

Nine-month report 2019/2020

Sectra is growing with happy customers—tops ranking for seventh consecutive year

Presentation March 4, 2020

Torbjörn Kronander, CEO and President Sectra AB

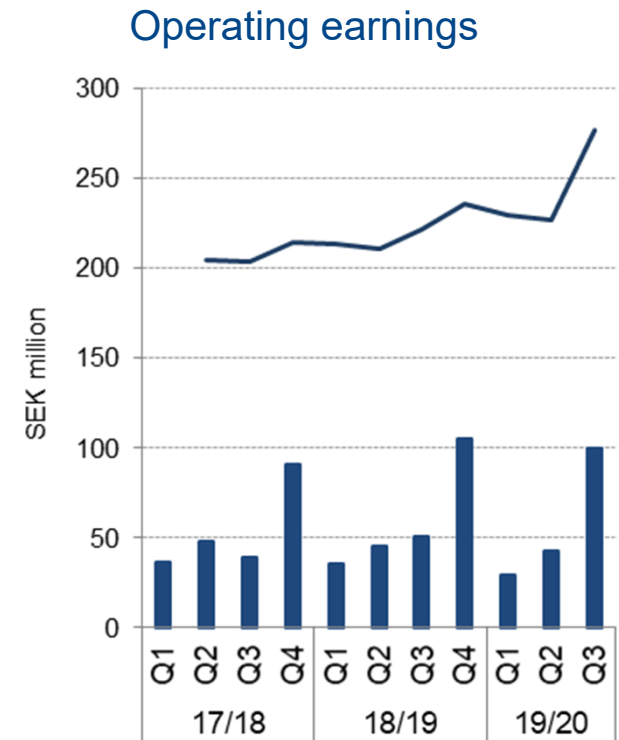
Mats Franzén, CFO Sectra AB

Highlights and trends

Torbjörn Kronander, CEO and President

Strongest 3rd quarter performance to date

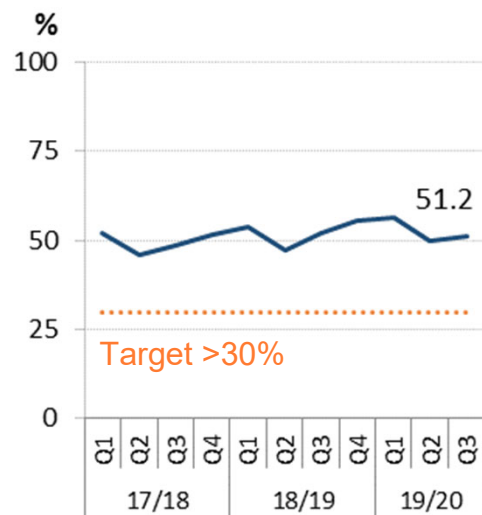
- Go-live at several healthcare customers pushing earnings trend in the right direction
- Historically large variation between quarters has increased further with some very large orders



Financial targets for the Group fulfilled

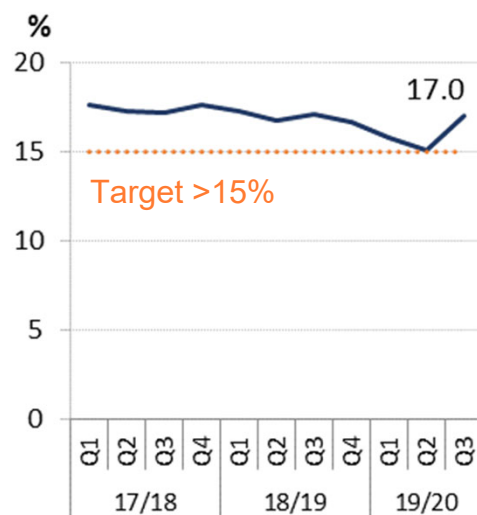
1. Stability

Equity/Assets ratio



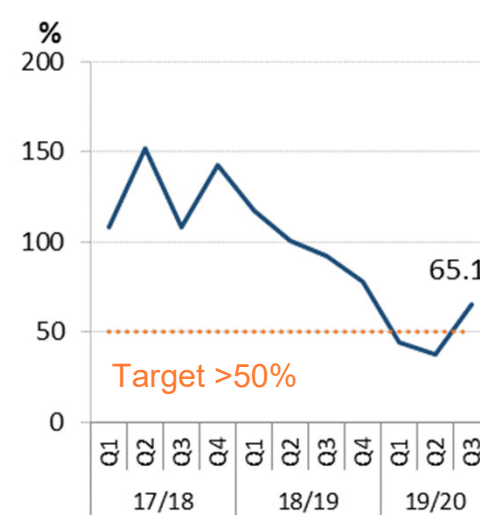
2. Profitability

Operating margin



3. Growth

EBIT/share growth over a 5-year period



Priority



Secure Communications

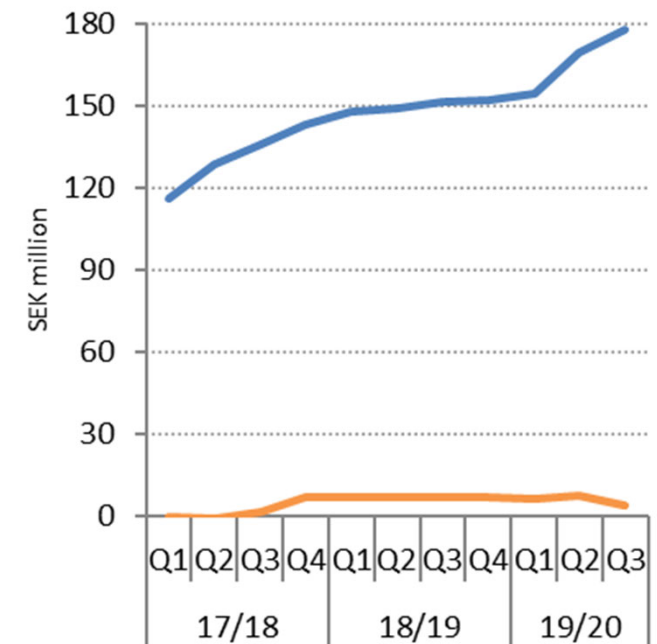
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Trend

Secure Communications

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

Sales and operating profit
Secure Communications





Imaging IT Solutions

SECTRA

Customers' top choice – 7 years in a row



2020 Best in KLAS awards won:

- US Large PACS
- US Small PACS
- Canada PACS

Why does Sectra win Best in KLAS?

Culture receives a grade A+

- » Proactive Services
- » Keeps all Promises
- » Product Works as Promoted

Loyalty receives a grade A+

- » Part of Long-Term Plans
- » Would Buy Again
- » Likely to Recommend
- » Overall Satisfaction

Operations, Services, Relationship and Value – grade A

Sectra's KLAS 2020 scores; US Large PACS

PACS (Large—300K+ Studies)

How do vendor solutions **compare?**



(A+ = 95.0+, A = 91.0–94.9, A- = 88.0–90.9)

Sectra's KLAS 2020 scores; Canada

**PACS
Canada**

How do vendor solutions **compare?**

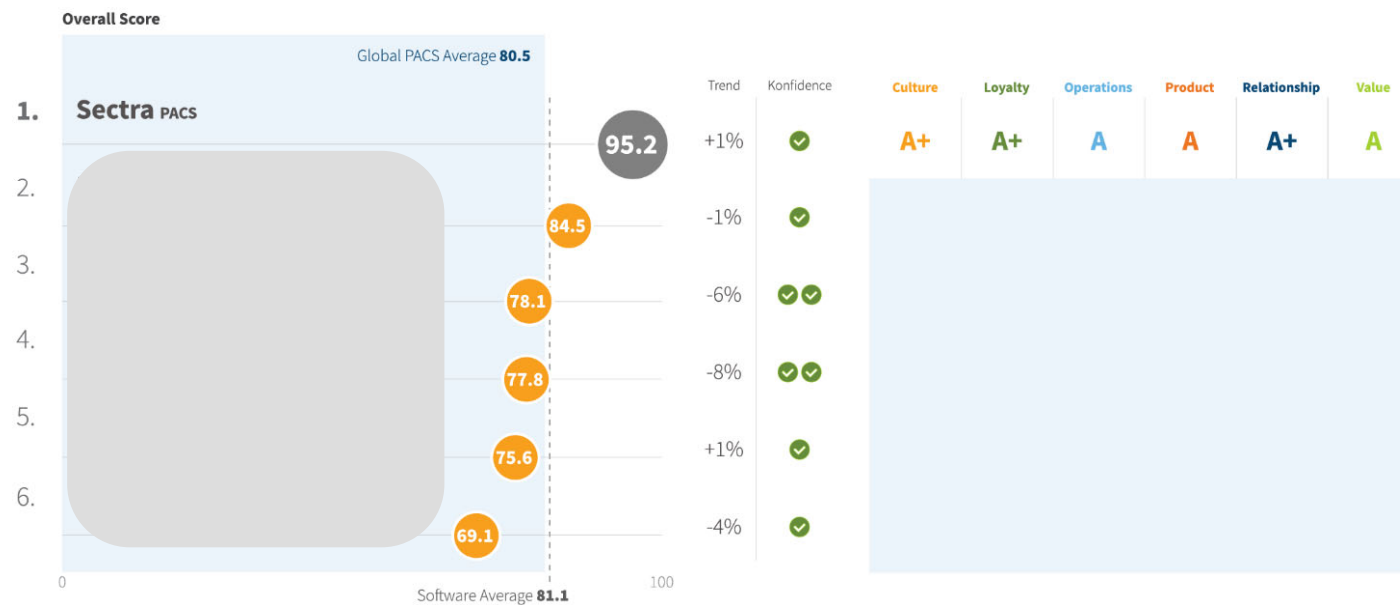
6+ organizations (e.g., trusts, health boards, hospitals, health authorities) interviewed

Score Breakdown (Grading methodology can be found on page 4)

A+=95.0+ B+=85.0-87.9 C+=75.0-77.9 D+=65.0-67.9 F = <58.0

A = 91.0-94.9 B = 81.0-84.9 C = 71.0-74.9 D = 61.0-64.9

A- = 88.0-90.9 B- = 78.0-80.9 C- = 68.0-70.9 D- = 58.0-60.9



($A^+ = 95.0+$, $A = 91.0-94.9$, $A^- = 88.0-90.9$)

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Large UK customer has extended agreement

SWASH consortium
consolidating its four
medical imaging systems
into one.

Such consolidations are
large projects.



Existing customers adding functionality such as cardiology and digital pathology

New orders from:

- » Hillcrest Medical Center (US)
- » Hospital Zuyderland MC (NL)

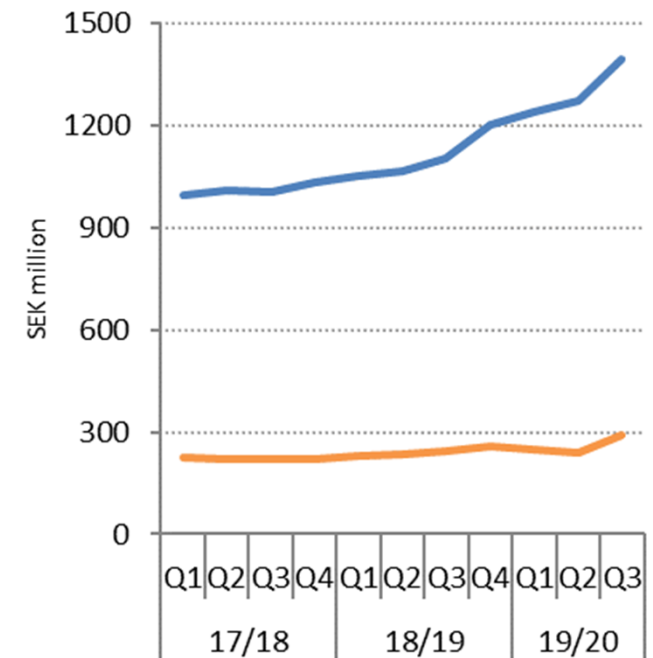


Trend

Imaging IT solutions

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

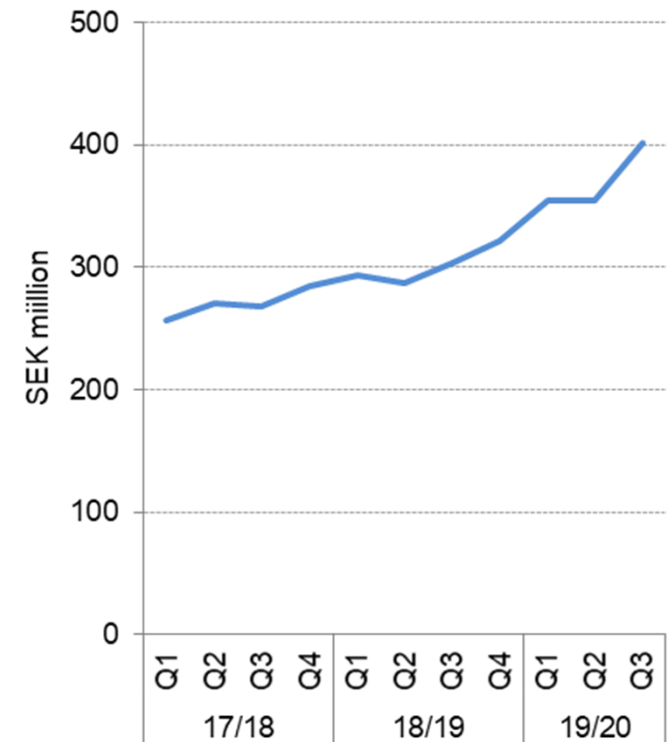
Sales and operating profit
Imaging IT Solutions



Trend in the US

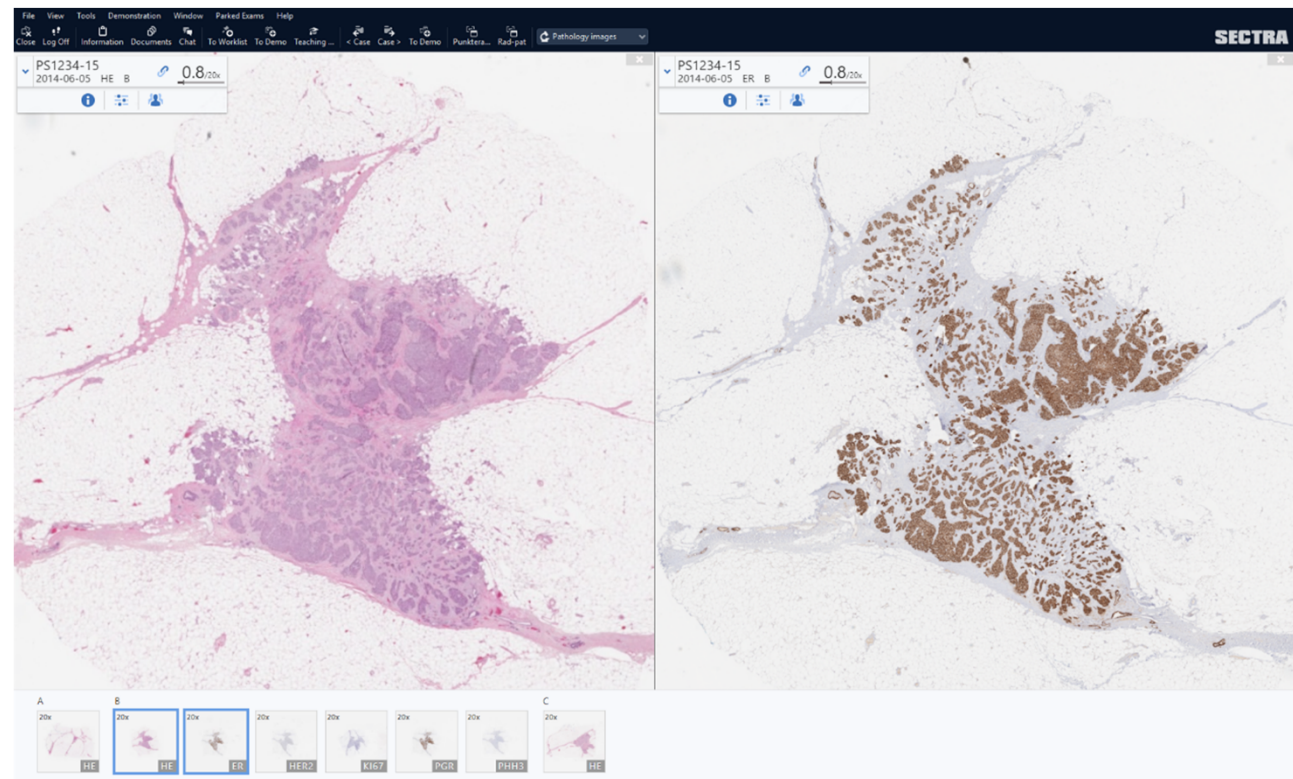
- Special focus area
- Recent orders from luminary customers strengthen Sectra's market position
- Opportunities:
 - The world's largest market
 - Sectra tops customer satisfaction
 - Small, but growing, market share

Revenue trend
in the US market



Digital pathology @ Sectra

The next
wave in
digitization
of hospitals



New customer: Largest university hospital in Switzerland

Geneva University
Hospital to use Sectra's
pathology solution for
full-scale primary
diagnostics.



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Digital pathology @ Sectra

Status

- The last frontier in digitization of medical images
- Large synergies with Radiology
- Sweden is world leading in digital pathology penetration and 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 application filed



Business Innovation

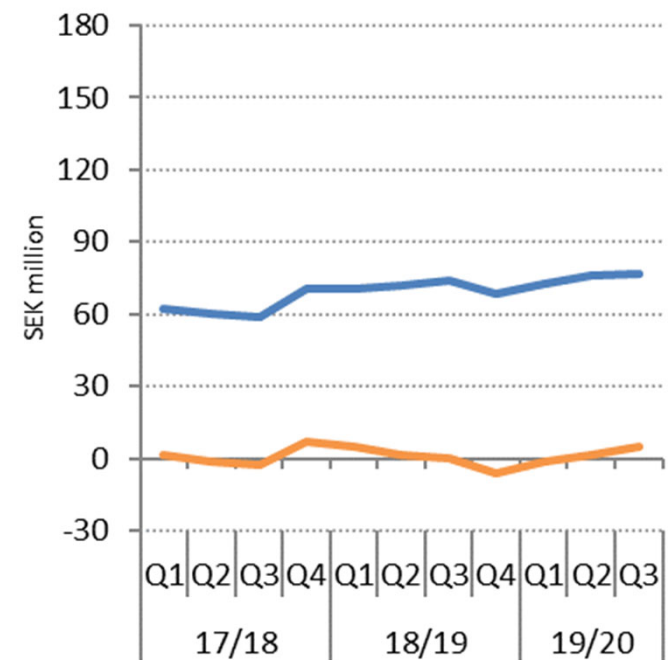
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Trend

Business Innovation

- **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





Risks related to the corona virus outbreak

Risk and risk management

Main risks

- » Several large exhibitions cancelled or postponed gives long term impact
- » Overloaded hospitals or travel issues may lead to delayed installations
- » Large number of staff get sick with the same result
- » Shortage of third-party products (HW) may delay installations
- » Increased currency volatility (?)

How we mitigate risks

- » Work remote in global teams
- » Recommendations to staff
- » Supply chain review and measures
- » We are compared to many other companies in a good situation as we have a substantial recurring revenue.

Benefits of recurring revenue

- Significantly more than half of Sectra's sales is recurring revenue
- No reason to believe that this revenue stream would be affected

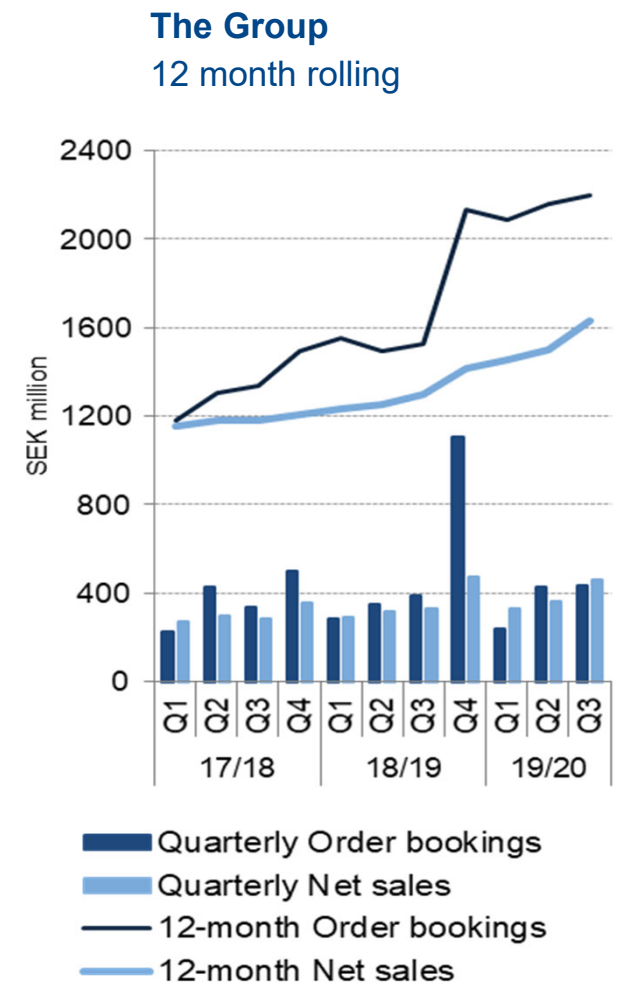
Financial figures

Mats Franzén, CFO

Trend in order bookings and net sales

- Order intake +6,6%
- Net sales +22.8%
 - Adjusted for currency fluctuations up 19.6%
- Weaker SEK
 - USD 6,8 %
 - EUR 2,5 %
 - GBP 4,1 %

Changes compared with the corresponding period average rates the preceding fiscal year.

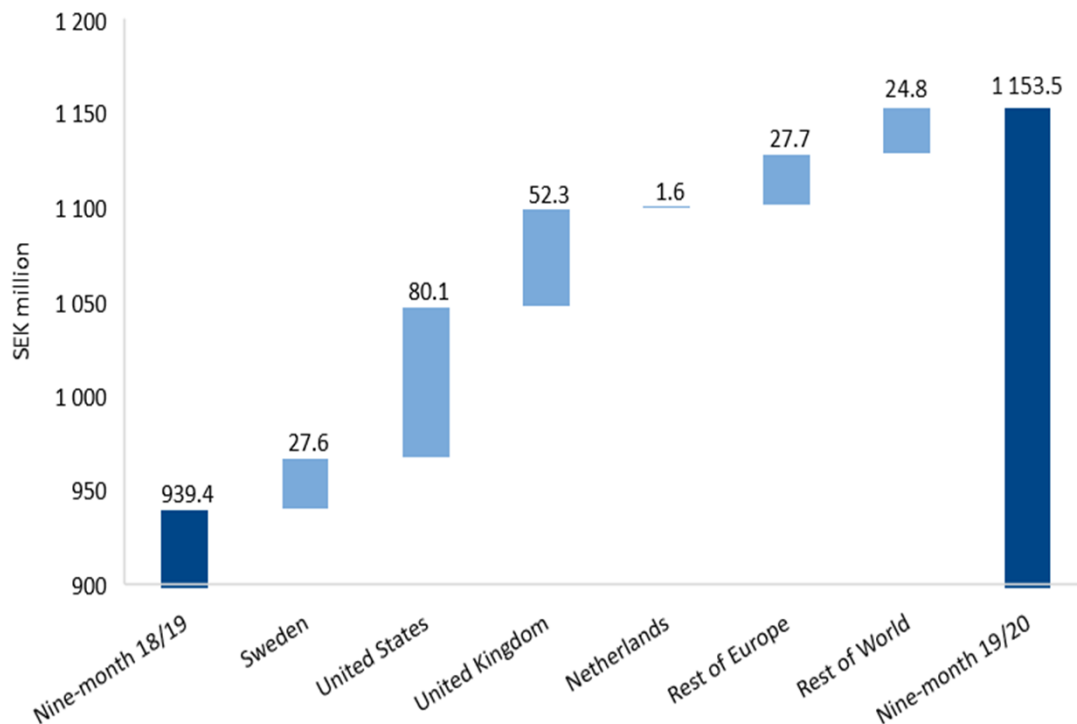


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Sales trend by geographic market

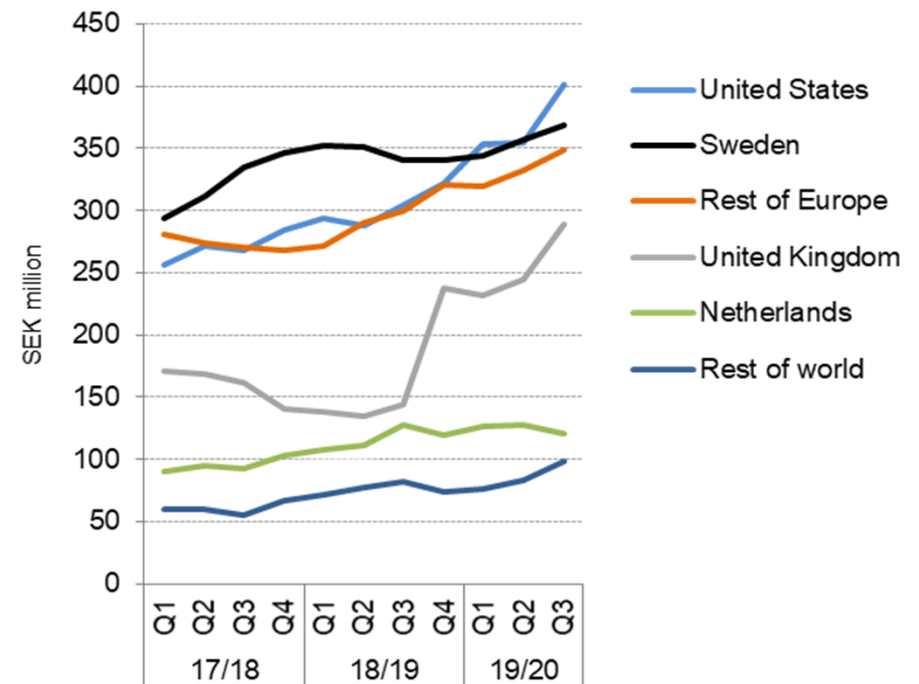
– all areas are growing

By geographic market



Trend

12 month rolling

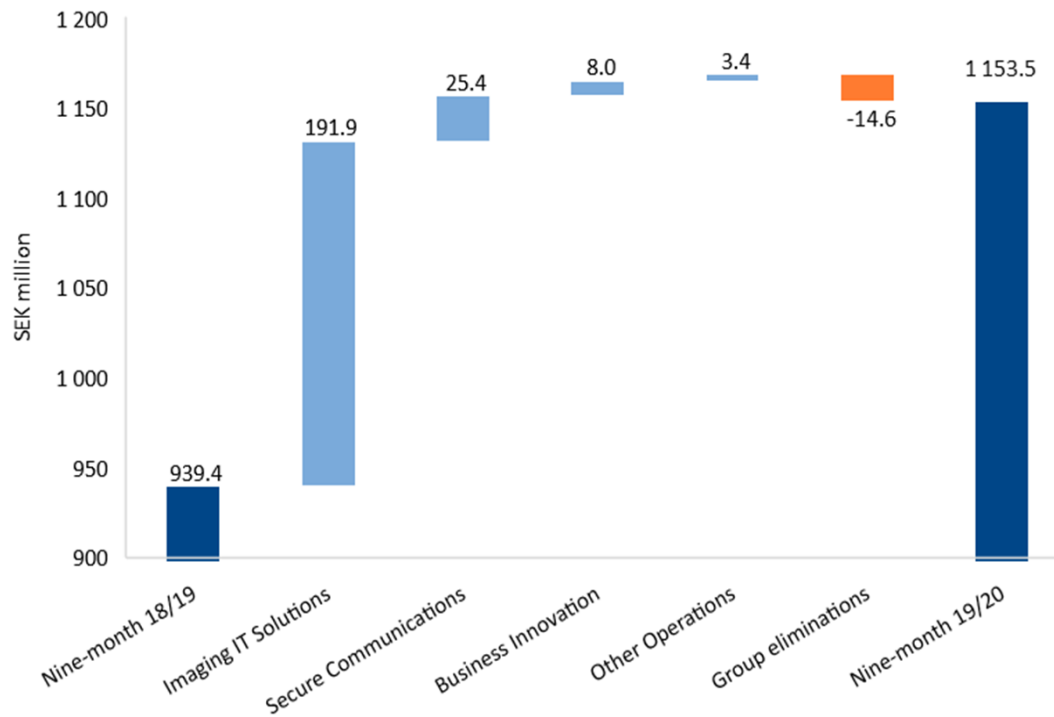


Changes compared with the corresponding period the preceding fiscal year.

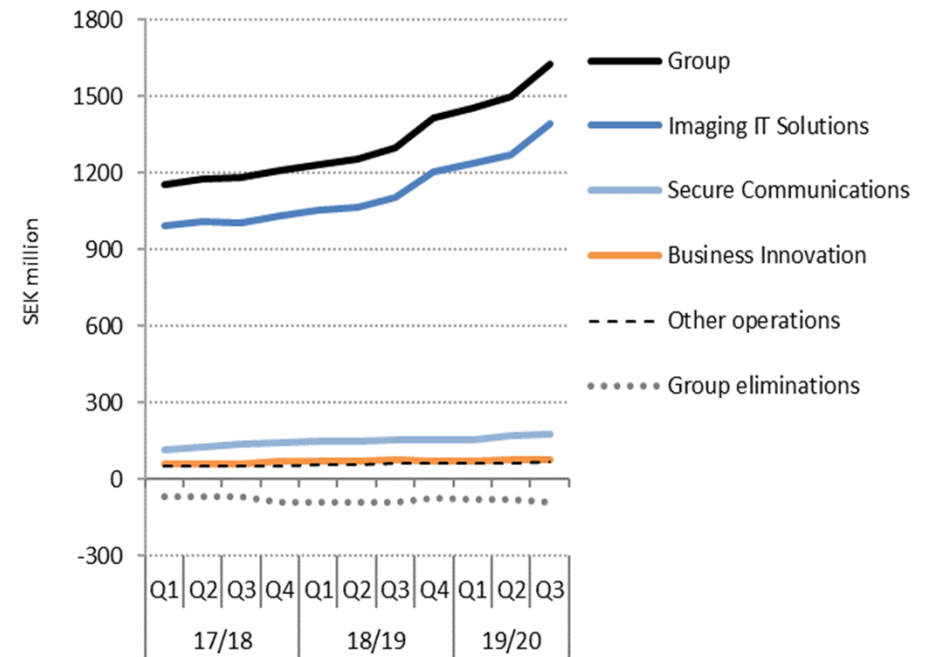
Sales trend by business segment

– all segments are growing

By business segment



Trend
12 month rolling

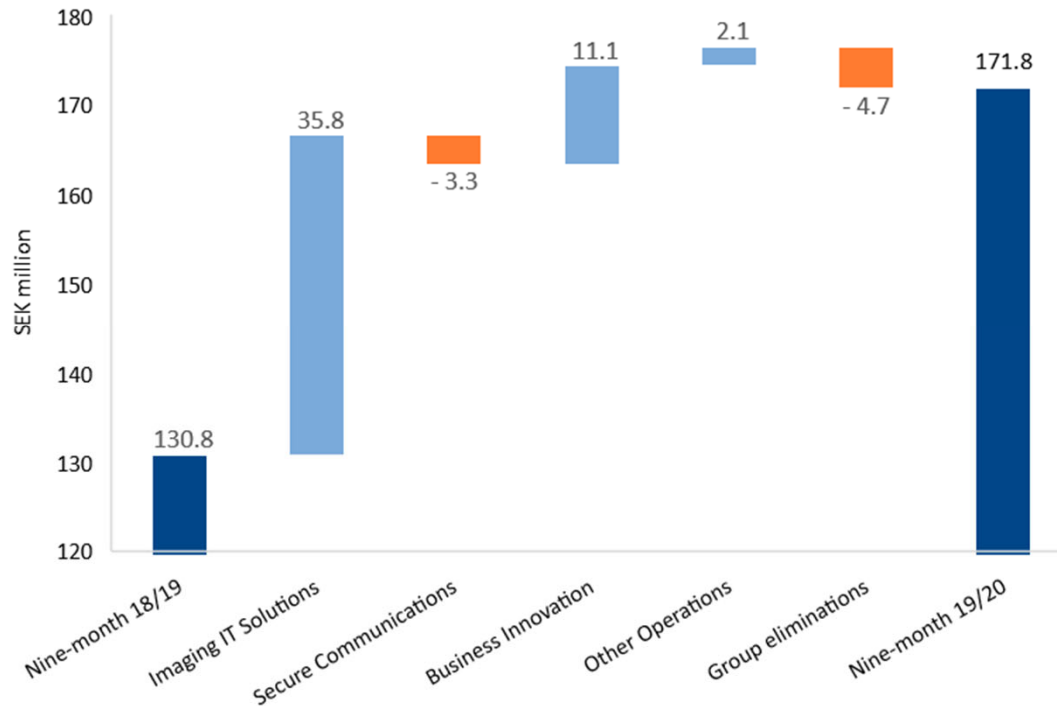


Changes compared with the corresponding period the preceding fiscal year.

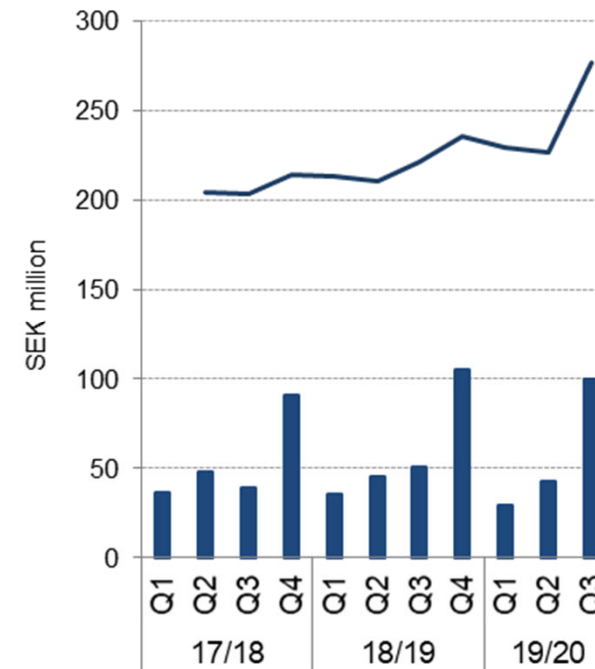
Operating earnings trend

- Imaging IT show strong performance

By segment



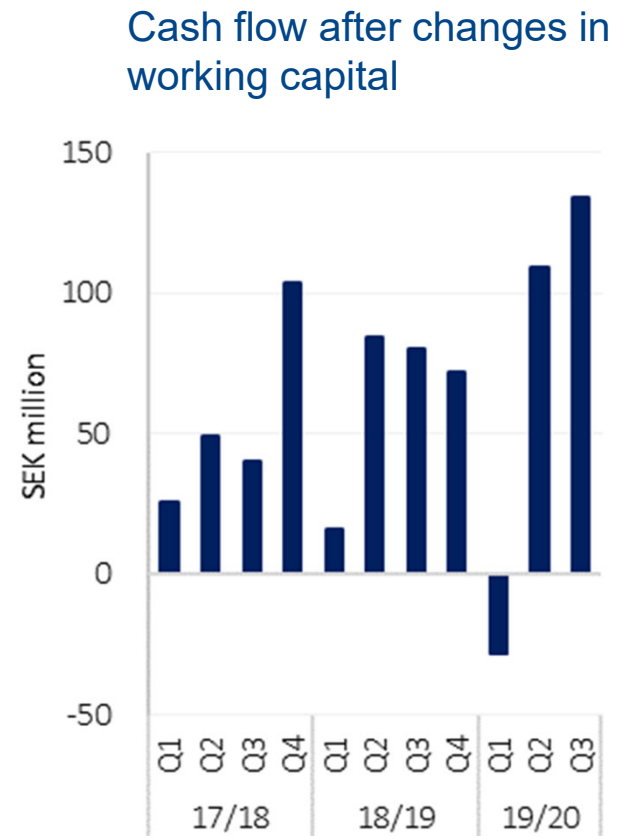
Trend for the Group



Changes compared with the corresponding period the preceding fiscal year.

Cash flow

- Several large contracts signed 18/19 tied up considerable capital and resources during the installation phase
- Primarily affected the first half of 19/20
- Positive effect on revenue, profit margins and cash flow materialized in Q3



Sectra's way forward

Torbjörn Kronander, CEO and President

Quality is profitable! Continue on this path!



2020 Best in KLAS awards won:

- US Large PACS
- US Small PACS
- Canada PACS



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

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Knowledge and passion

Philosophy – Keep staff happy



#3
Sectra

Sweden's Best Employers 2019



SECTRA

Choose markets wisely

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



Philosophy - Shareholders

If you have

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



Being a shareholder in Sectra

Why Sectra?

- High customer satisfaction
- High employee 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 reports and AGM

- June 3, 2020 Year-end report and presentation
- September 4, 2020 Three-month report and presentation
- September 8, 2020 AGM in Linköping

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Questions?

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send questions to: info.investor@sectra.com

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Knowledge and passion

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