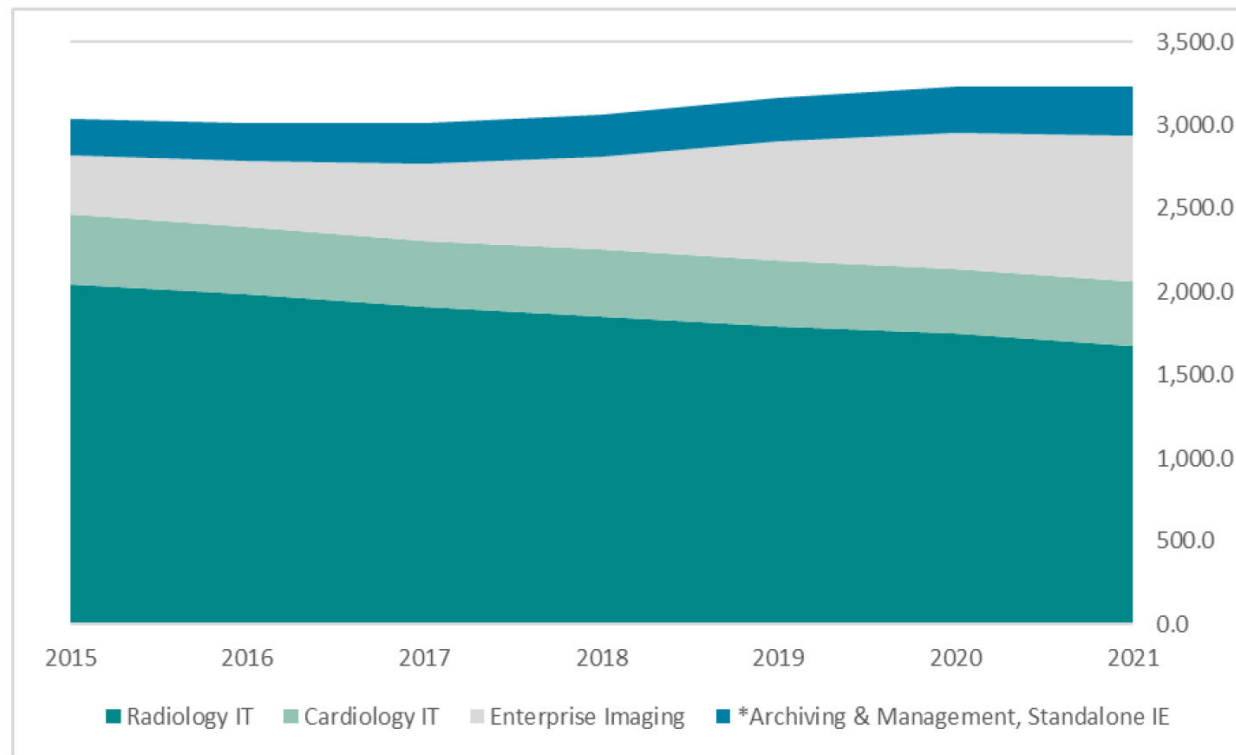


How we integrate and co-operate

Pillars of the digital healthcare enterprise



The market today – world revenue USD 2015-2021

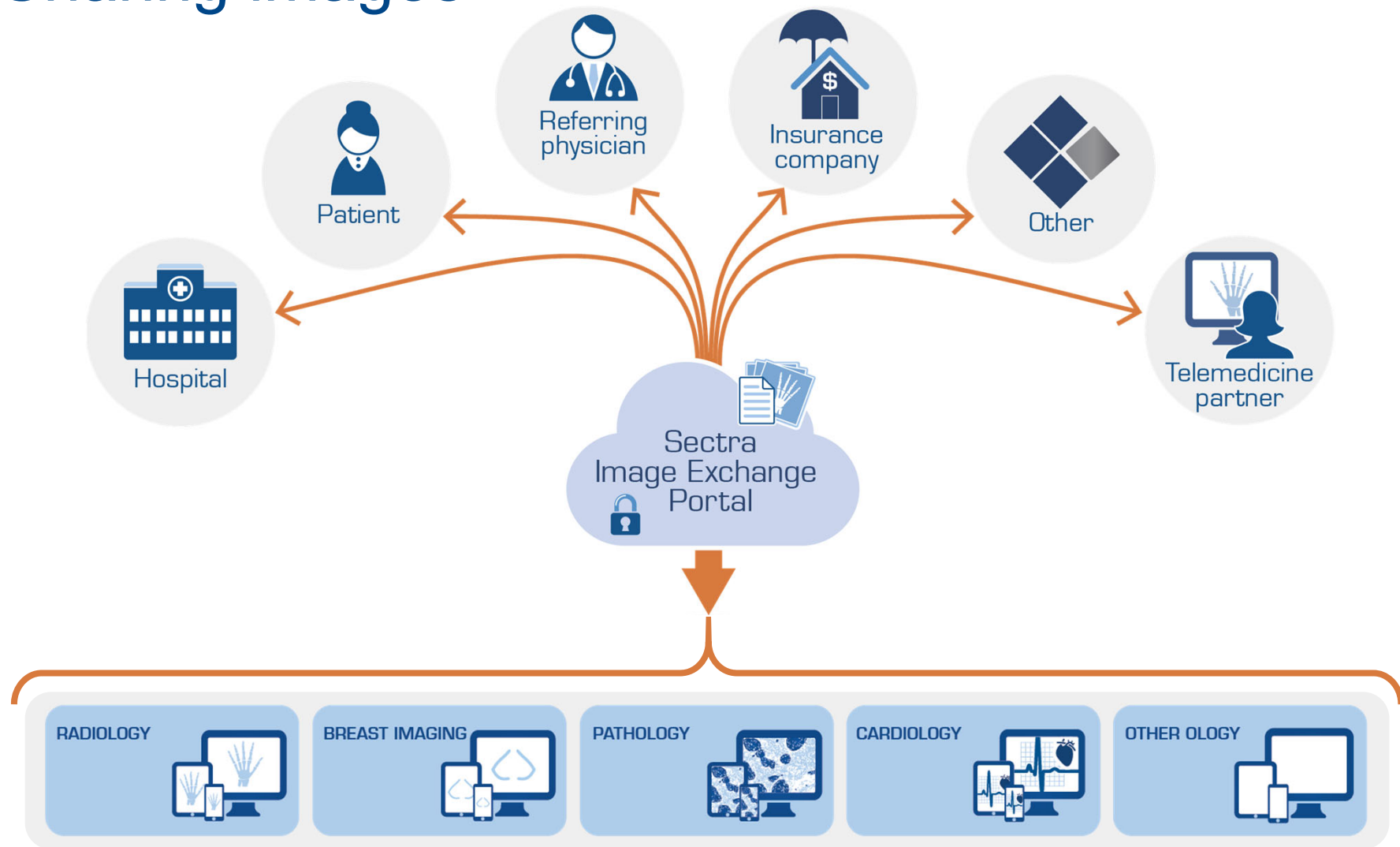


Standalone
PAC/RIS

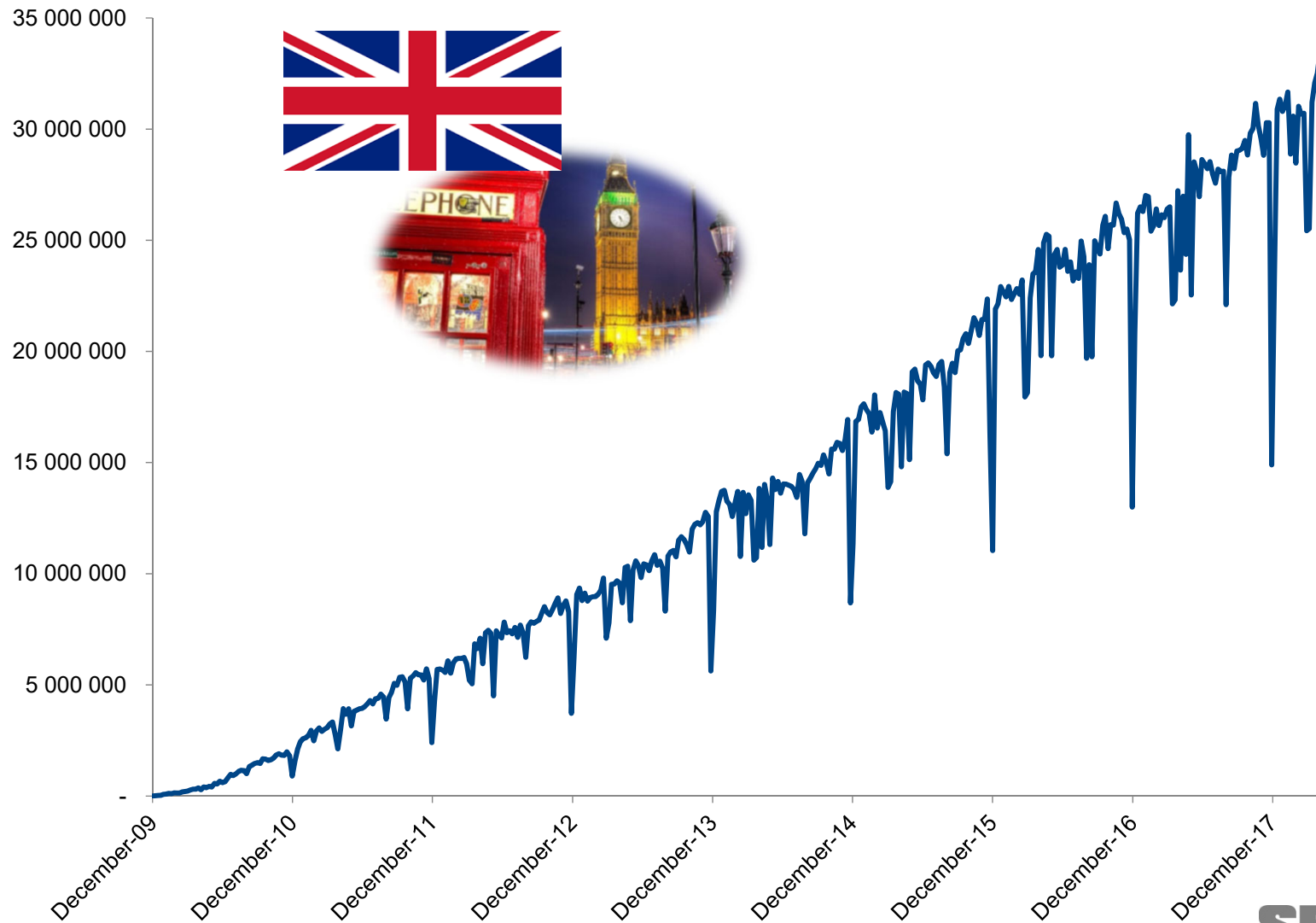
Source: Reaction Data

ACE
Platforms

Sharing images

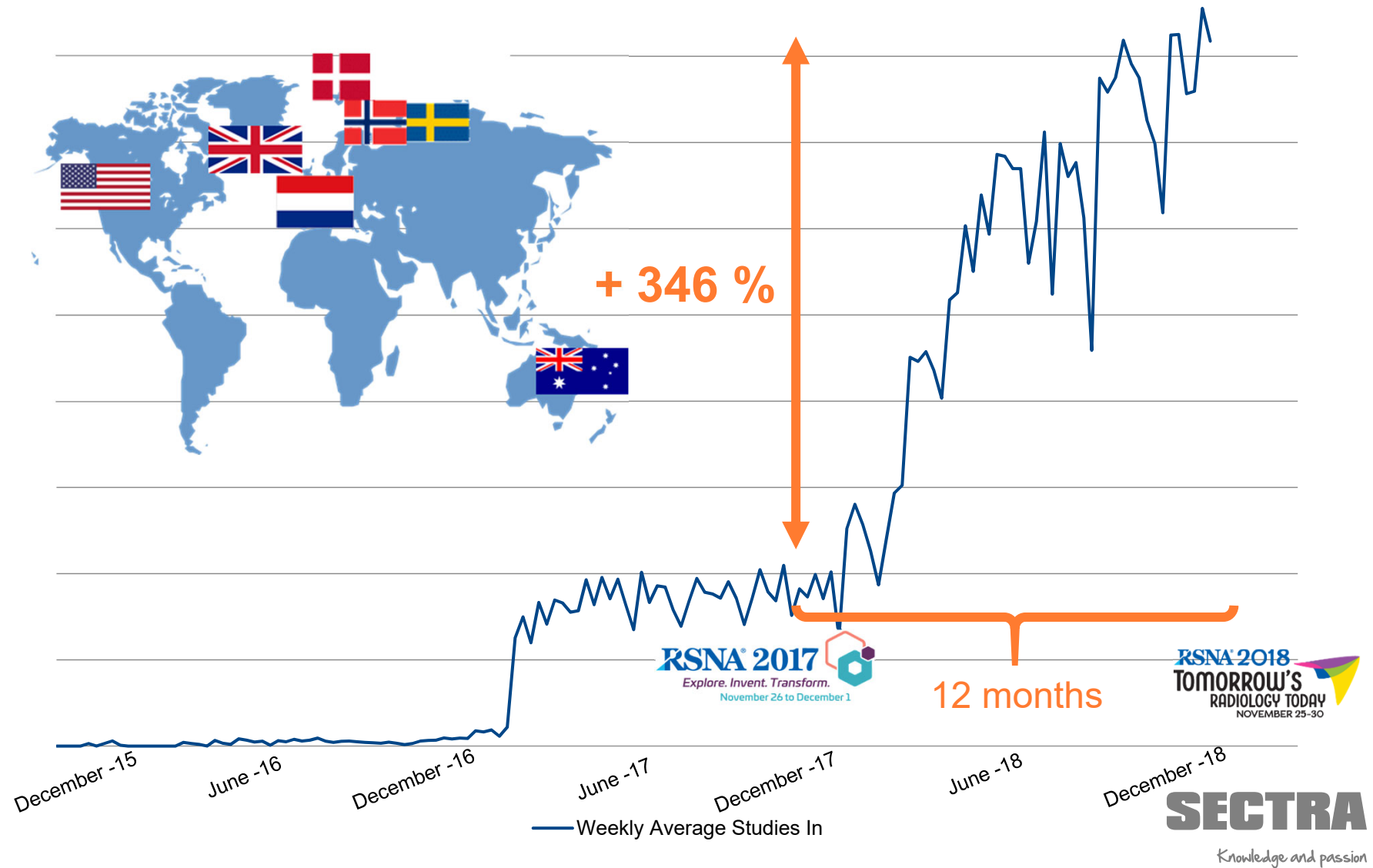


The national IEP network in the UK



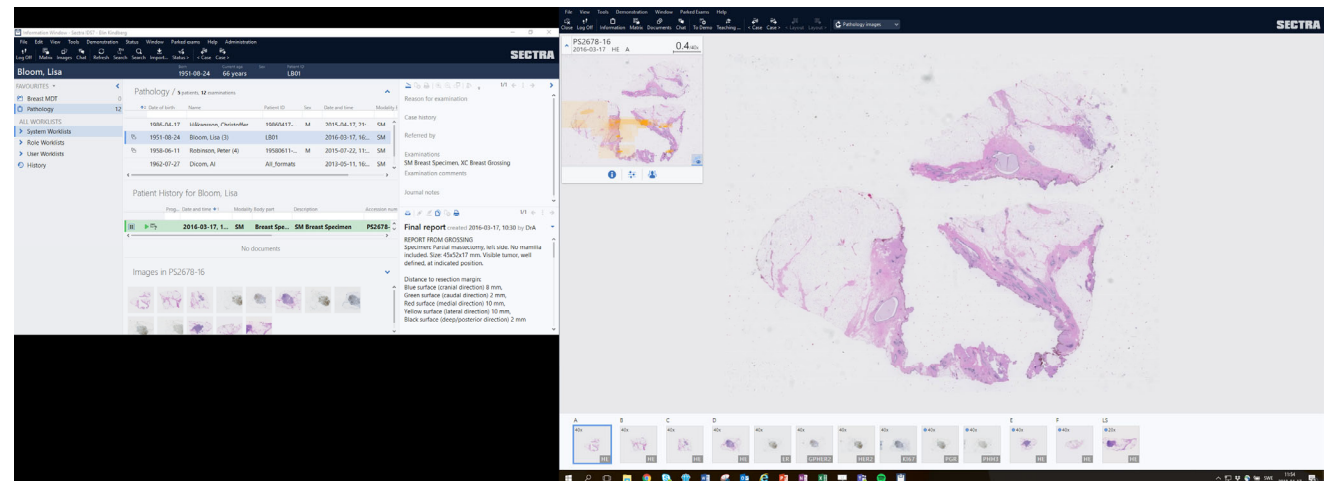
Images exchanged per week

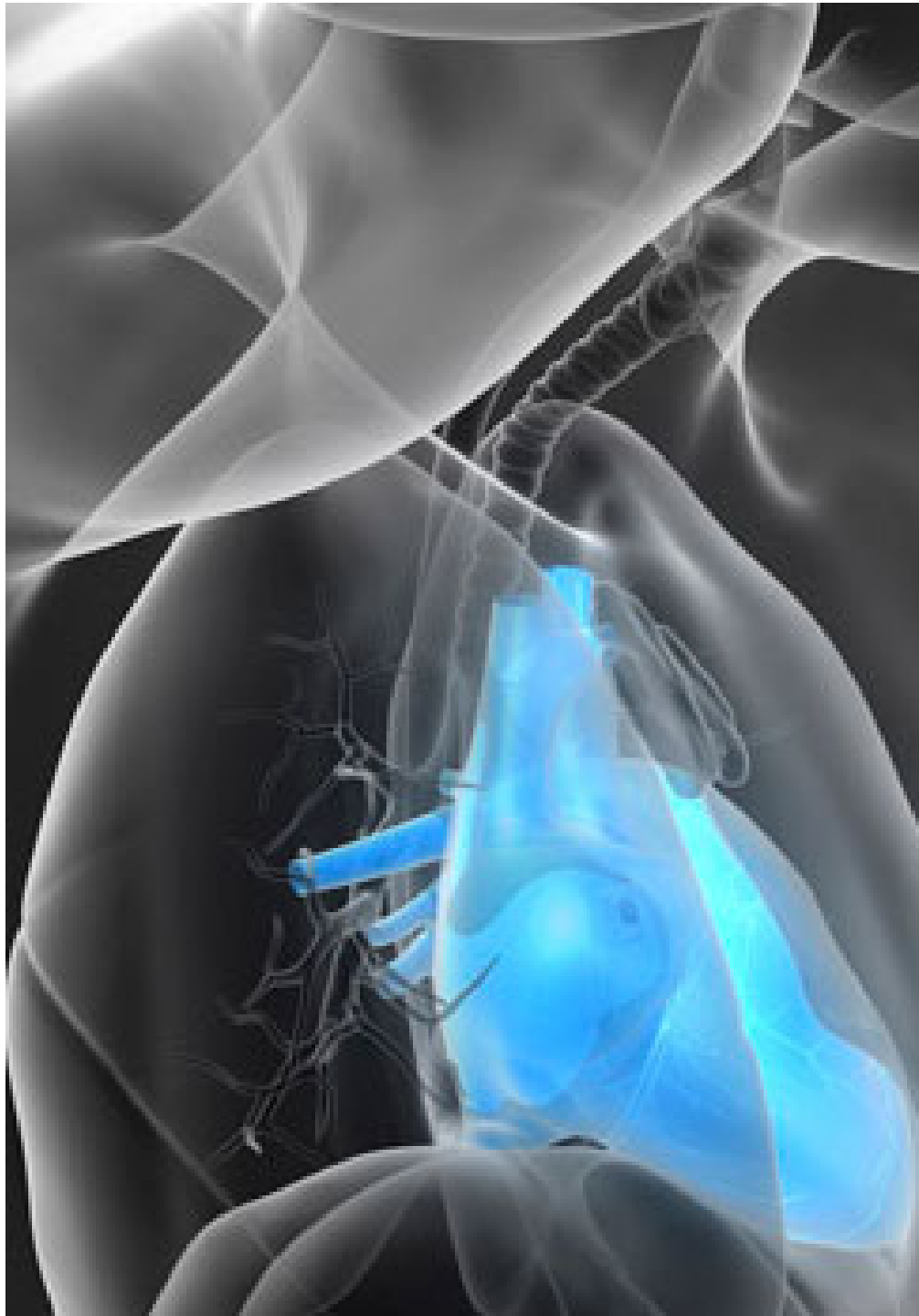
US IEP volume



Pathology at Sectra

- » Market leading vendor of diagnostic digital pathology
- » Strong position in Scandinavia, UK and US
- » Thought leaders in digital pathology
- » Market adoption has been slower than expected
- » We are well positioned





New product area

Cardiology

- » Integration of Cardiology images drives the next wave of Enterprise Image Management
- » Need of replacing Cardio at many sites
- » Incumbent old systems
- » Waiting mode
- » Very good responses on first installations

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Customer Satisfaction

KLAS is important for our success



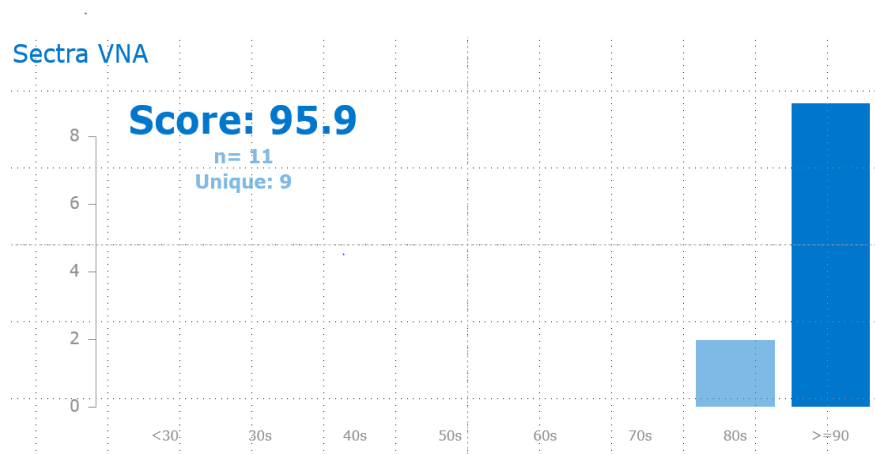
KLASTM

- » KLAS is a healthcare research firm that gathers data on software, services, medical equipment, and infrastructure systems to deliver timely reports, trends, and statistical overviews
- » Every year, the top performers in PACS are announced as “Best in KLAS”

Customer Satisfaction

Why Best in KLAS?

- The stability and usability of Sectra PACS—"high availability"
- The quality of implementation and training
- Effective integrations with EMRs and other systems
- Proactive service organization
- The knowledge and passion of our employees worldwide



Score for our VNA solution in US

Today, *Sectra is one of the most frequently mentioned PACS vendors* under consideration in US

KLAS Manager/Analyst, January 2019

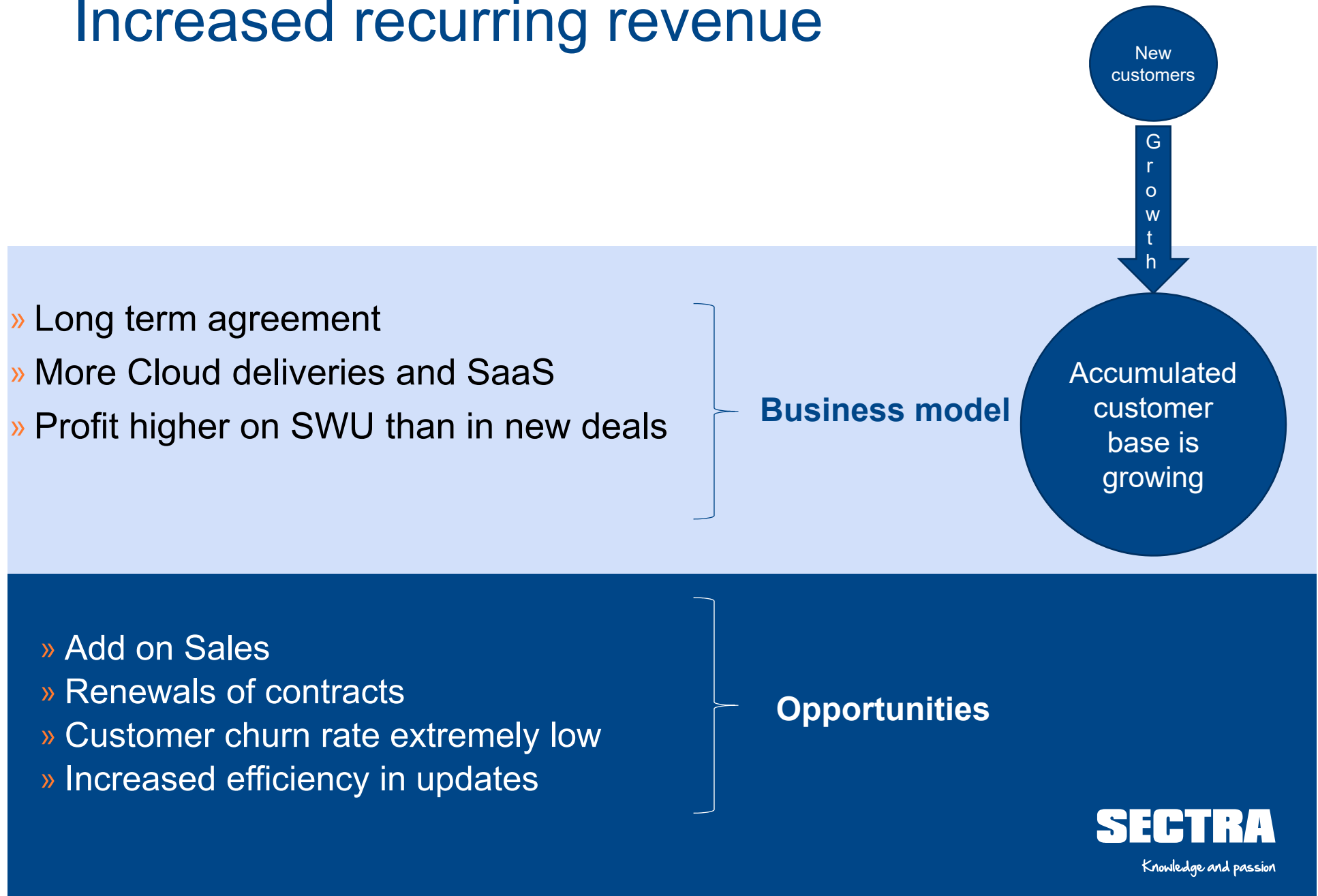
We have hardly had any issues with Sectra VNA since we got it a couple of years ago. We have not experienced any downtime, even after we have upgraded the system. Sectra's service is proactive, and the vendor keeps their promises. (VP of Radiology, December 2018)

Customer satisfaction – our culture makes the way

Work close to customers



Increased recurring revenue



Growth scenario pillars

US Growth

Significant contribution

- Consolidation
- Replacement
- Weak incumbents
- Strong pipeline
- Brand/KLAS
- Epic integration
- Enterprise segment target
- Pathology and cardiology upsell

Large deals

Consolidation and networks drives larger deals world-wide

New regions and partners

B_{usiness}A_sU_{sual}

Low/mid growth contribution

- EIM upsell in Scandinavia
- Pathology and cardiology upsell
- Benelux/UK
- Rest of Europe

Large vendors failures make the way

Consolidation makes EIM and sharing more important

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Profitable growth

Strategy for profit growth

Grow recurring SWU

- » Increasing amount of customers in service mode
- » Sales cost on existing customers are lower than new business
- » Increasingly “golden” license models
- » Churn rate extremely low

R&D growth not 1:1

- » New deals have reasonably low marginal costs
- » Digitalization ROI
- » Product support grows with customer base but lower than 1:1
- » We expect R&D spend to grow when EIM-area expands

Deployment & Support & Sales

- » Organizational changes to improve deployment efficiency
 - Specialist teams
 - Resource mgmt.
 - SaaS
- » Support
 - Centralization of support
 - Global expert teams
 - Chat & virtual assistant
- » Sales
 - C- level sales

“Economy of scale”

Summary

Directives for profit growth

Customer satisfaction

- » Keep existing customers & protect recurring revenue
- » Optimize for best-of-suite scenario

Growth & Innovation

- » Grow in Enterprise Imaging segment
- » Focus on midsize to large customers
- » Follow the broaden segment of EIM
- » Ride on wave of consolidation

Organization

- » Digitalization
- » Cloud deliveries
- » Global teams
- » Preferably own CO's

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Growth drivers within US healthcare



Fredrik Gustavsson, CTO



Hartford HealthCare, Connecticut

How strategy, growth and Sectra VNA made Hartford HealthCare's ImageConnect Project happen

The improvement in patient care is really amazing and it is having a direct impact on quality of care.

Richard Shirey, senior vice president and CIO at Hartford HealthCare

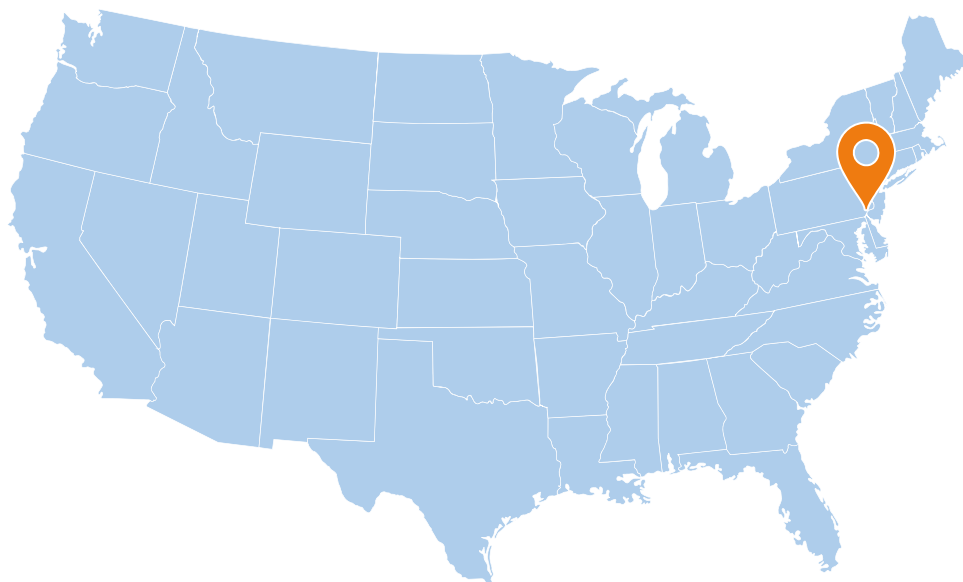
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Customer case



Why Sectra?

University of Pennsylvania



“There is no way we’d go back to our old workflow. The inefficiency is gone and confidence is higher.”

Emily Conant, MD, chief, division of breast imaging at
Hospital of the University of Pennsylvania



1.25 Million
exams annually



5 hospitals, 10 multi-
specialty centers with
need for imaging



Sectra PACS
replaced several
other PACS systems



EPIC EMR integrated
with the solution

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What do they have in common?

They look for a partner that helps them with:

1. Managing consolidation
2. Leverage their EMRs
3. Increase efficiency
4. High availability & security

How do they choose vendor?

RFI/RFP
+ peers

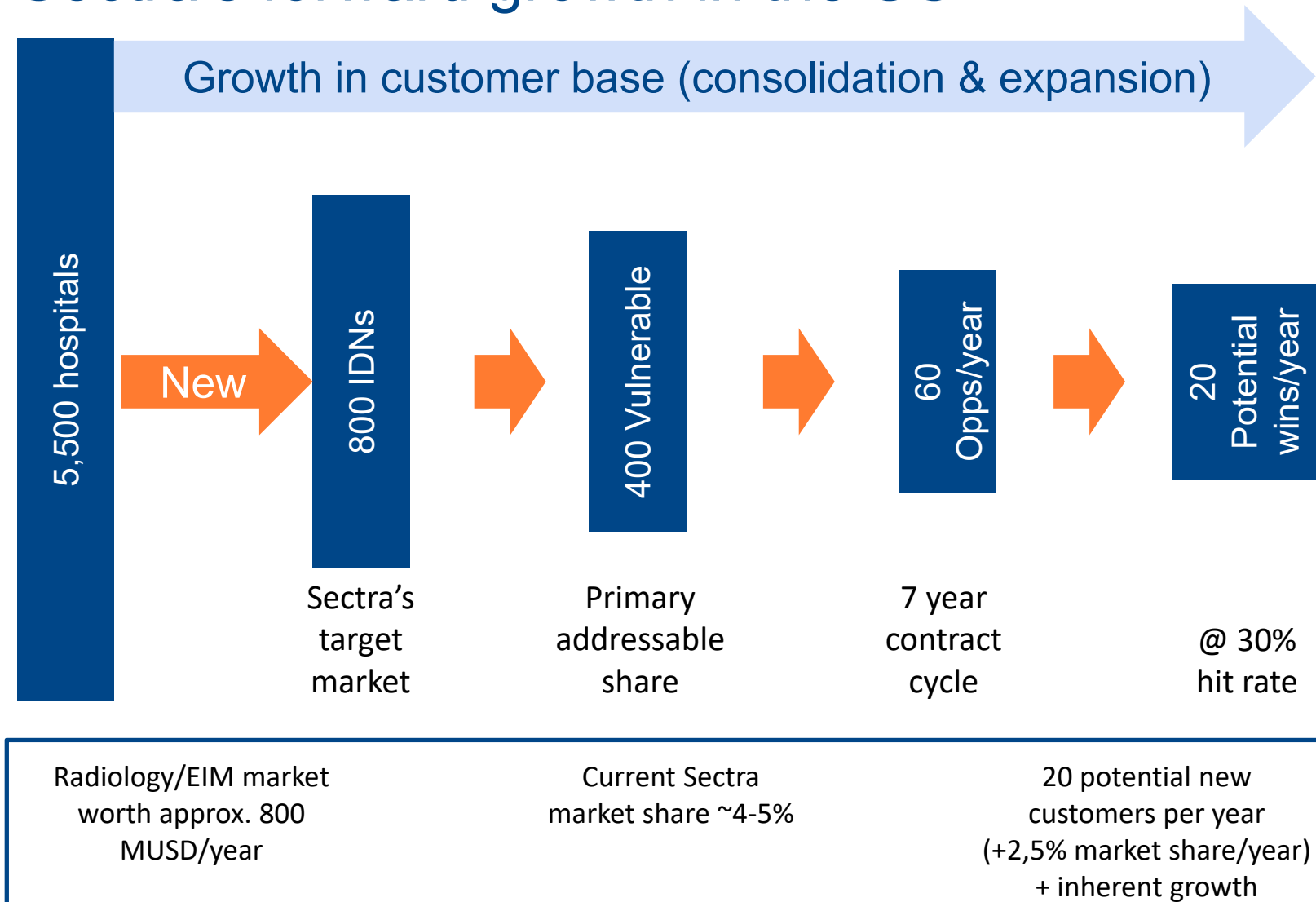


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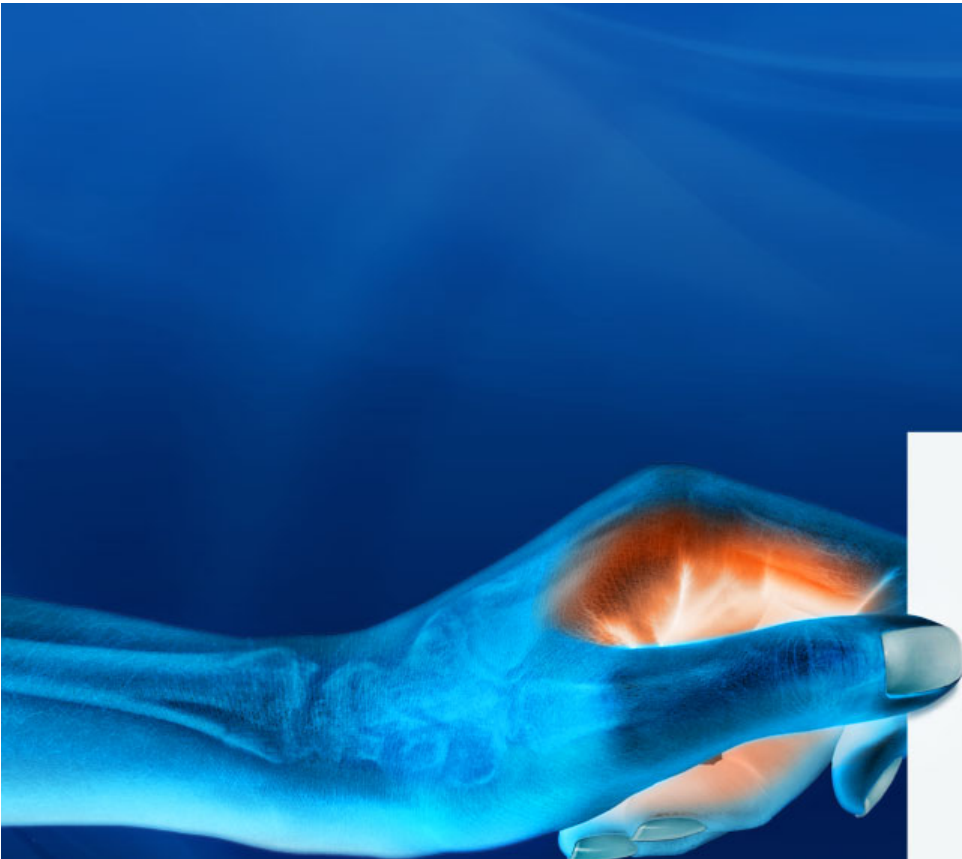
Knowledge and passion

The US market potential

Sectra's forward growth in the US



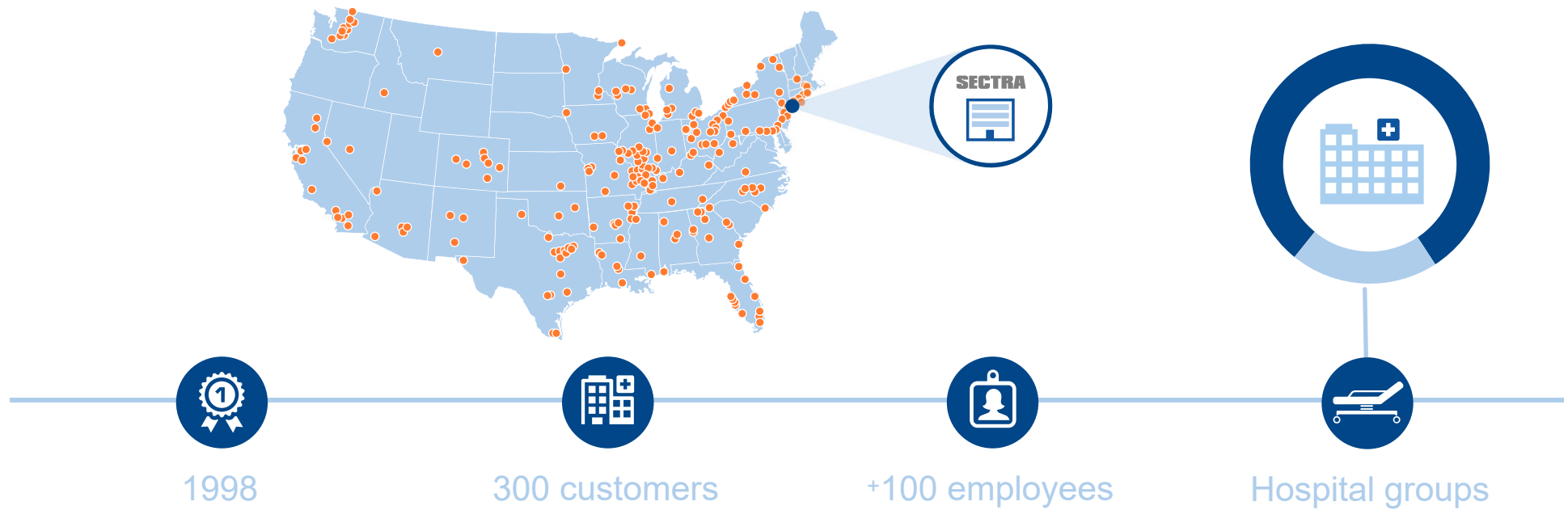
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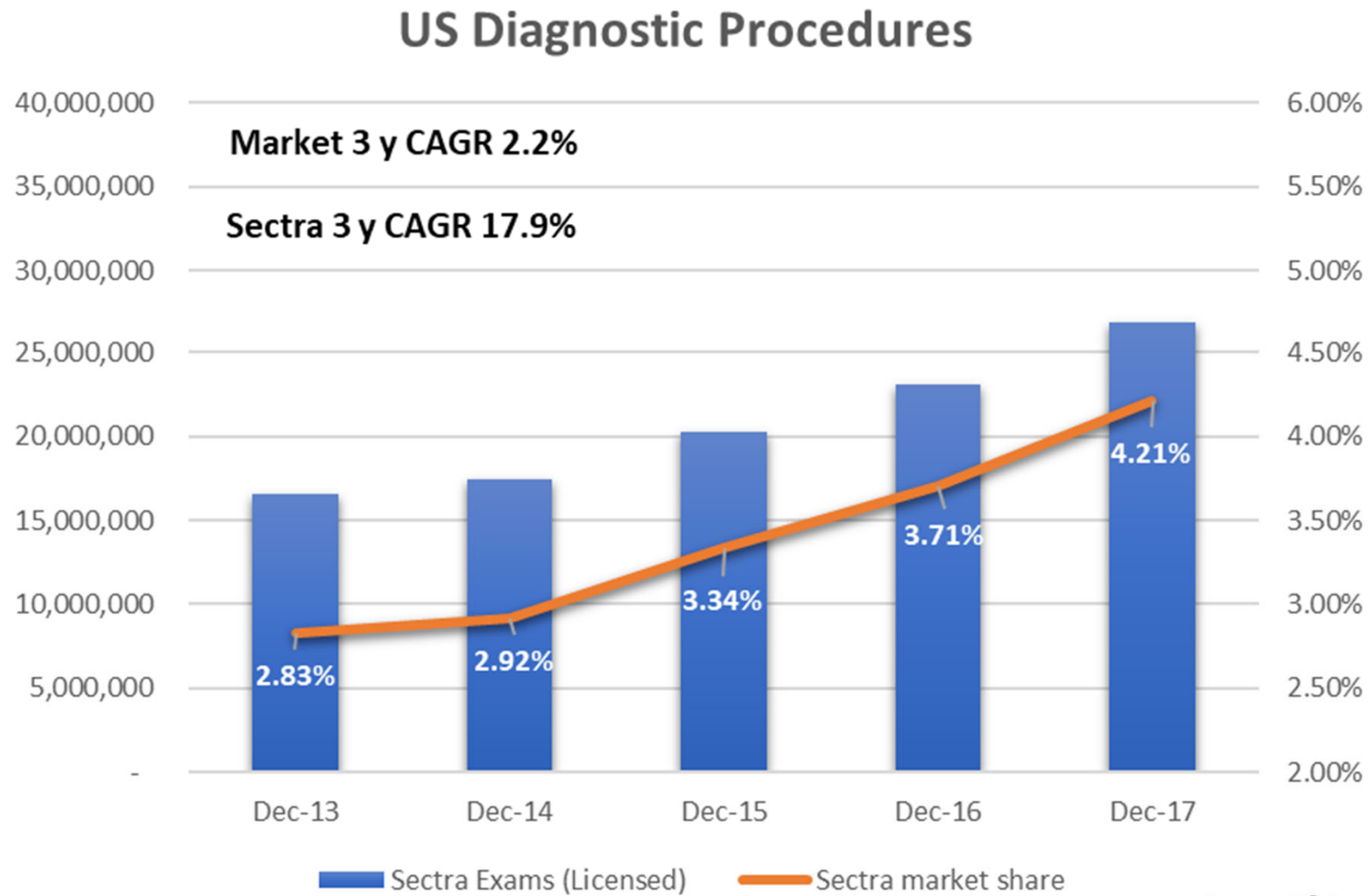
Sectra's position
and what we do for
our customers

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- Who we are.
- Facts USA



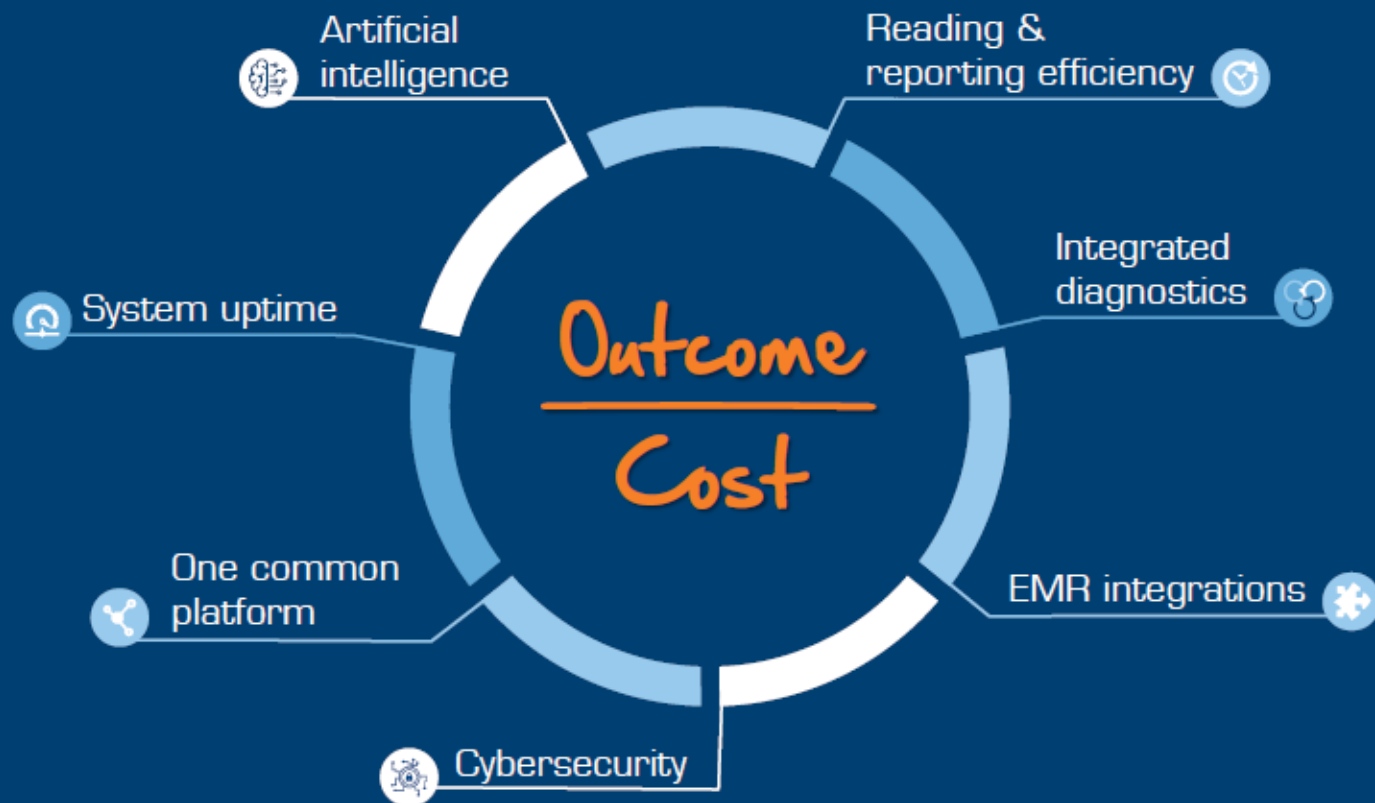
Growth so far



Source: F&S

SECTRA

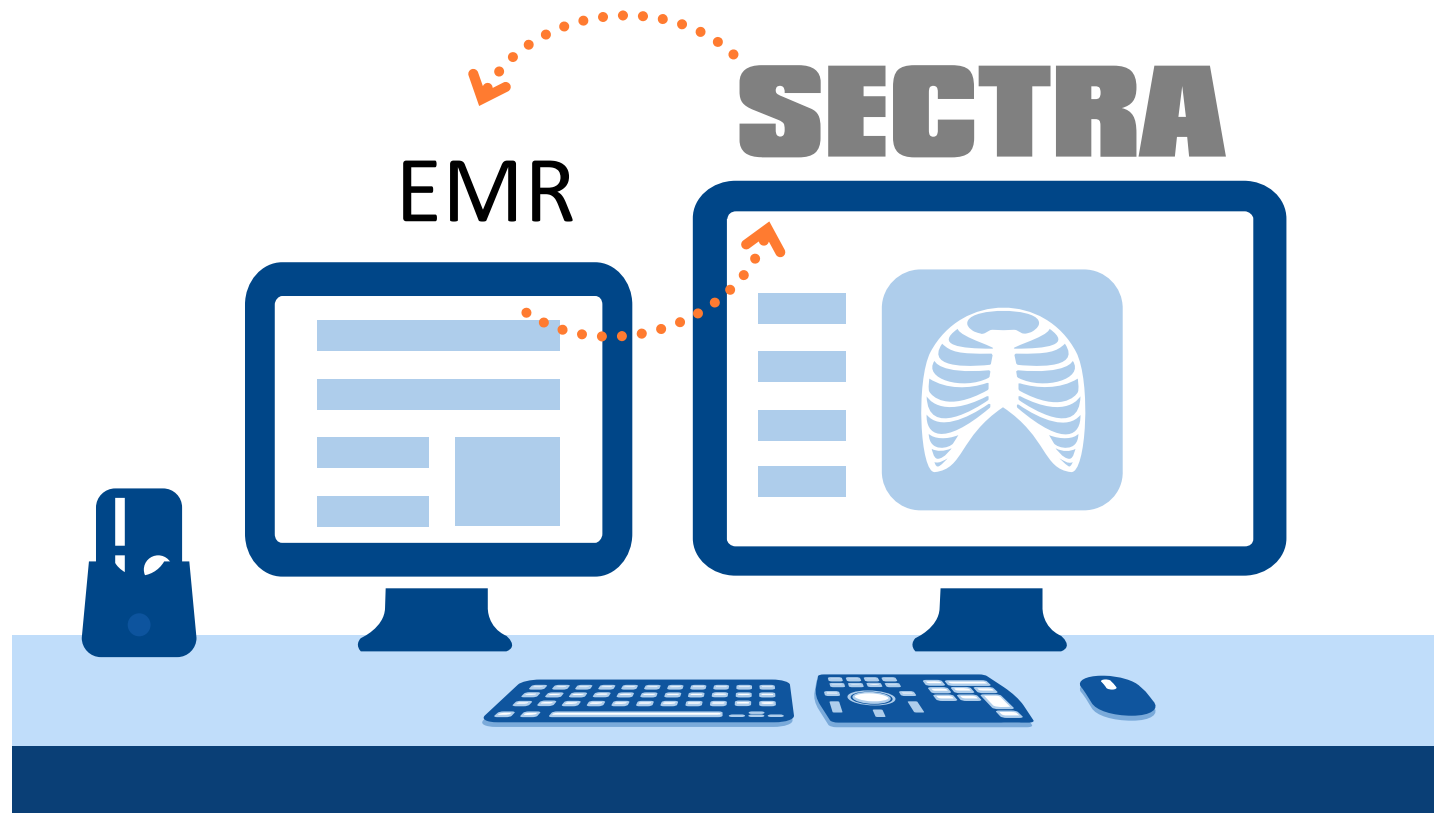
INCREASE *Value* WITH SECTRA ENTERPRISE IMAGING



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Usability and efficiency

Unified user experience



Improving healthcare efficiency

SECTRA

Fighting cancer

Digital pathology – the next frontier



» Integrated diagnostics

» Enterprise consolidation

» Future-proof

SECTRA



Customer
satisfaction



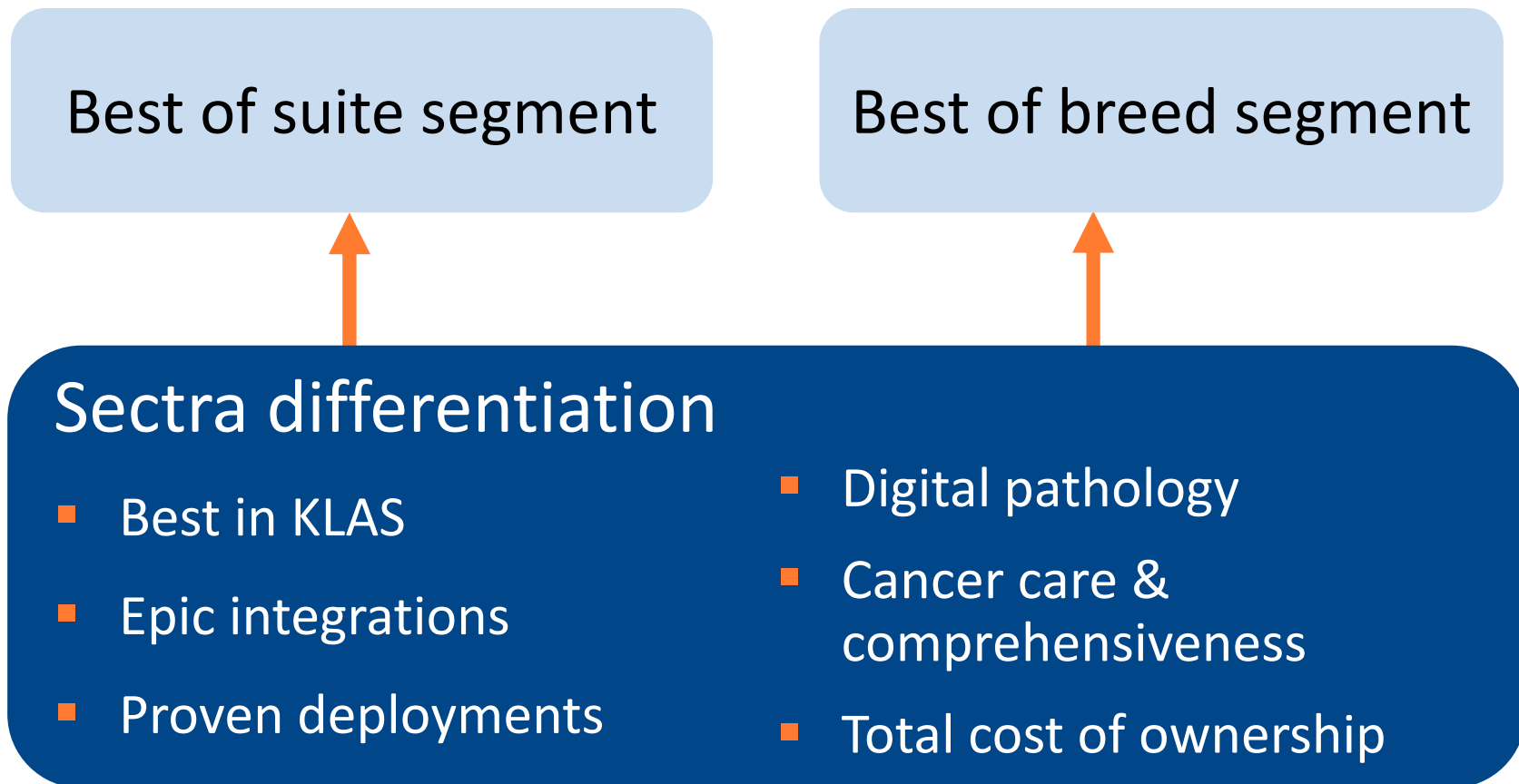
EMR
integrations
(primarily EPIC)



Future
proof

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The competitive landscape



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In the end - the most important thing

Satisfied customers



And the best people! Helping our customers improving patient outcomes!

SECTRA

The image features a dark blue background with lighter blue, wavy, abstract lines flowing from the bottom left towards the center. In the center, the word "SECTRA" is written in a bold, white, sans-serif font.

SECTRA

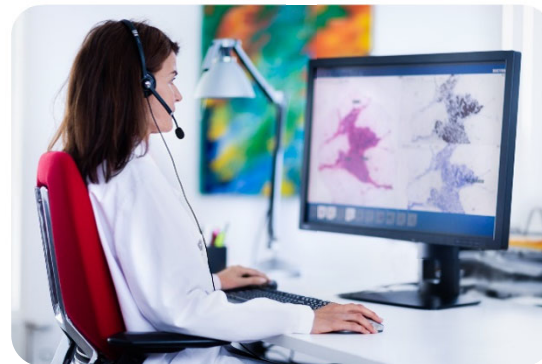
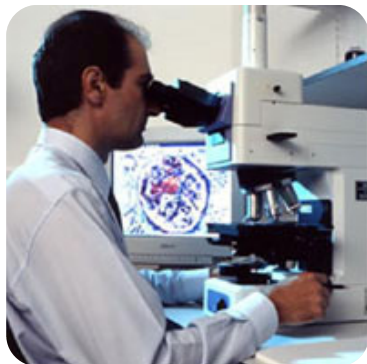
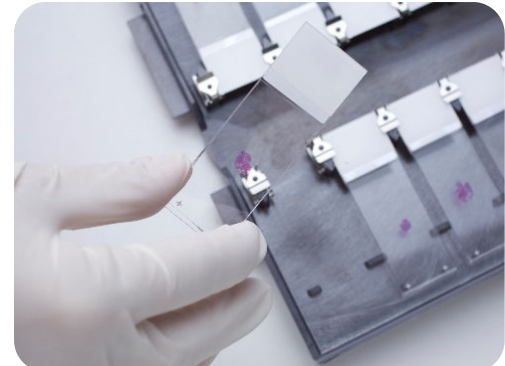
Knowledge and passion

Sectra Digital Pathology



Elin Kindberg, PhD
Senior Product Manager, Digital Pathology

What is pathology?



Why digital pathology?

Compensate for lack of pathologists

- ✓ Workload balancing
- ✓ Flexible workplace



More efficient review

- ✓ Access to digital tools
- ✓ Computer takes care of tedious tasks



More efficient workflow

- ✓ Decreased slide handling
- ✓ Increased patient safety
- ✓ Easy access to prior cases



Increased precision

- ✓ Access to image analysis
- ✓ Digital measurements more precise than analogue



Efficient sharing

- ✓ Easy access to specialists
- ✓ Shortened lead times



- ✓ Patient-centered image access
- ✓ One joint system
- ✓ Improved inter-departmental collaboration

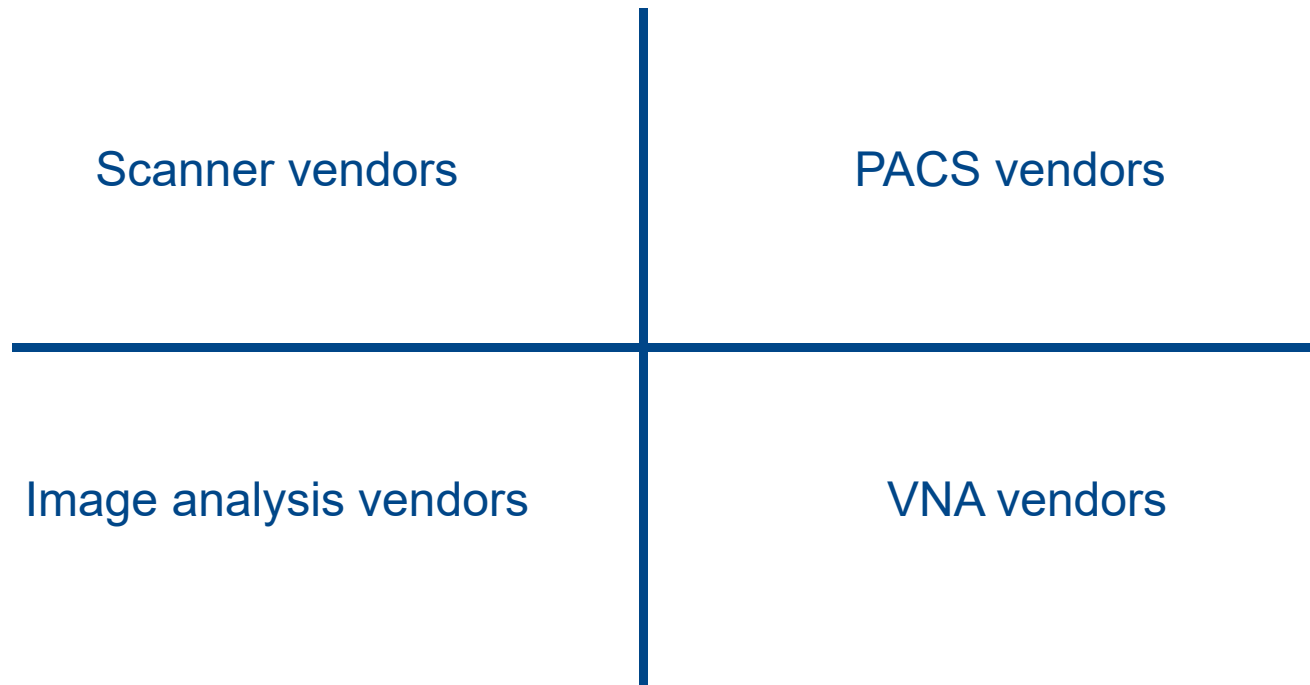


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The market around us

- Sweden: ~30 pathology departments
- USA: ~5,500 pathology departments
- Globally: ~30,000 pathology departments



Where it all started - DigiPat

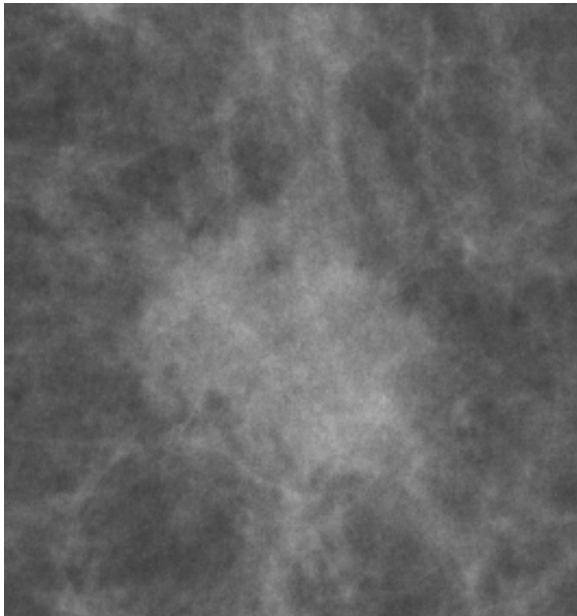


One solution for all disciplines

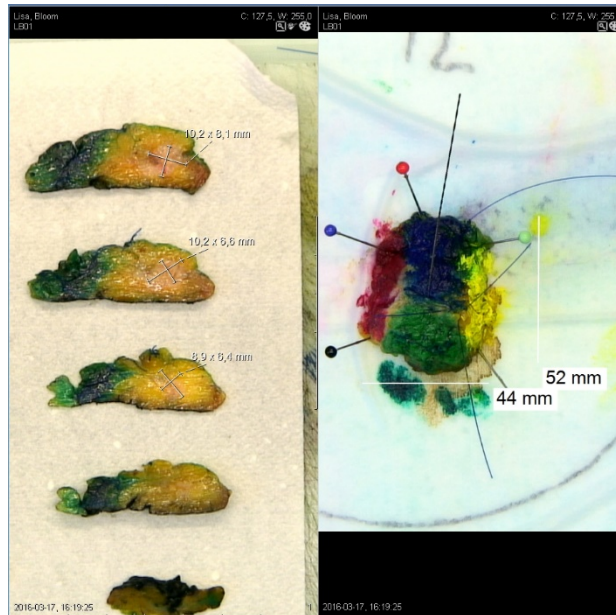


Digital pathology at Sectra

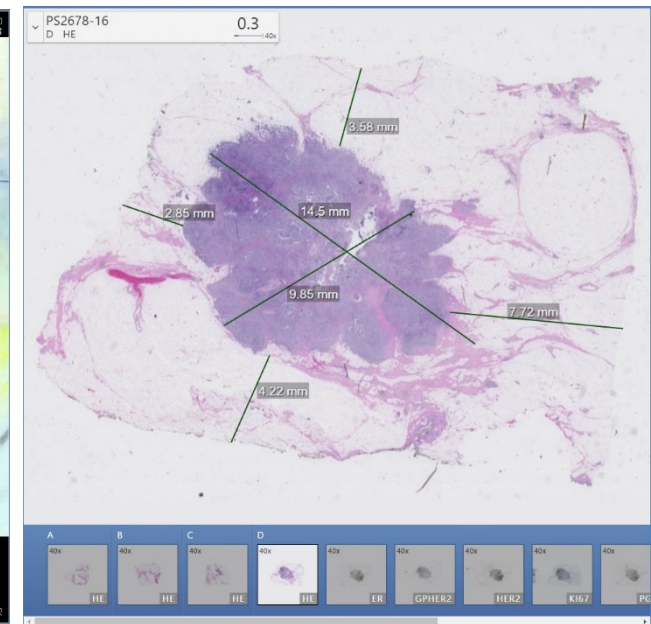
Radiology



Macro photo



Digital pathology slide

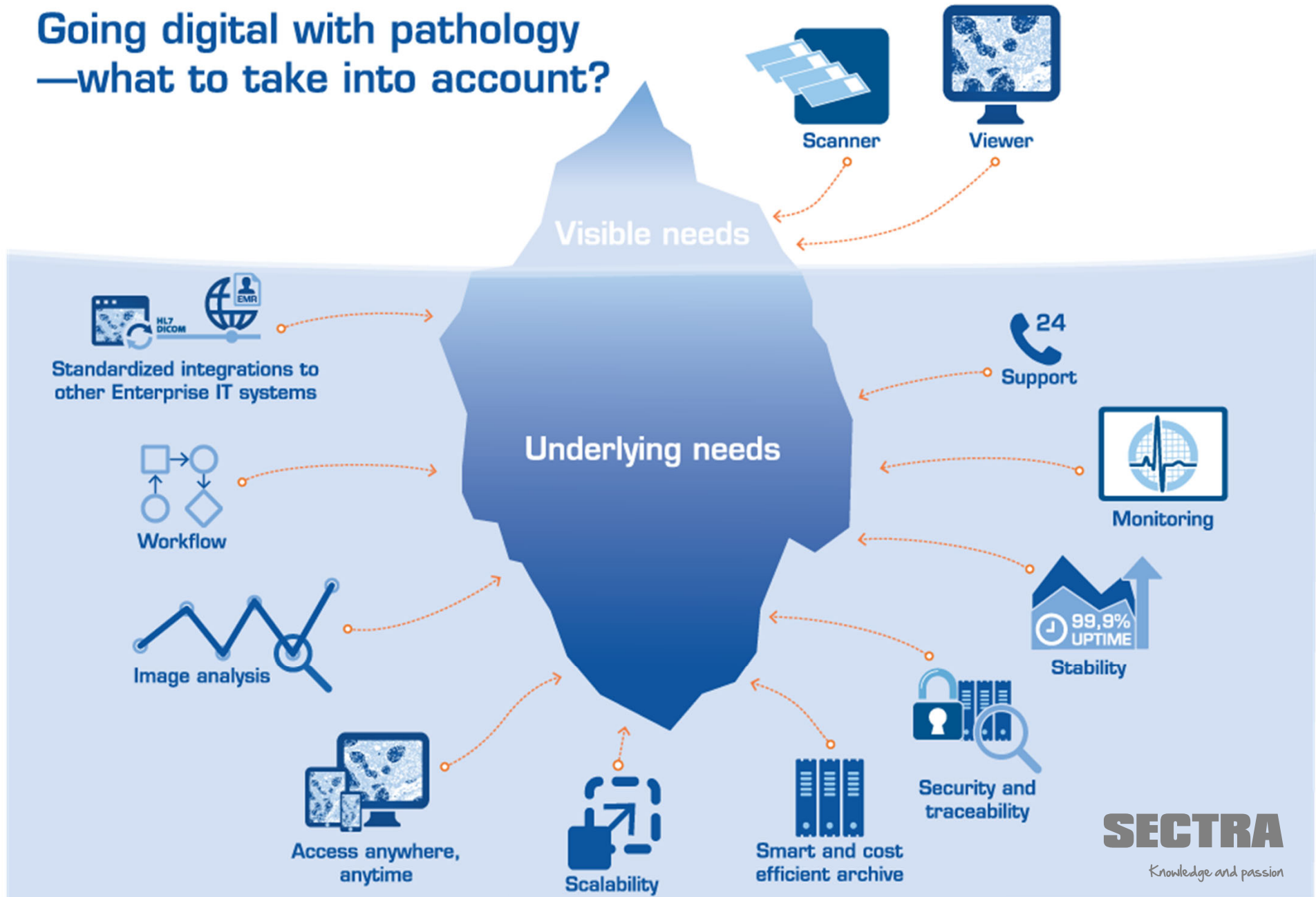


The pathologist's workstation

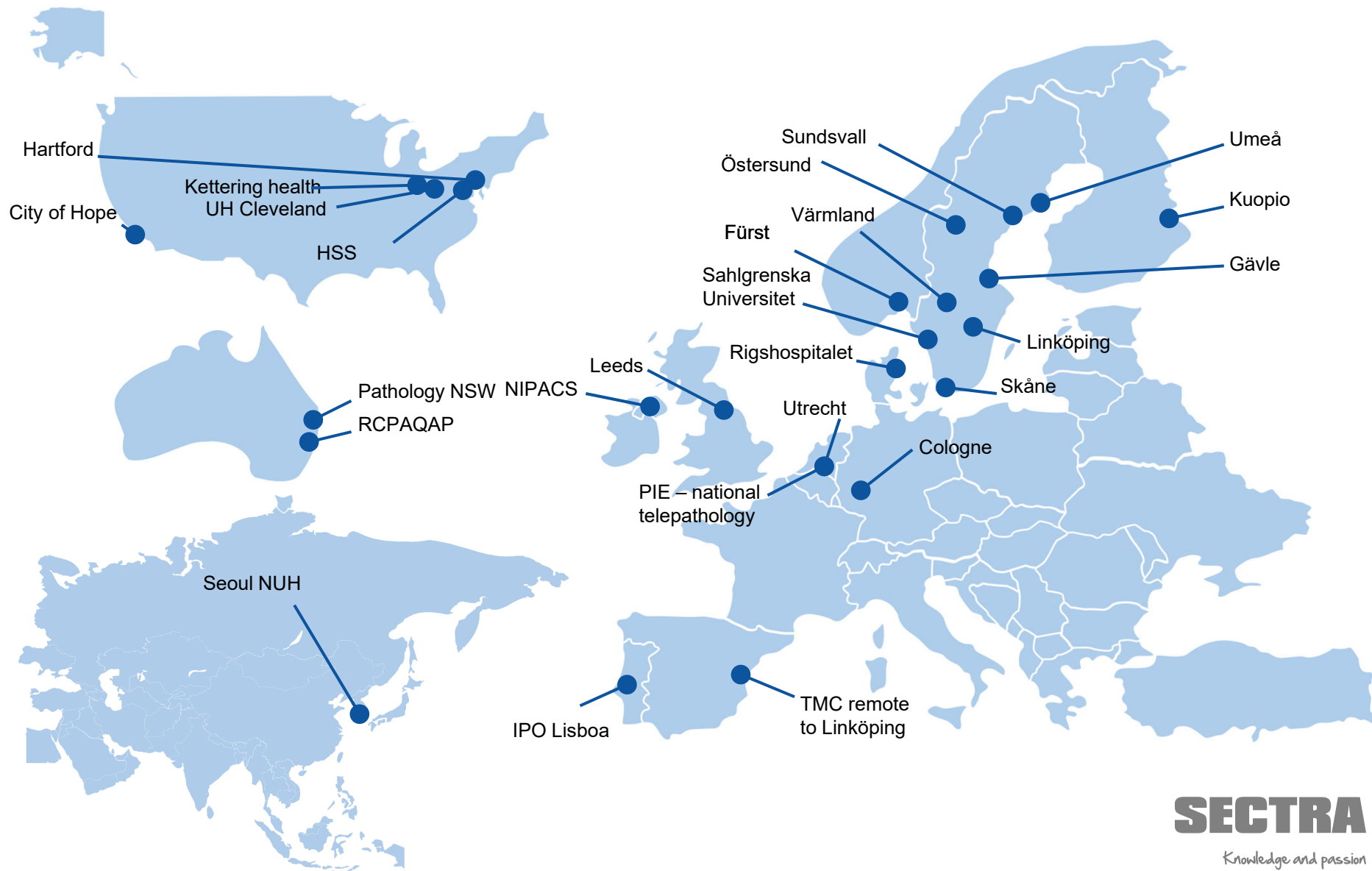
- » A comprehensive diagnostic workstation
- » Access to the full patient imaging history
- » One application to reach all tools, including 3rd image analysis



Going digital with pathology —what to take into account?



Sectra Digital Pathology Solution worldwide





Scanners (2012)



Sectra PACS (2015)

Pioneers in digital pathology



25 Pathologists



Yearly production of
about 180,000 slides,
35,000 exams



5 scanners from
Hamamatsu and
Leica



Archive of more than
1 million slides

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“One of the biggest advantage is that we get a better overview of the tissue section, but it is also faster to move between images/slides, prepare MDT and consult colleagues”

Professor Paul Van Diest, Head of the department of Pathology at UMC Utrecht

Scanners (2010)

Digital images

Sectra PACS (2016)

Digital workflow



20 Pathologists



Yearly production of
about 200,000 slides,
35,000 exams



4 scanners from
Hamamatsu

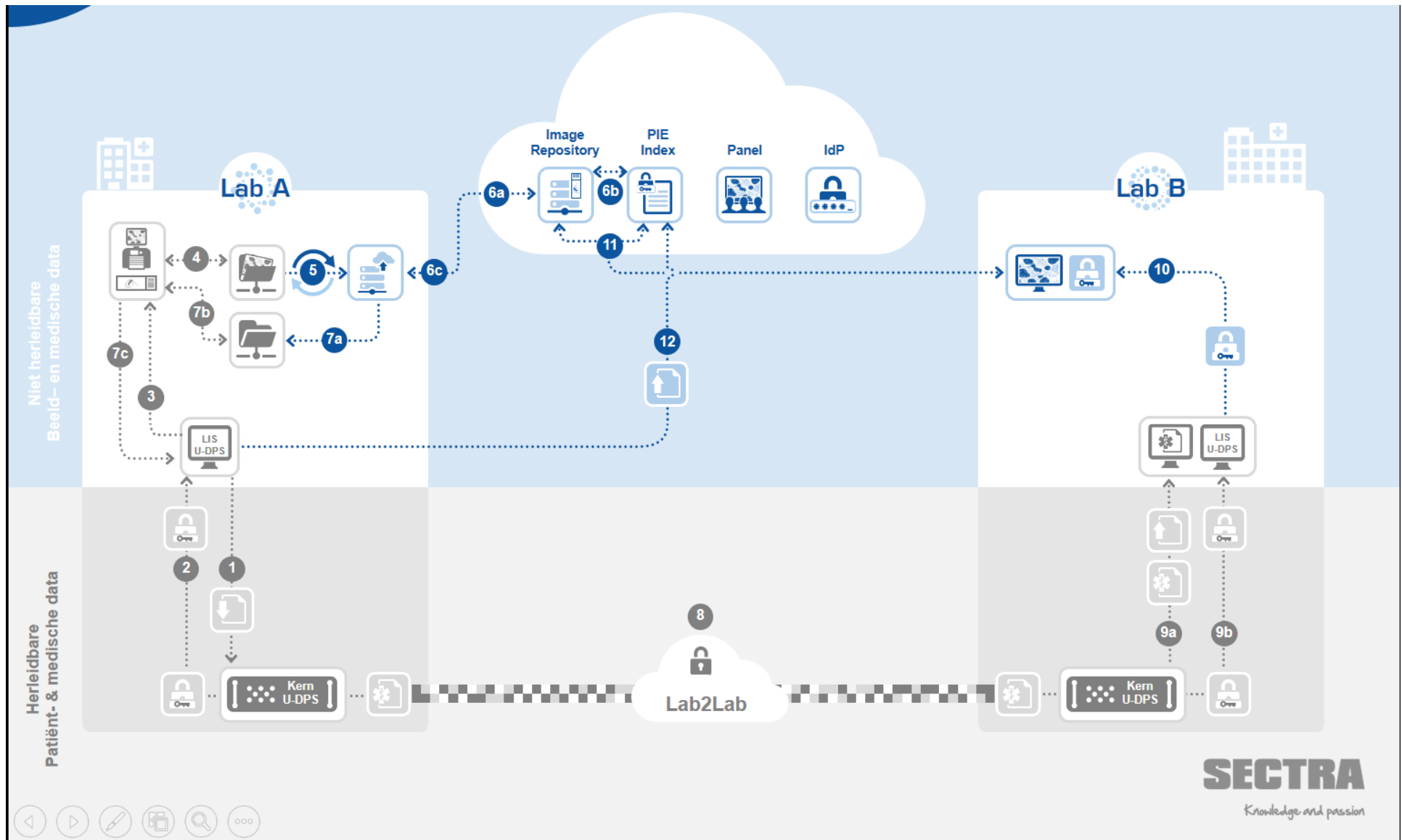


Archive of more than
1.2 million slides

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PIE – Pathology Image Exchange in the NL



Australia RCPAQAP

The Royal College of Pathologists of Australasia
Quality Assurance Programs



“The Sectra solution will enable us to deliver digital slides and a consistent user experience in difficult image programs, such as cytopathology. This due to its ability to provide a seamless microscope-like experience even on heavily z-stacked virtual slides, mobile devices and lower bandwidth connections,”

Derek Holzhauser, Chief Information Officer at RCPAQAP



Training and quality assurance program for pathologists in Australia and elsewhere



Cloud based solution with images reviewed in Sectra's zero-footprint viewer, UniView



Slides scanned in Leica scanners



Cases available for QA programs around the globe – RCPA collaborates with many other countries

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The background of the slide is a deep blue with dynamic, flowing light blue and white wavy lines that create a sense of motion and energy. The word "SECTRA" is centered in a bold, white, sans-serif font.

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Knowledge and passion

The impact of AI in radiology and pathology

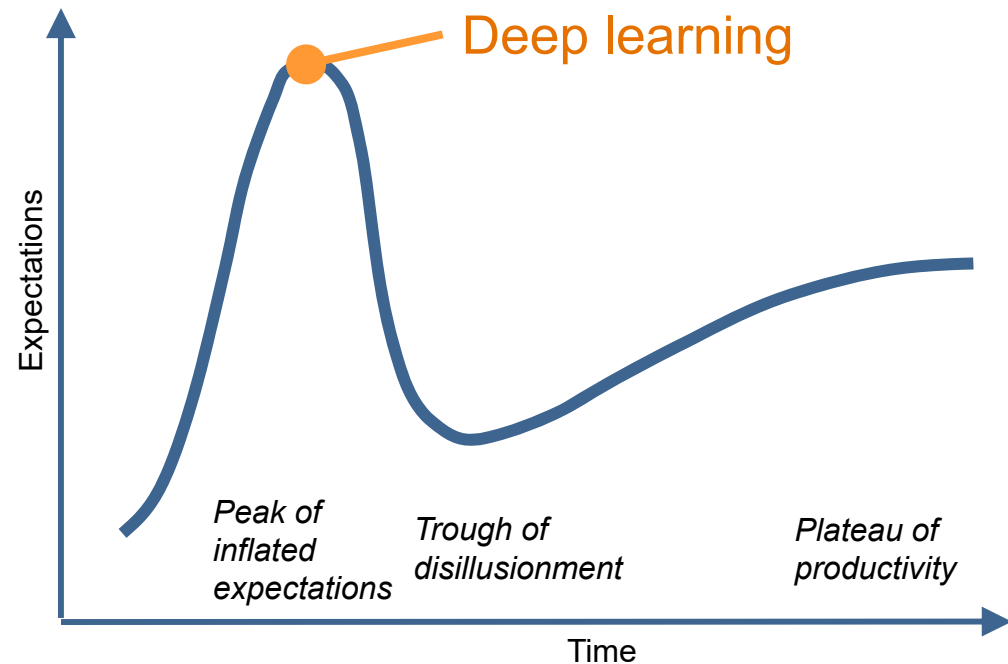
- The future of the radiologist/pathologist -



Claes Lundström, Ph.D.
Research director Sectra
Associate professor CMIV

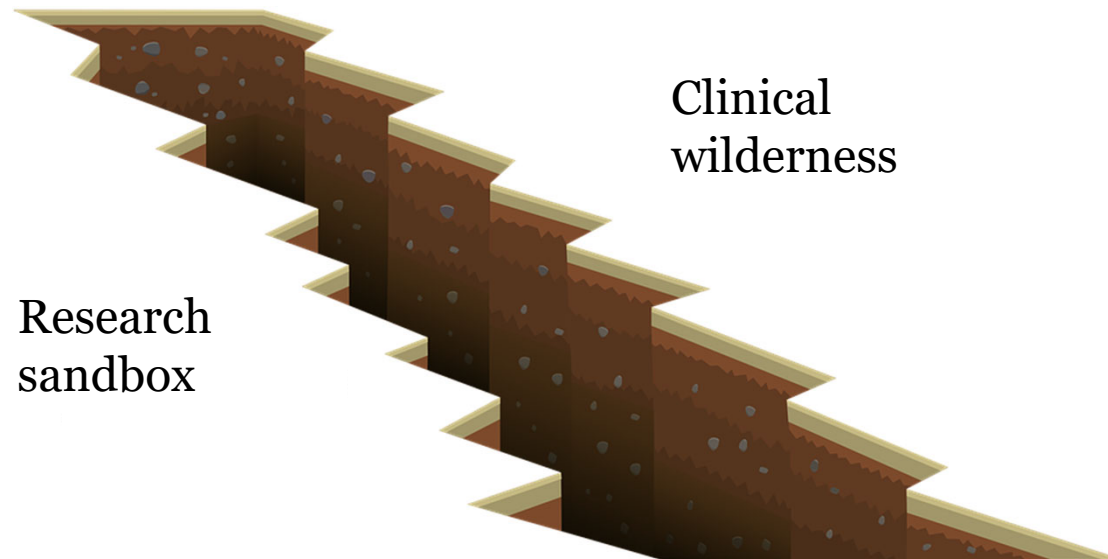
Current status of AI in diagnostic imaging

- Huge potential
- Number of actors rapidly increasing
- Not a silver bullet

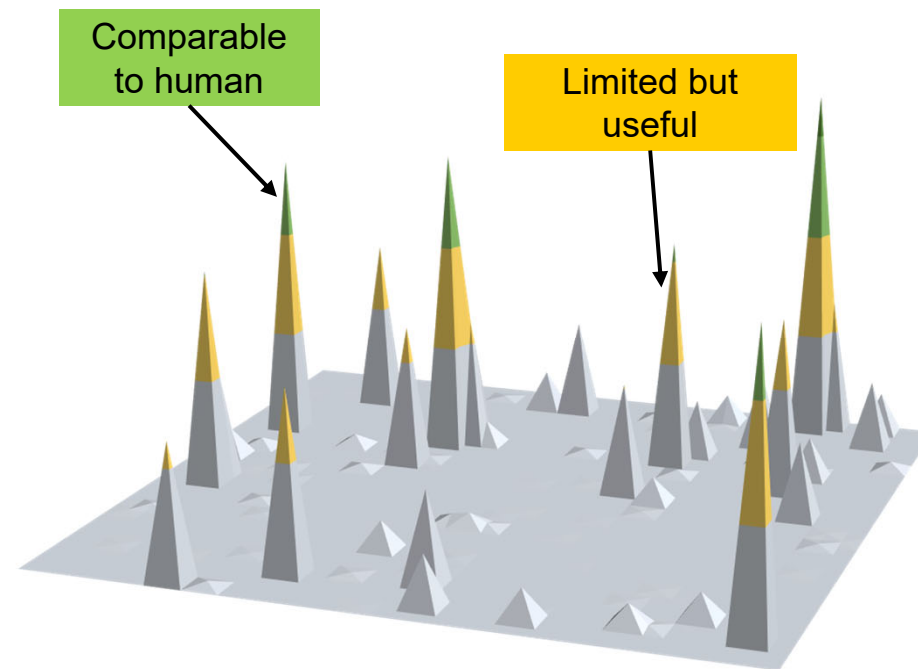


Gartner August 2018

Current status of AI in diagnostic imaging



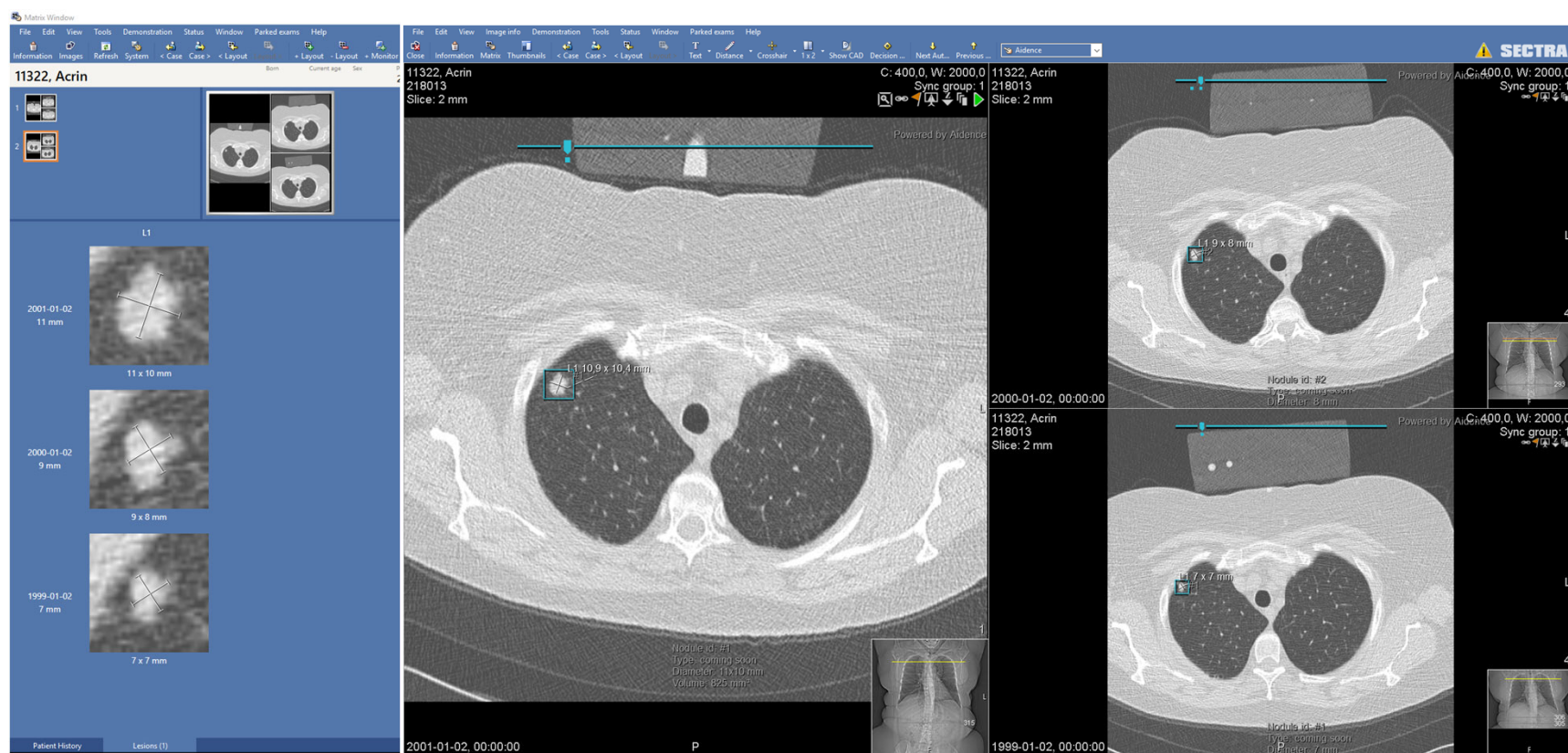
AI capacity in diagnostic landscape



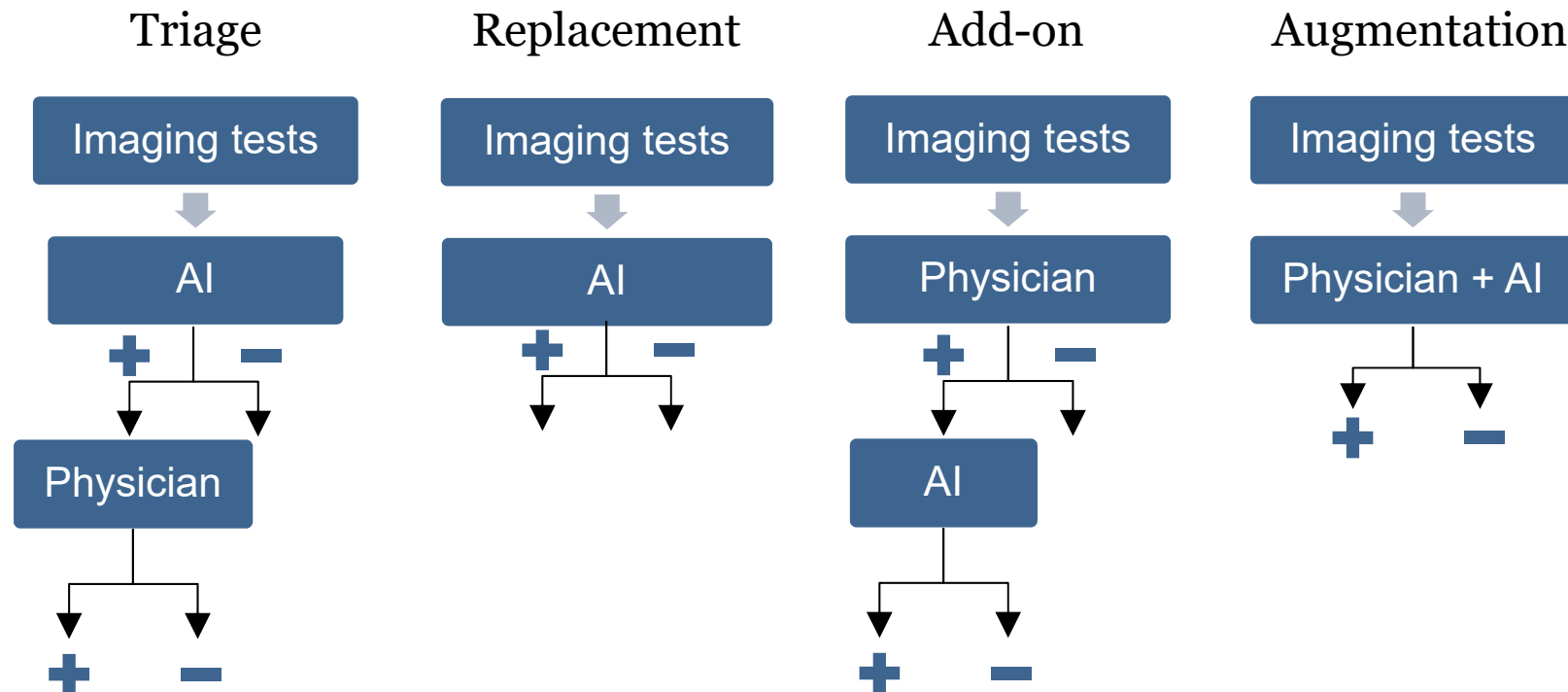
Will AI replace radiologists? No.
Radiologists who use AI
will replace radiologists who don't.

Prof Curt Langlotz, Stanford

AI example: Lung nodule detection



Workflows using AI



AI key for wanted development

- Reduce time-consuming, repetitive tasks
- Prioritize and prepare cases for faster reading
- First reader for narrow/well-defined assessments
- Check for common errors
- Assist in complex assessments



From factory worker to consultant

Prof Mathias Prokop, Radboud UMC

AI will make radiology fun again

Prof Mitch Schnall, Penn Medicine

Knowledge evolution

- Medical knowledge growing exponentially
 - Doubling time in 1950 = 50 years, in 1980 = 7 years, in 1990 = 3.5 years, in 2020 = 0.2 years
- Joint assessment of several sources needed
 - Radiology, pathology, genomics, lab results
- AI/analytics not limited to data set size or specific data source



Conclusions

- Current specialties will re-organize into “disease diagnosticians”
- Radiologists and pathologists will spend less time on repetitive “factory” tasks
- AI & informatics use will be much more central and intense
- The tools must follow:
Be AI-powered and span all diagnostics



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Round off and Conclusion

“Skate to Where the Puck is going to be”

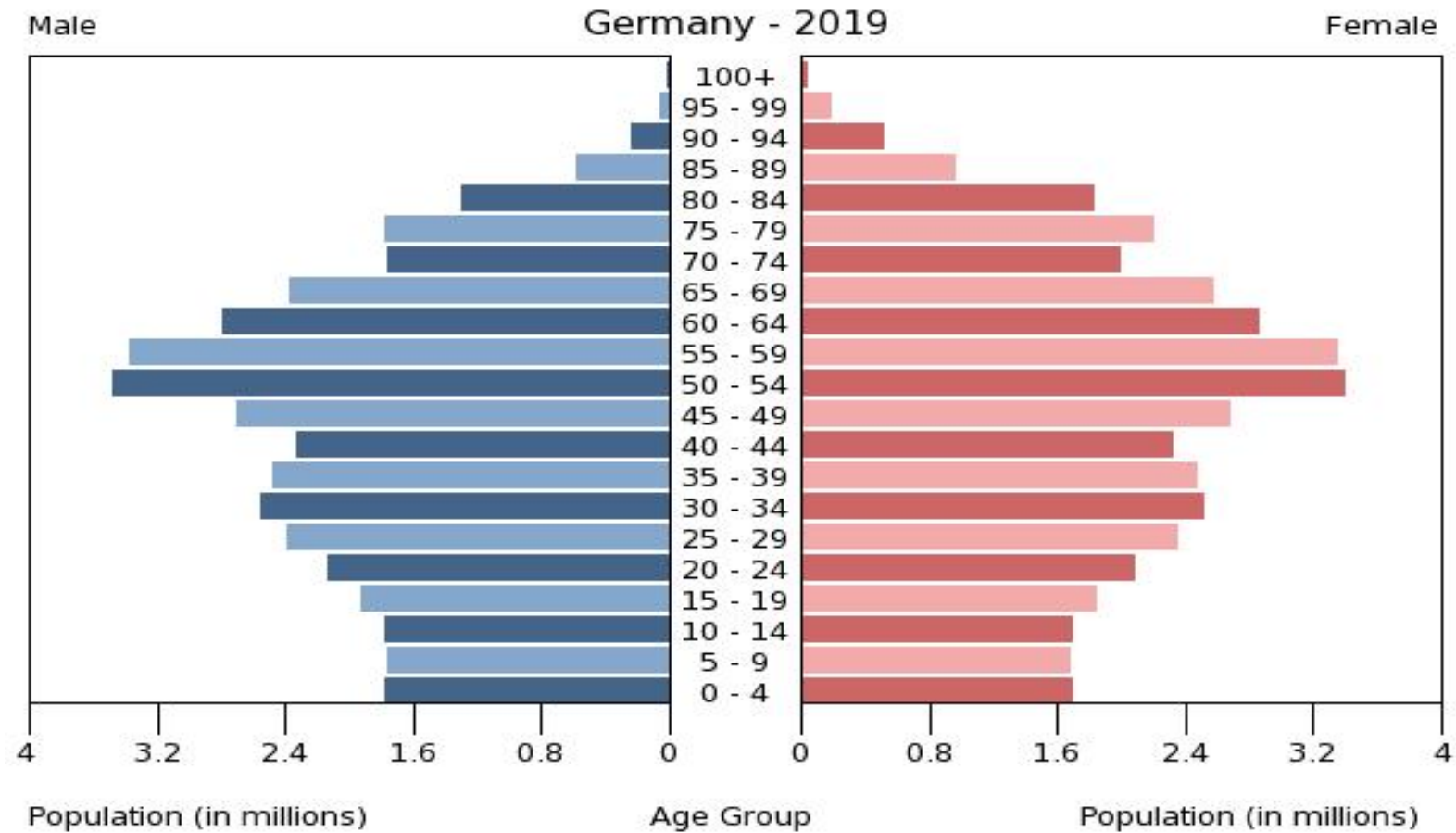


When Wayne Gretzky was asked how he could be so good:



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

Population pyramid of Germany



Medical systems

Driver for market growth

Age related diseases:

Medical imaging

Neurological

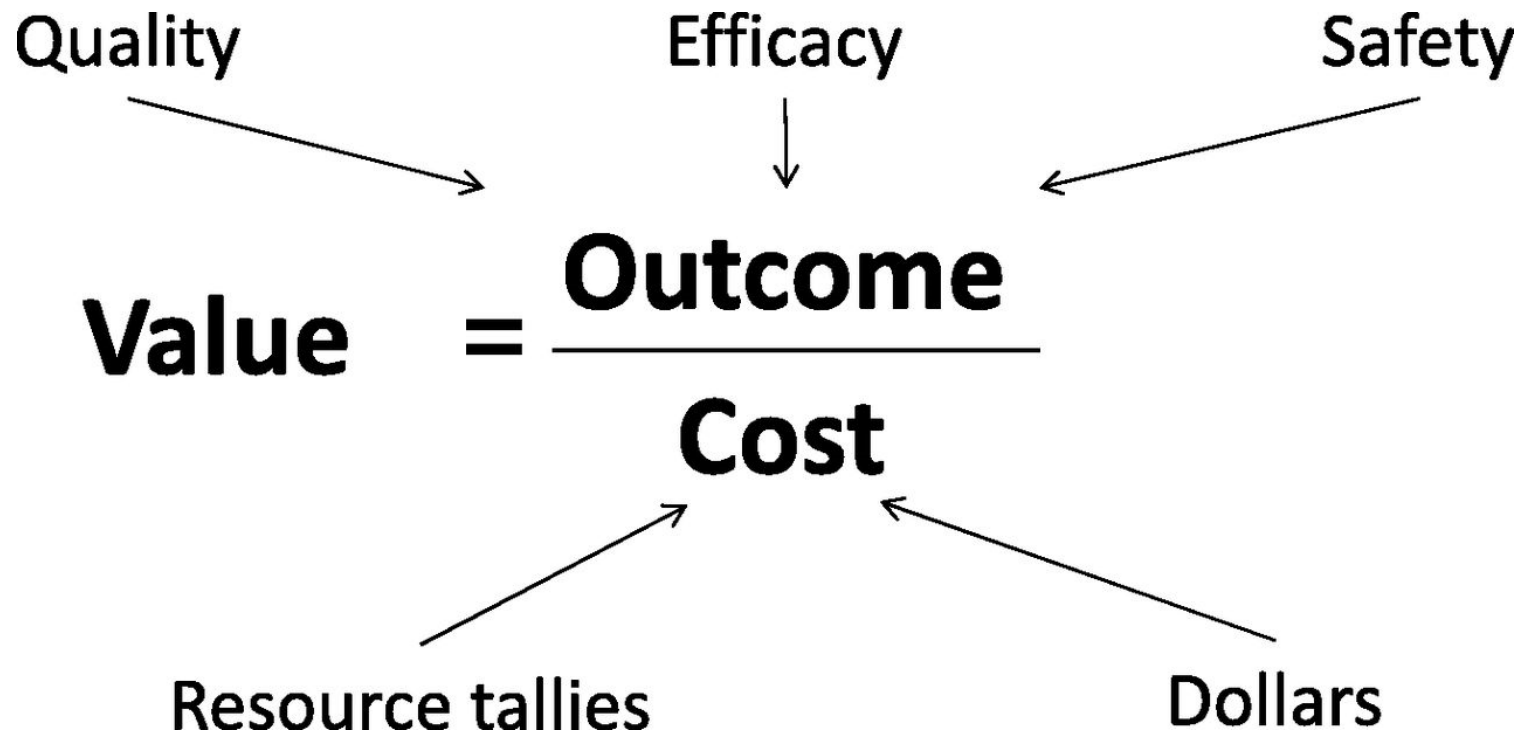
Cardiac

Cancer

Skeletal



Healthcare's difficult equation:

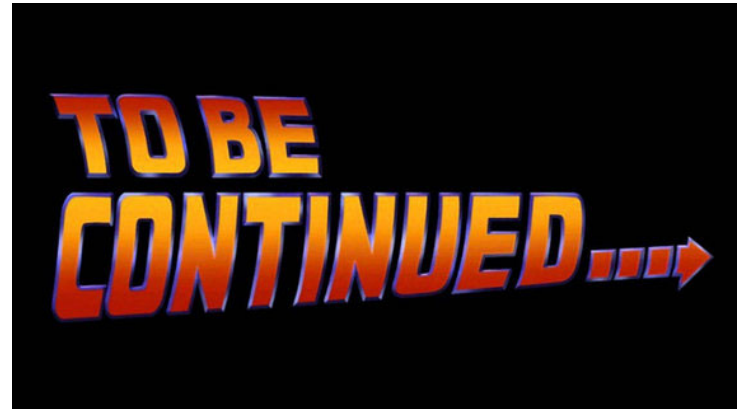


Our mission statement in medical

To increase effectiveness of healthcare,
while maintaining or increasing quality in
patient care



Basic view of Medical IT



- Patient Centric, Patient Specific
- Integrated care
 - Connectivity and integration
 - The world will more or less become one hospital
 - "Internet of things"
- Radiologists and Pathologists will become "Diagnostics"
- Cost efficiency will drive (outcomes/cost)
- Faster change, continuous education and relearning of staff
- Machine learning (incl Clinical Decision Support)
- Cybersecurity (!)

Growth opportunities outside of main business

Business Innovation



Medical education



Software tools for
orthopedic surgery



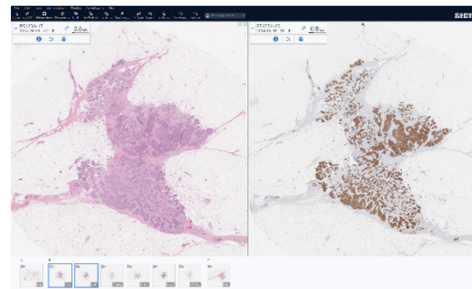
Research: AI and
Machine Learning

Secure Communications



IT security for
critical infrastructure

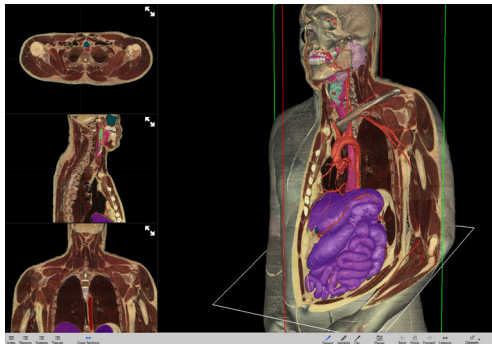
Imaging IT



US market
Digital pathology

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Education

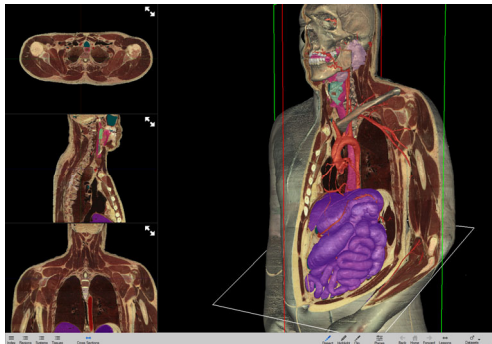


- University programs for medical and veterinary students
- Clinical training programs for medical professionals
- Other Sectra customer groups

Education Direction



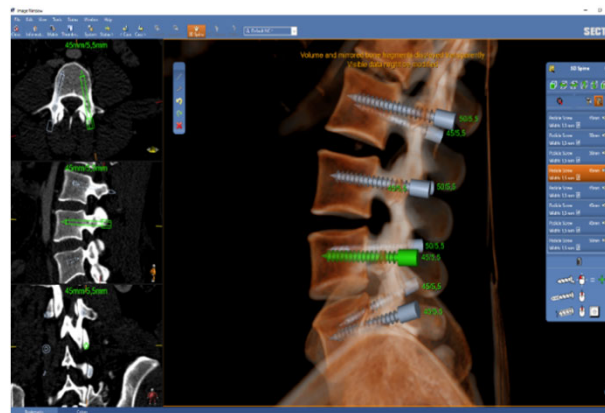
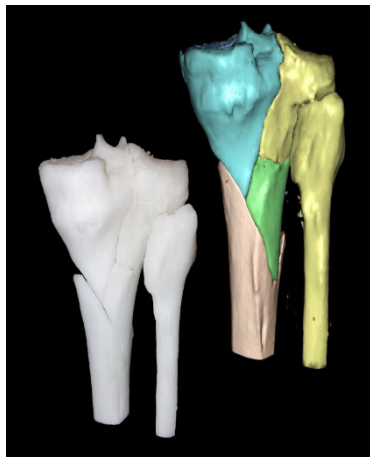
- Moving the business from devices (visualization tables)
- to
- Medical content based on recurring revenue on many platforms



Orthopaedics



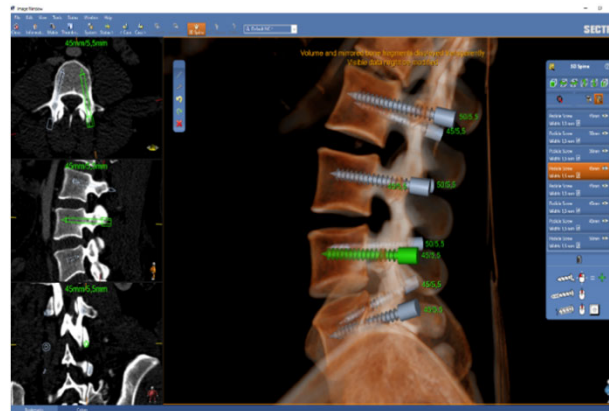
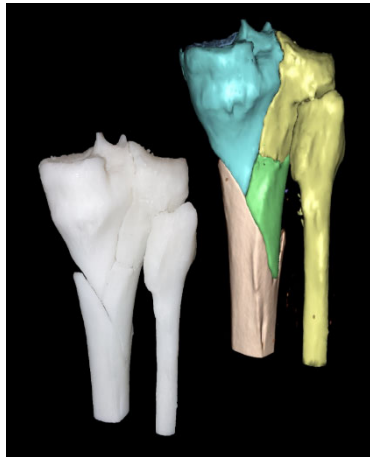
- PACS customers as additional sales
- Direct sales to orthopaedic clinics
- Products:
 - Pre-operative elective surgery
 - Pre-operative trauma surgery
 - Post operative motion analysis



Orthopaedics Direction



- Preoperative planning goes 3D
- Post operative follow up
 - IMA
 - CTMA



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Example:
Implant Movement Analysis, IMA

Bone or joint pain:

Caused more than
one in 10
Americans to miss
work in the past year

Is the reason why
440 million
days of work are missed
annually

Sent **one-third**
of Americans to the
doctor in the past year

Causes **more
than half**
of all chronic conditions
in people over age 50

Caused **29% of
all workplace
injuries** and
illnesses that required time
away from work in 2010

Demand for hip
replacements will increase by
174% by 2030

Demand for knee
replacements will increase by
674% by 2030

Is the leading medical
cause of disability claims —
**27.5% of new
claims** in 2010



Implants sometimes result in pain

Two possible causes:

1. Loose implant
Revision surgery is needed
2. Infection or other cause
Revision surgery can be avoided

Very difficult to diagnose

- Resulting in ways to many revisions



Implant revisions – A giant problem

	Primary hips per year	Revisions per year
USA	370 000	50 700
Nordics	60 000	7 315
UK	90 000	8 600
Germany	140 000	16 500
Netherlands	30 000	3 911
TOTAL	690 000	87 000

Note, spine and knee not included

Revisions are:

- Complicated
- Expensive
- Dangerous
- And you can only do 1 or sometimes 2 revisions on each patient.



Costs

Cost of hip revision surgery
(only surgery):

Sweden \$ 14.000

US \$ 42-53.000

Many are unnecessary!

Source:

Sweden, The KPP database;

https://statva.skl.se/KPP_somatik_public.html

US, <https://www.verywellhealth.com>.

Projected volume of primary and revision total joint
replacement in the U.S. 2030 to 2060.

<https://health.costhelper.com/back-surgery.html>

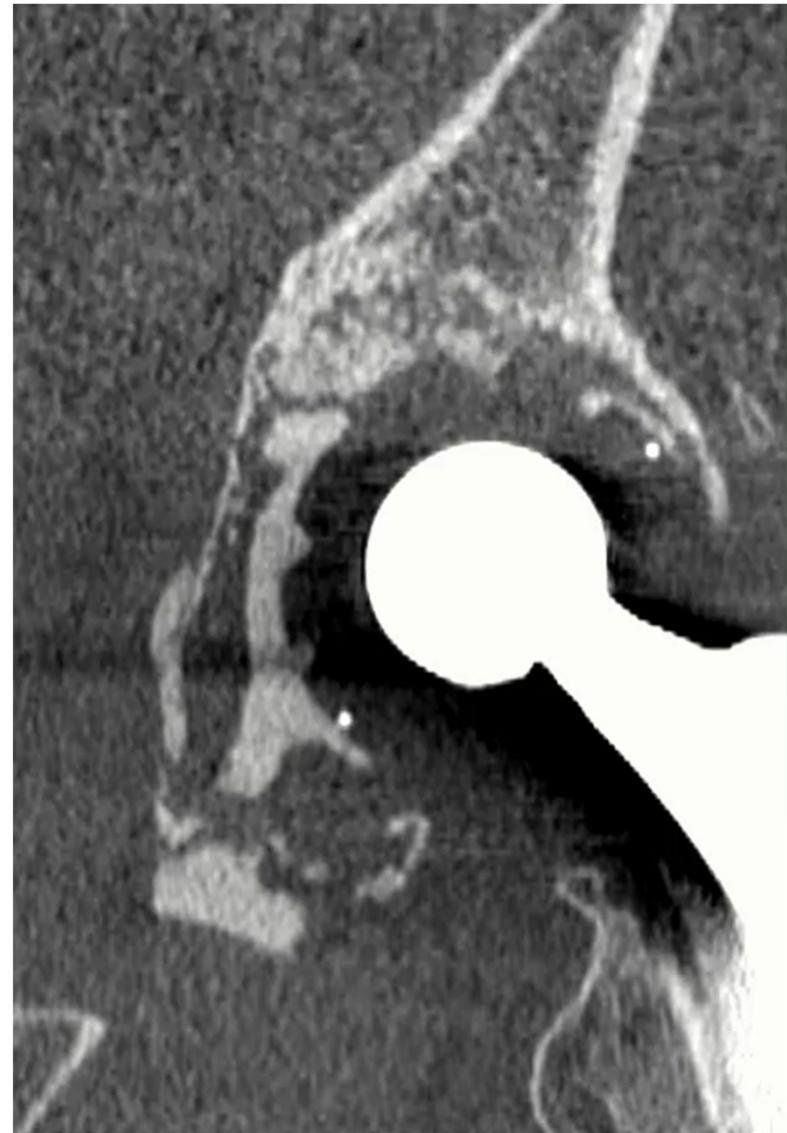


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The solution:

Sectra IMA Implant Motion Analysis

- Based on advanced image motion analysis
- Solves a real problem that is very expensive and presents high risk for patients
- Large potential
- In the initial phases.
- Based on solid clinical research.



Example: Preliminary results presented at SOF 2018

Professor Wretenberg

From study at Lindesberg, Sweden

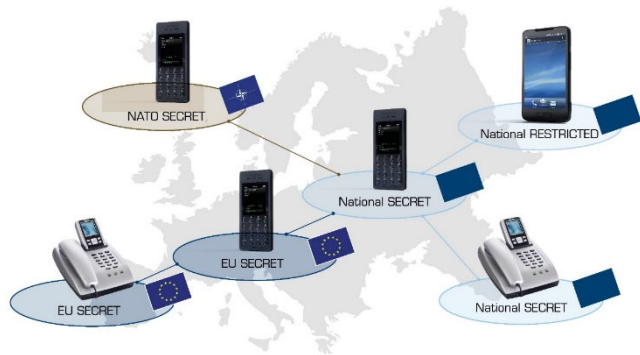
- 22 patients with complaints of pain
 - Without IMA about half would have received revision
 - With IMA decision support 4 received revision
- *Conclusion: “No revision surgery without having done an IMA!”*



Secure Communications

SECTRA

Secure Communications



- Cyber security at the highest conceivable levels
- Secure mobile ecosystems
High speed digital network encryption
- Growth area: Cybersecurity for Critical Infrastructure.
Initial focus in power production and distribution

CHAPTER 5

The shrill ring of his phone drew the provost's gaze from the calming mist of the Adriatic, and he quickly stepped back into his stateroom office.

It's about time, he thought, eager for news.

The computer screen on his desk had flickered to life, informing him that the incoming call was from a Swedish Sectra Tiger XS personal voice-encrypting phone, which had been redirected through four untraceable routers before being connected to his ship.

He donned his headset. "This is the

A map of Europe is shown in the background. A horizontal band of a lighter blue color stretches across the middle of the map, passing through the center of the text. The rest of the map is a darker blue color.

More than half of the EU member states trust
Sectra for their most valuable secrets.

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UK 2017

Hospitals

NHS trust cancels operations after computer virus hits IT system

North Lincolnshire and Goole trust shuts down most of its network and cancels appointments and routine surgery at three hospitals

Matthew Taylor

Monday 31 October 2016
18.49 GMT



Shares

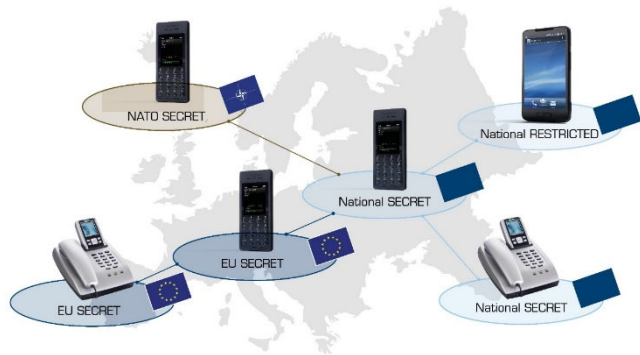
44



Emergency cases are being redirected to neighbouring hospitals. Photograph: Christopher Furlong/Getty Images

All appointments and routine operations have been cancelled at three hospitals after a computer virus attacked critical systems.

Secure Communications Direction



- Mobile voice becomes Mobile Data (Mobile data security is demanding)
- High speed network encryption
- Critical Infrastructure grows beyond Sweden



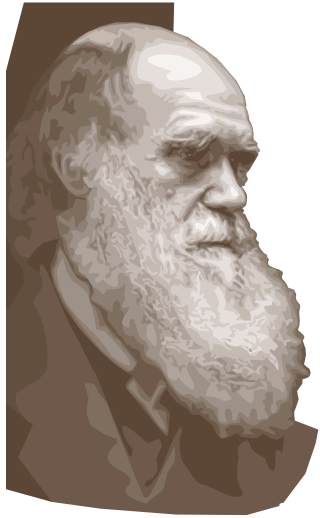
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Going forward

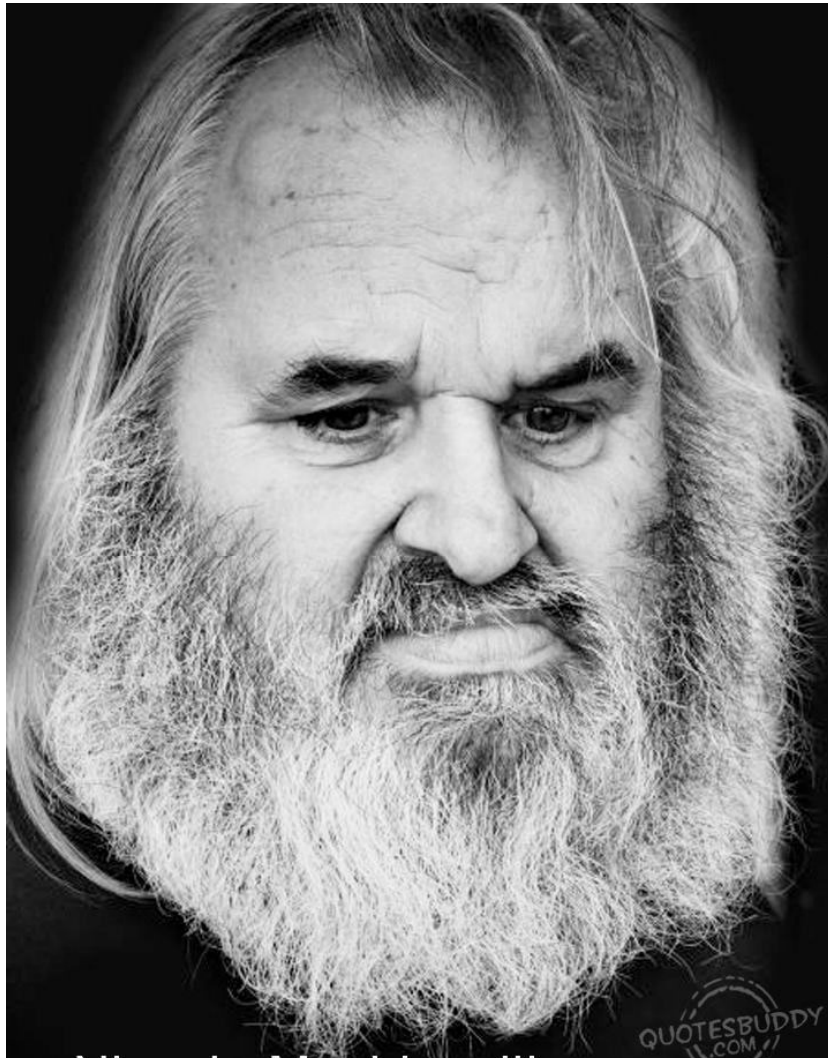
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What he really said....



*"It is not the strongest of a species that thrives and
proliferates...
- It is the most adaptable"*

Charles Darwin



- Niccolo Machiavelli



The
Wise Man
does at once
what the fool
does finally..

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Everything is the
same...

Happy Customers

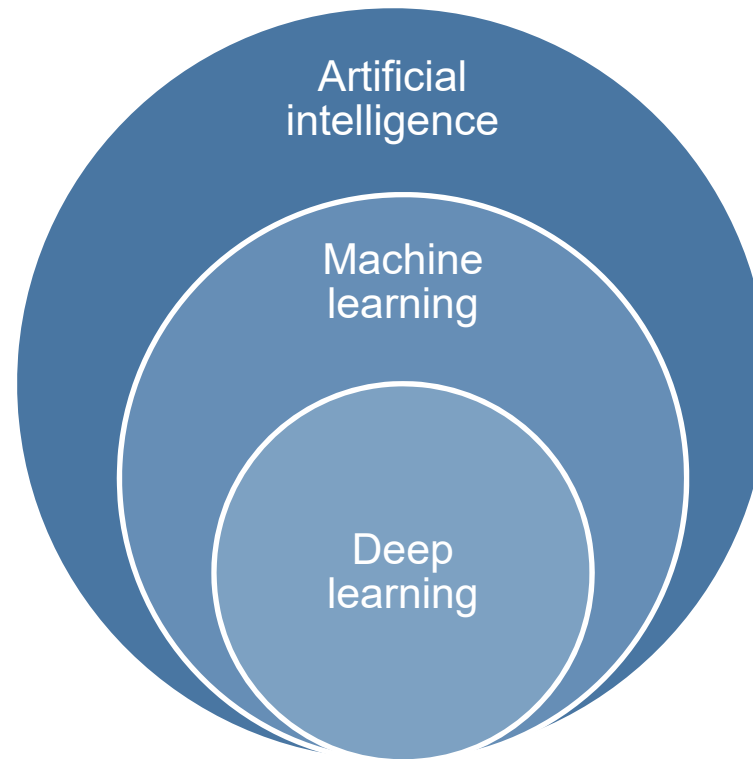


Quality is profitable



...and everything
is different

Artificial Intelligence

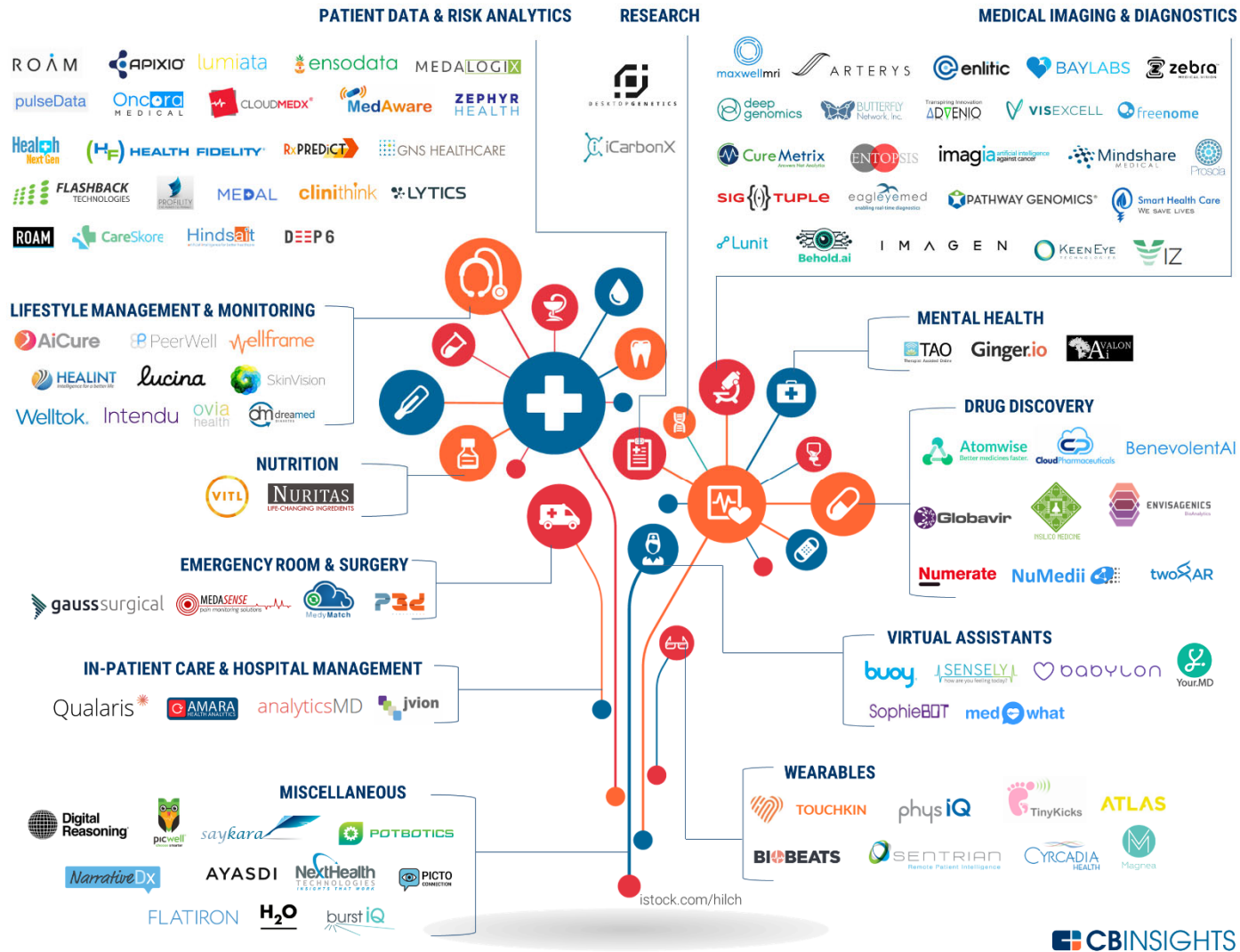


has become easy

AI – A new toolbox!



AI as business idea



CBINSIGHTS

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Sectra's Role in Machine Learning

What does Sectra bring?

A vendor neutral platform
for ML applications

ML solutions focused
on workflow support

Radiologists and Pathologists
are doing more and more
together

We will provide the tools they need!

More effective

Less cost

Better clinical outcomes

AI will be in both worlds

Integrated Diagnostics!



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Major
focus forward




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's Financial goals

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Financial goals.

1. Stability

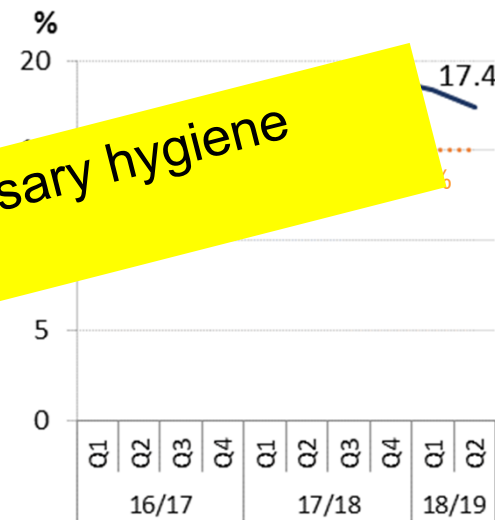
Equity/Assets ratio,



These are necessary hygiene goals

2. Profitability

Operating margin



3. Growth

EBIT/share growth over a 5-year period



This is the most important goal!

Priority

Growth requires investments

- Trust based markets are slow
Slow in, Slow out
- Sectra builds for long term growth
- Long term growth requires investment
A new country or product area takes years to establish
- If margins rise high above target,
- be concerned for then we have run out of opportunity
- But we will not waste money,
so margin will vary.



Please give feedback

- You spent important time coming and we want it to be well spent
- You will all receive a survey of your impressions.
- In order to improve future CMDs, please provide feedback!

Thank You



The background of the entire image is a deep blue with dynamic, flowing light blue and white wavy lines that create a sense of motion and energy. The word "SECTRA" is centered in the upper half of the image.

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