

Year-end report 2018/2019:

Order bookings doubled in the fourth quarter and operating profit up 15%

Presentation May 28, 2019

Torbjörn Kronander, CEO and President Sectra AB

Mats Franzén, CFO Sectra AB

Sectra participants

- » Helena Pettersson, Investor relations
- » Marie Ekström Trägårdh,
President Sectra Imaging IT solutions AB
- » Mats Franzén, CFO
- » Torbjörn Kronander, CEO

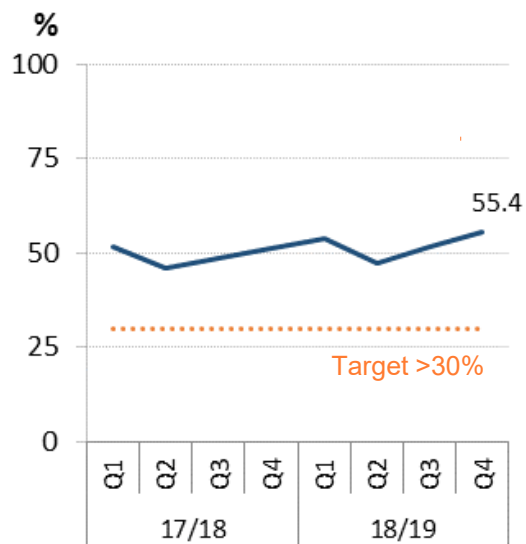
Highlights from Q4

Torbjörn Kronander, CEO and President

All financial targets for the Group fulfilled

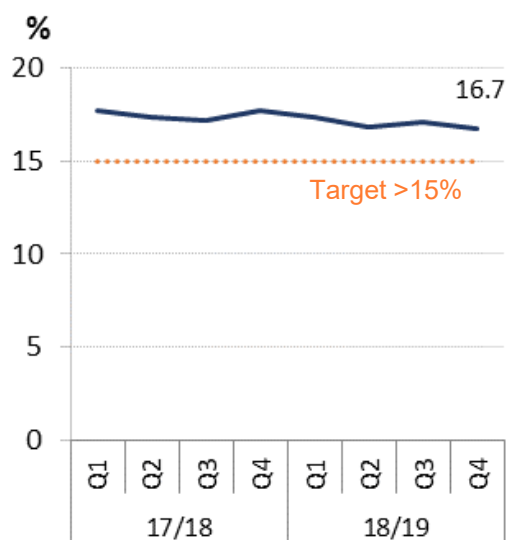
1. Stability

Equity/Assets ratio,



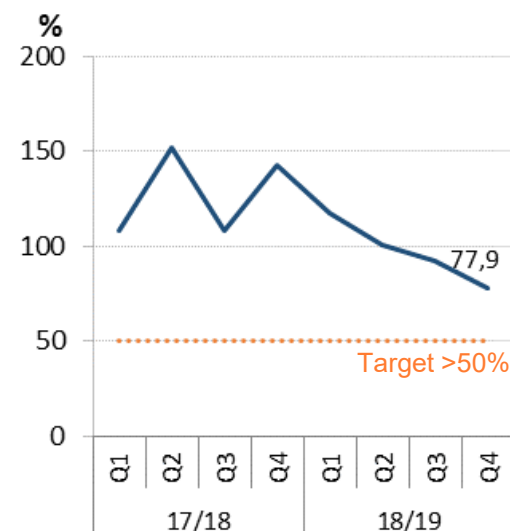
2. Profitability

Operating margin



3. Growth

EBIT/share growth over a 5-year period



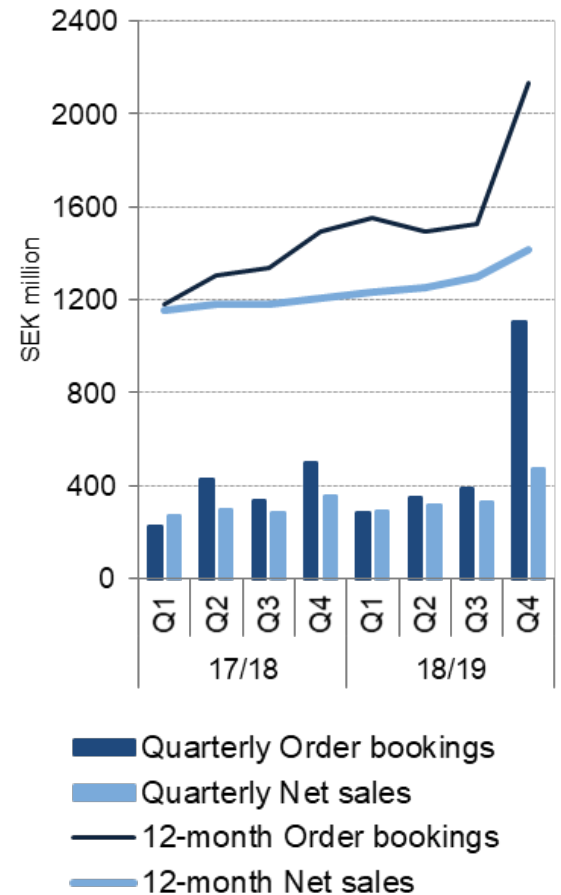
Priority

Why keeping the EBIT margin target at 15%?

- » Sectra uses profits above 15% for investments in future growth
- » Starting e.g. Pathology, Critical Infrastructure or sales France and Canada (all now growing successfully) costs money
- » Lifting margins is a one time improvement
- » Shareholders benefit more from long term growth

Order bookings for the Group

- Nearly half of orders from new customers 18/19.
- Major multiyear customer contracts in the Imaging IT Solutions operating area
- Substantial variation between quarters



Imaging IT Solutions

13-year contract with
NSW Health - **Australia's
largest public health
system.**

Order value approx.
SEK 560 million.



Imaging IT Solutions

Pathology market starting to gain momentum. Orders from:

- » The **Region of Southern Denmark**
- » **Radboud University Medical Center** in the Netherlands
- » **Region Skåne** in Sweden, by extending functionality of the customer's existing enterprise imaging solution



Imaging IT Solutions

Breakthrough in the new markets for direct sales. Orders from:

- » Canadian hospital
Trillium Health Partners
- » French hospital
Centre d'Imagerie Médicale de
l'Hôpital Privé d'Antony



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
 - » Netherlands



Secure Communications

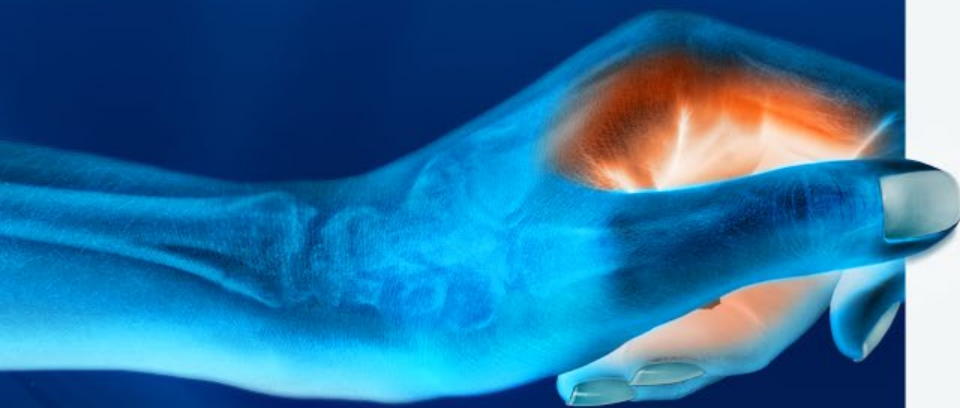
Synergies with our
medical imaging IT
operations:

Secure smartphones,
Sectra Tiger/R, delivered
to two Swedish healthcare
regions.



Sectra Customer Financing (SCF)

- » Will be terminated as a separate business unit
- » Reasons are
 - » SaaS (Software as a service) is getting more and more "normal business"
 - » During the year Sectra has, based on a general overhaul of accounting, restated the status of the UK SCF contracts leading to a change in periodization.
 - » Cash flow and over all profitability is not affected by the change
- » Long contracts will in the future be accounted for in the Business Unit it belongs to (most often Imaging IT)

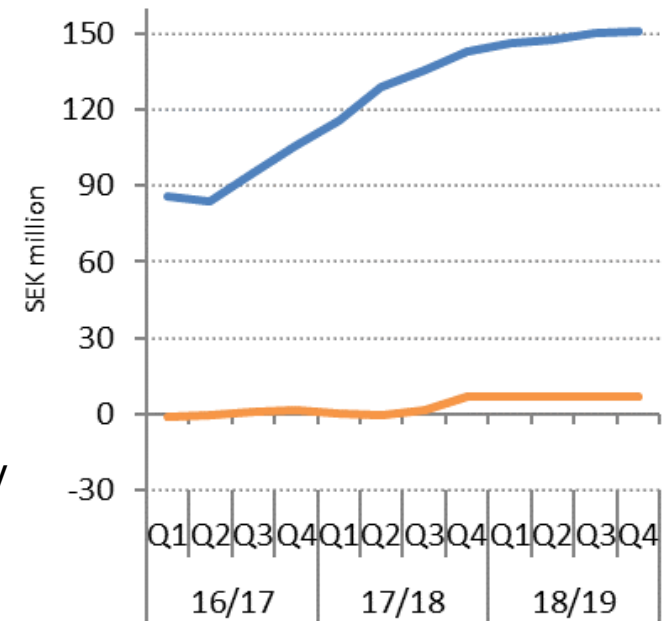


Secure Communications

Trend

- First time revenue > 150 MSEK
- 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

Sales and operating profit
Business line Secure Communications



Critical infrastructure @ Sectra

- Sweden is now one of the leading countries in cybersecurity in CI
- Sectra has a dominant market share in Sweden
- New legislation may drive demand further

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.

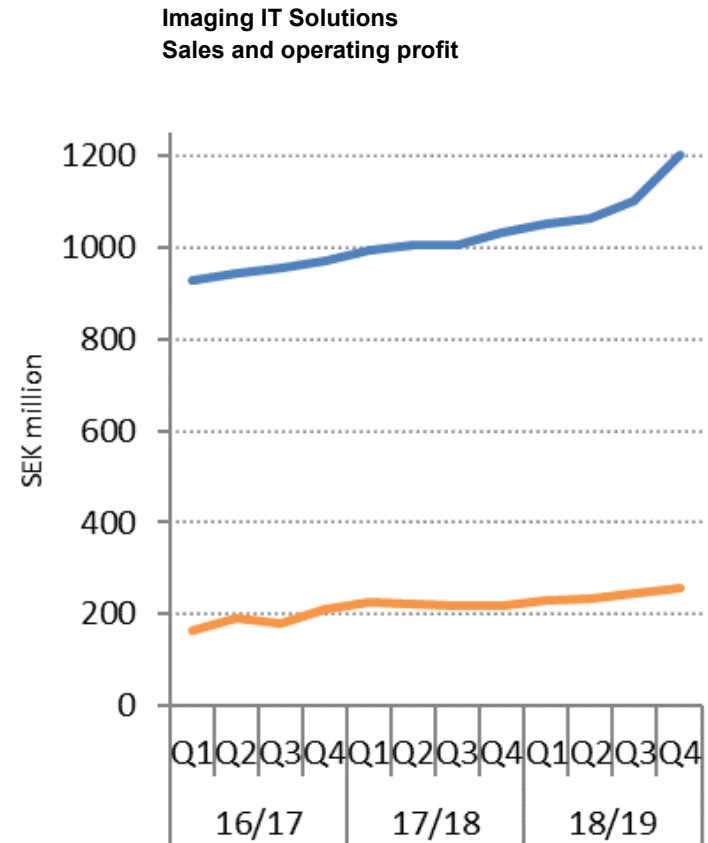


Imaging IT Solutions

SECTRA

Trend

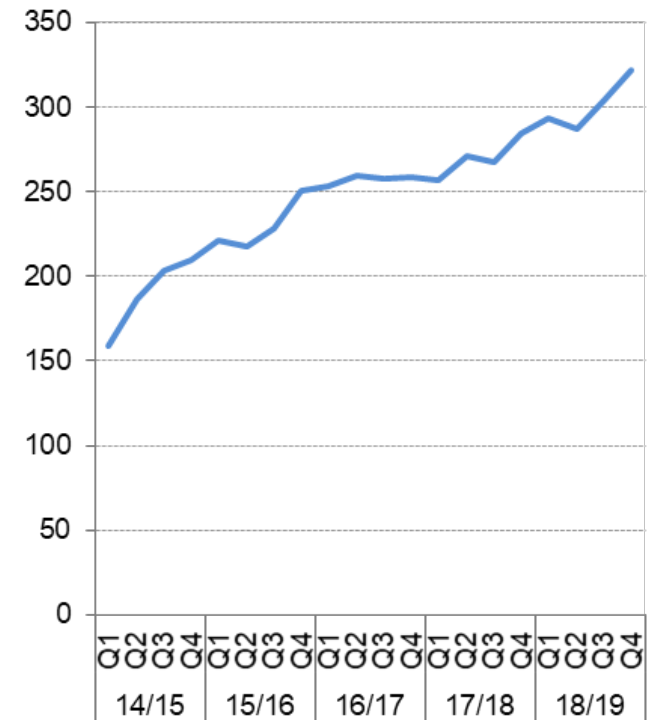
- Continued trust & extended agreements with existing customers
- Example of growth initiatives:
 - Focus US
 - Digital pathology & integrated diagnostics
 - Cardiology
 - New markets
 - Direct and indirect



Imaging IT Solutions in the US

- Special focus area
- Opportunity:
 - The world's largest market
 - Sectra tops customer satisfaction
 - Small (growing) market share
- Recent orders from well respected customers strengthen Sectra's market position

Revenue trend in the US market,
SEK million



#1 in customer satisfaction – 6 years straight



What is KLAS?



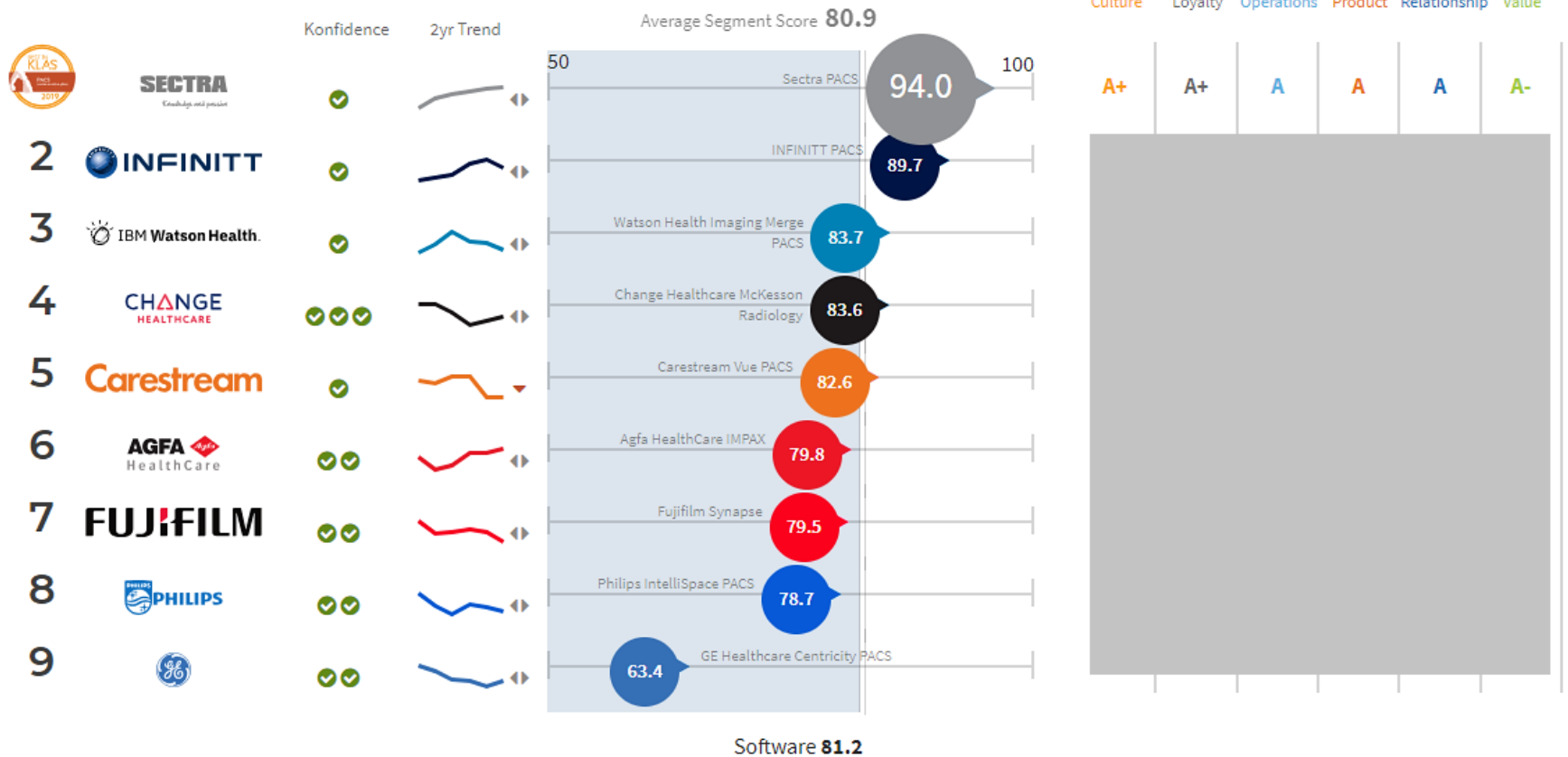
- A healthcare research firm
- Gathers data on software, services, medical equipment, and infrastructure systems to deliver timely reports, trends, and statistical overviews
- Every year, the top performers in each category (e.g. PACS) are announced as “Best in KLAS”

Why does Sectra win 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
- Our employees and our culture

Sectra's KLAS 2019 scores; US

How do vendor solutions compare?

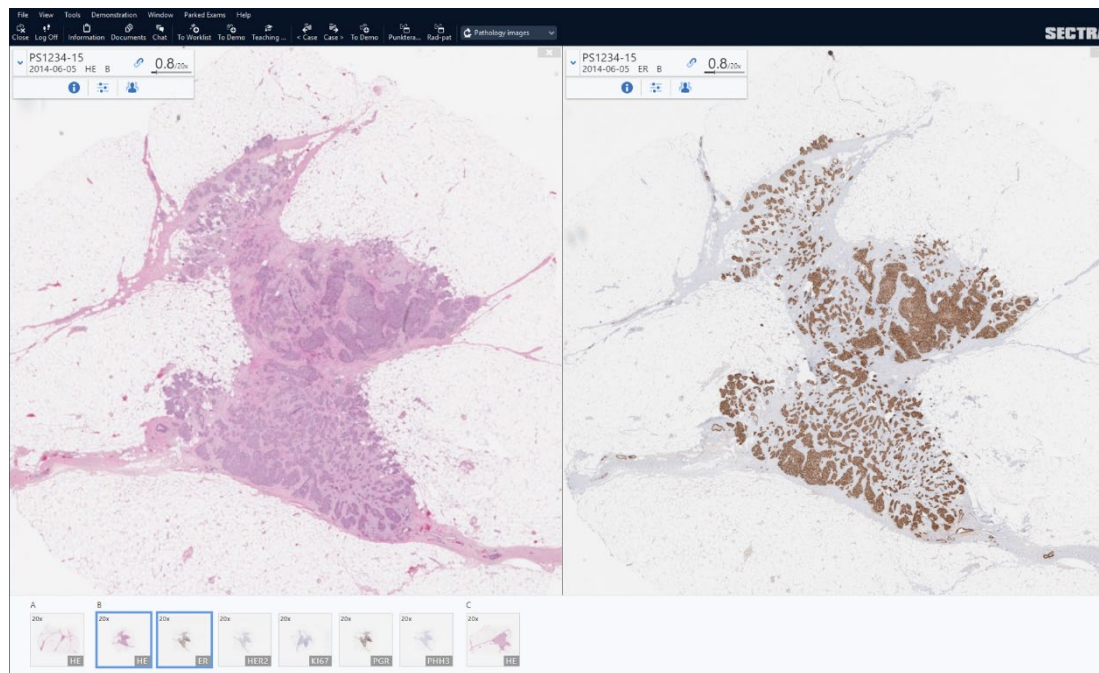


(A+ = 95.0+, A = 91.0–94.9, A– = 88.0–90.9)

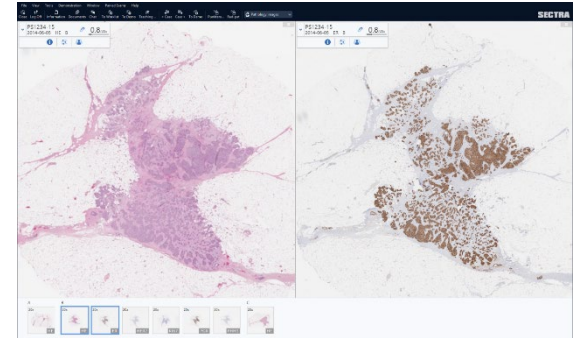
SECTRA

Digital pathology @ Sectra

Digital pathology: The next wave in digitization of hospitals.



Digital pathology @ Sectra



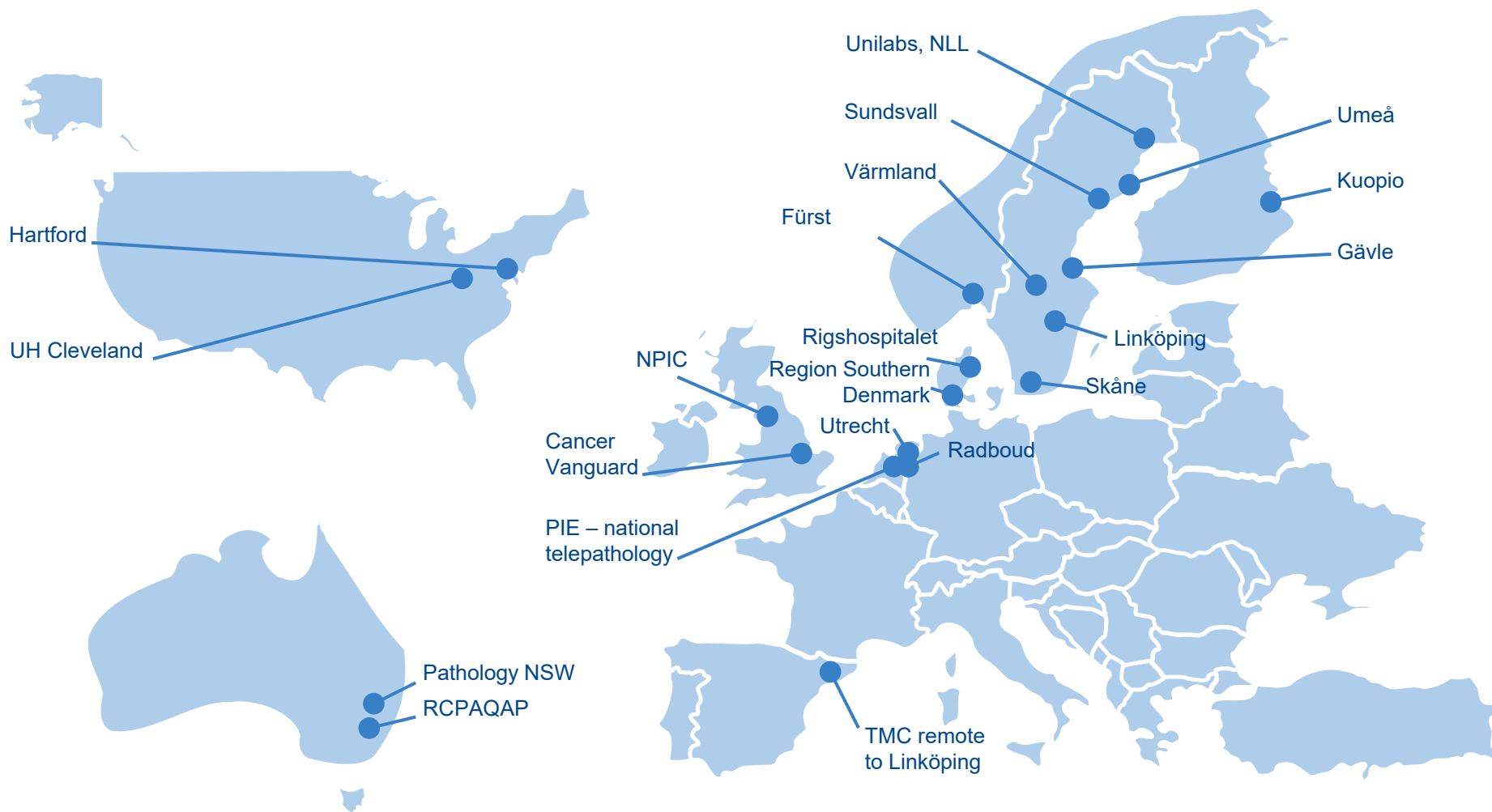
Status

- 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 as soon as possible (must wait for approved scanner)

Digital Pathology @ Sectra





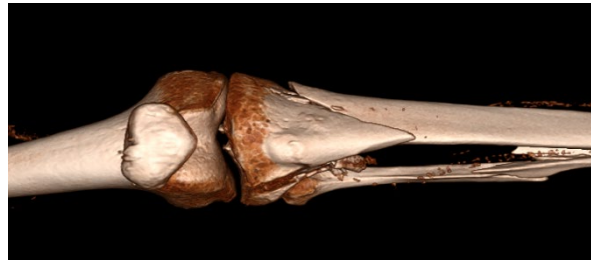
Business Innovation

Future growth projects

Business Innovation



Medical education



Software tools for
orthopedic surgery



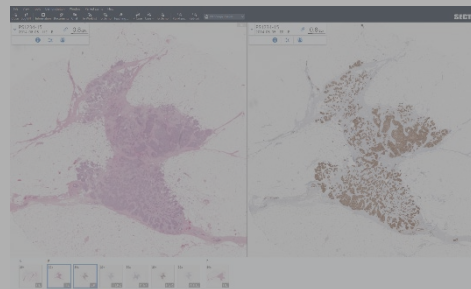
Research

Secure Communications



IT security for
critical infrastructure

Imaging IT

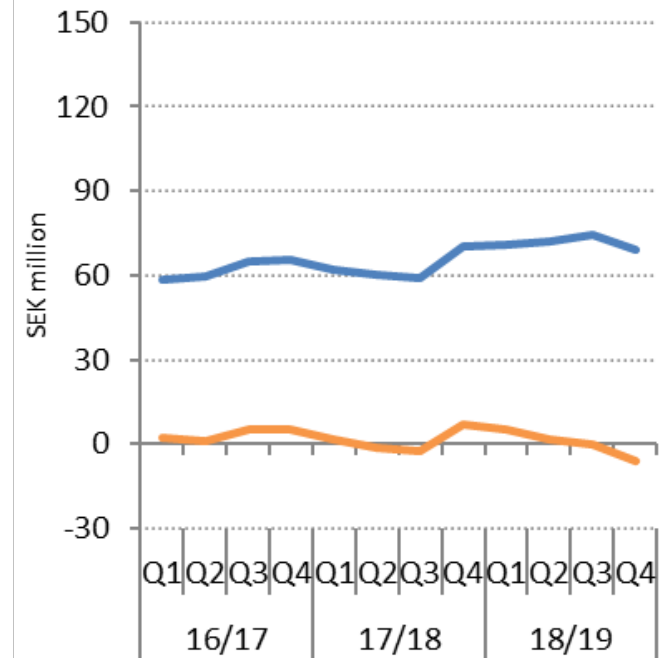


Digital pathology

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

Business Innovation
Sales and operating earnings



AI/Machine learning

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



Change in accounting policies and assessments

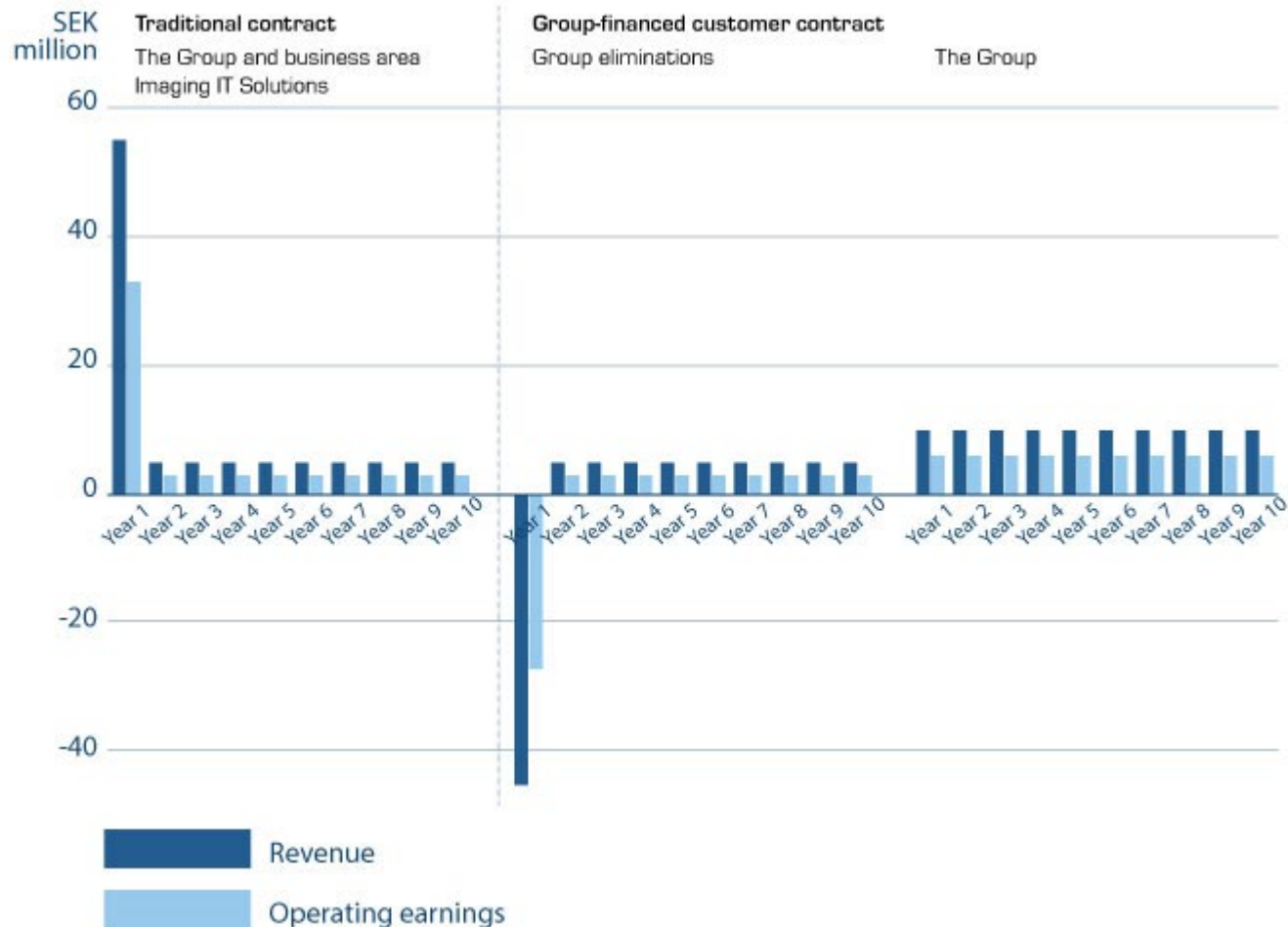
Mats Franzén, CFO

Sectra Customer Financing (SCF)

- Main revenue was from multiyear contracts in the UK
- SCF not anymore considered a stand-alone entity, but rather an invoicing agent and is thus no longer considered a separate business segment
- In consequence, the revenue recognition historically and going forward will be the same for the Group as for Imaging IT Solutions

Sectra Customer Financing

Comparison traditional customer contract vs Group-financed customer contract



The revised accounting

- » Is a pure periodization effect
- » Only impacts historical contracts in the UK
- » Has resulted in a revision of historical data and that future cash flow from these accounts will now only be added to equity, and not to EBIT
- » No impact on either the total profitability of a project, nor on cash flow

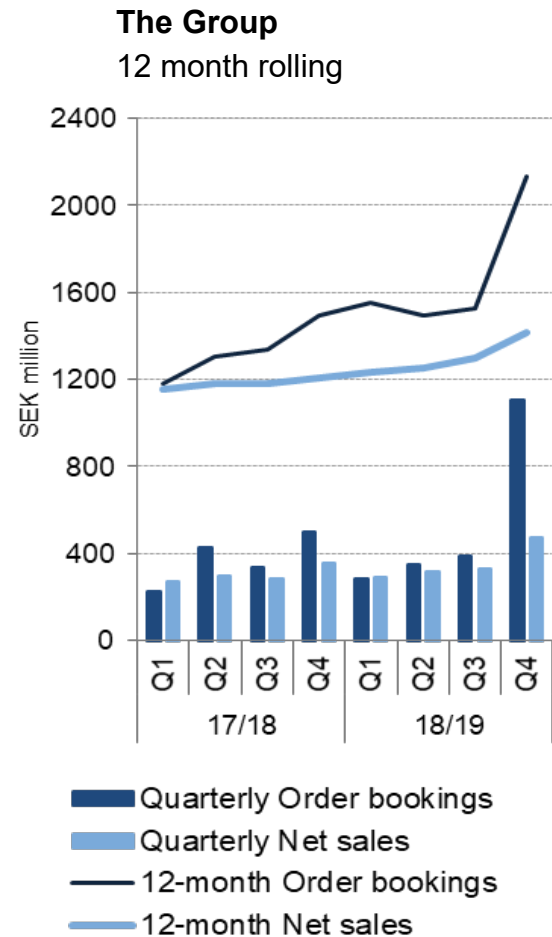
Financial figures

Mats Franzén, CFO

Order bookings and net sales trend

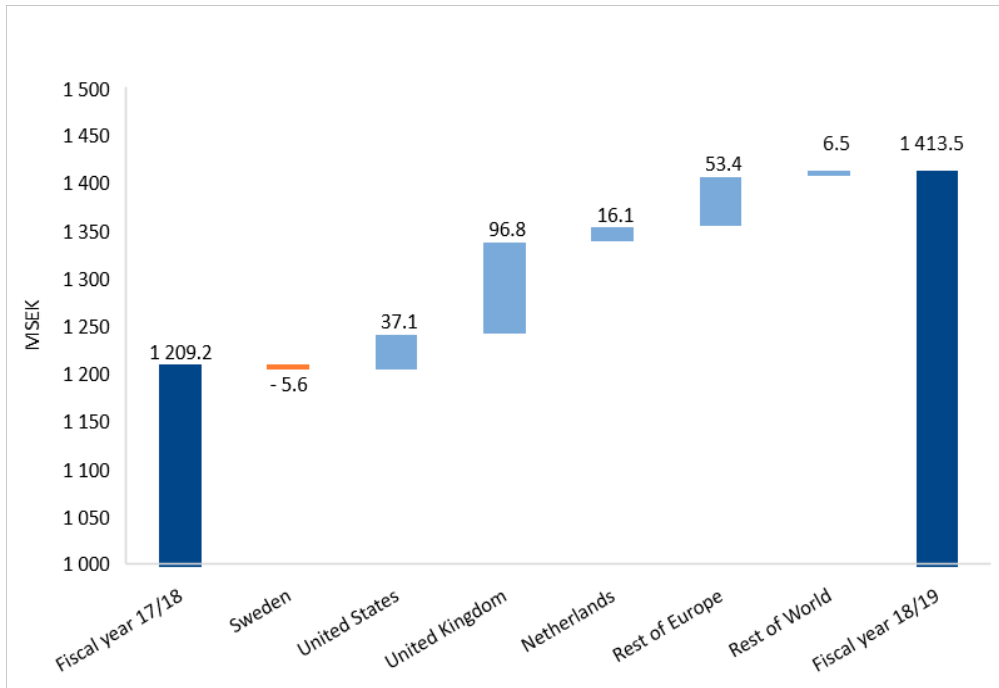
- Order intake +42.9%
- Net sales +16.9%
 - Adjusted for currency fluctuations up 12.0%
- Weaker SEK
 - USD 7.3%
 - EUR 1.2%
 - GBP 3.2%

Changes compared with the corresponding fiscal year.



Sales trend by geographic market

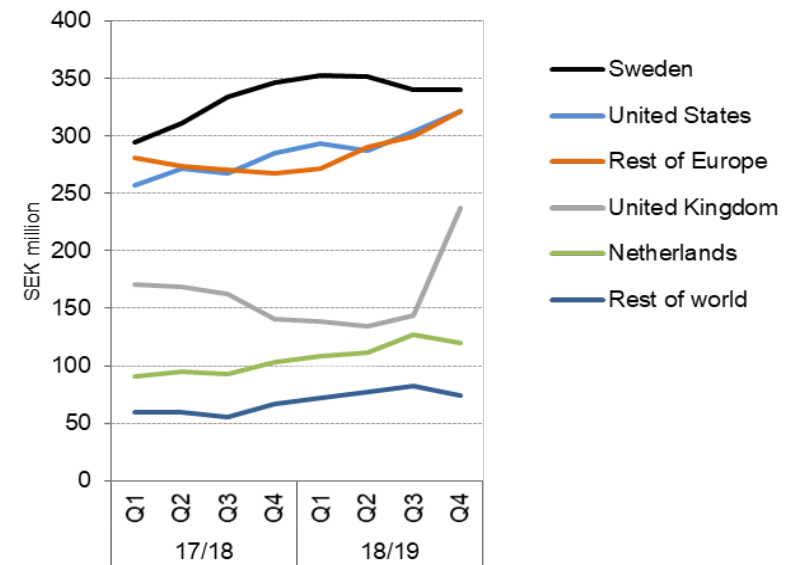
By geographic market



Changes compared with the corresponding fiscal year.

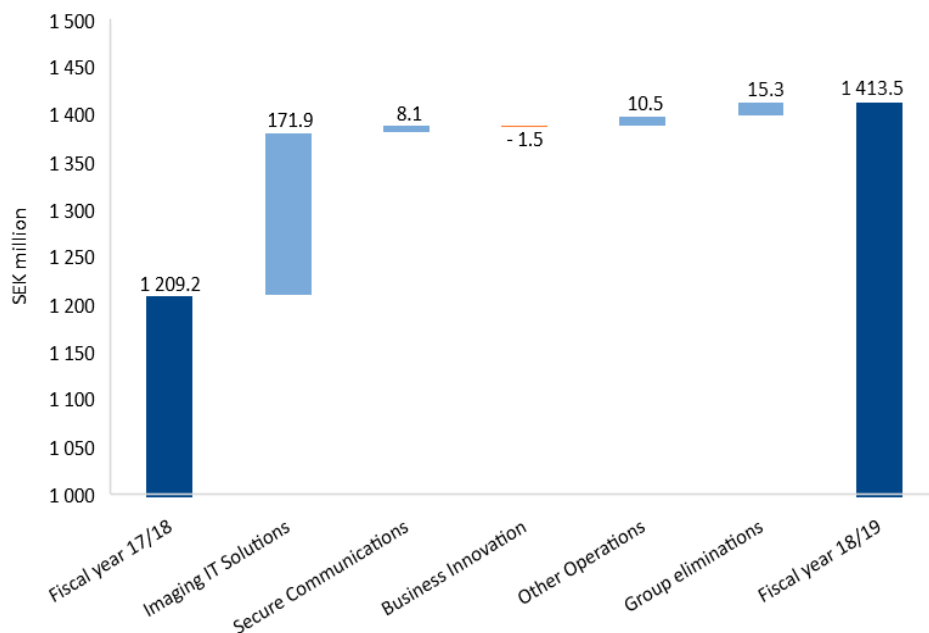
Trend

12 month rolling



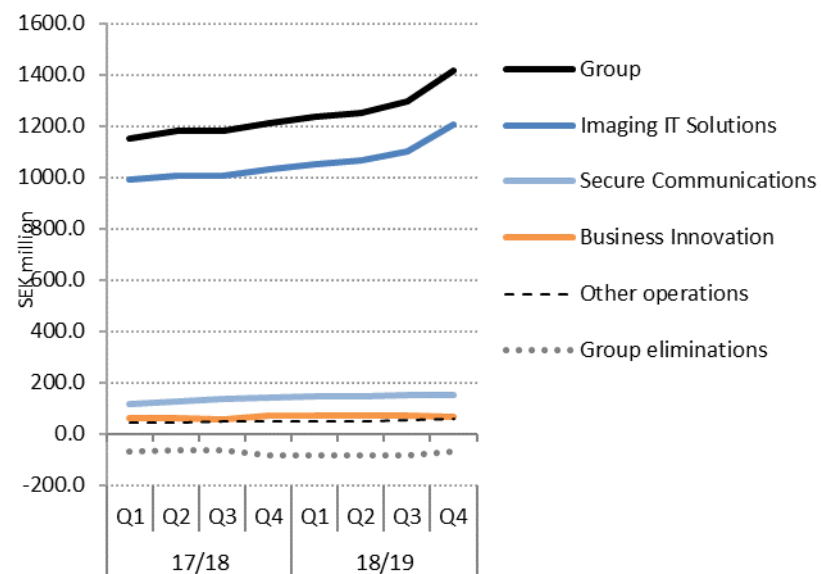
Sales trend by business segment

By business segment



Trend

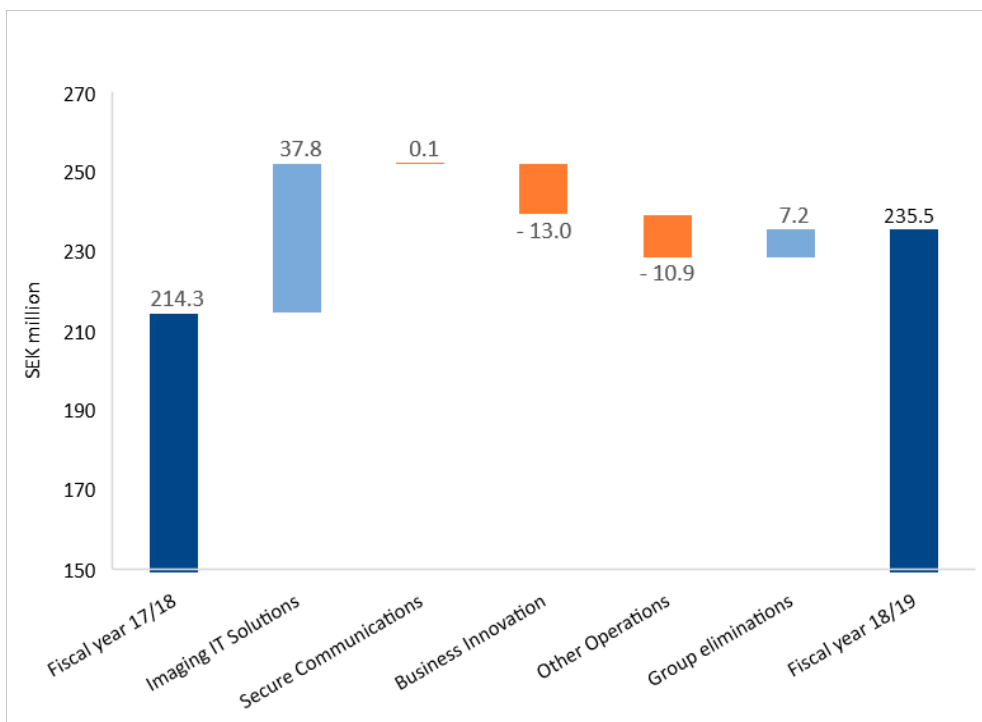
12 month rolling



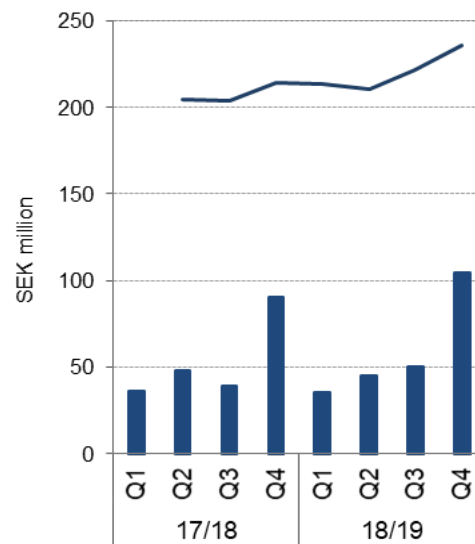
Changes compared with the corresponding fiscal year.

Operating earnings trend

By segment



Trend for the Group 12 month rolling

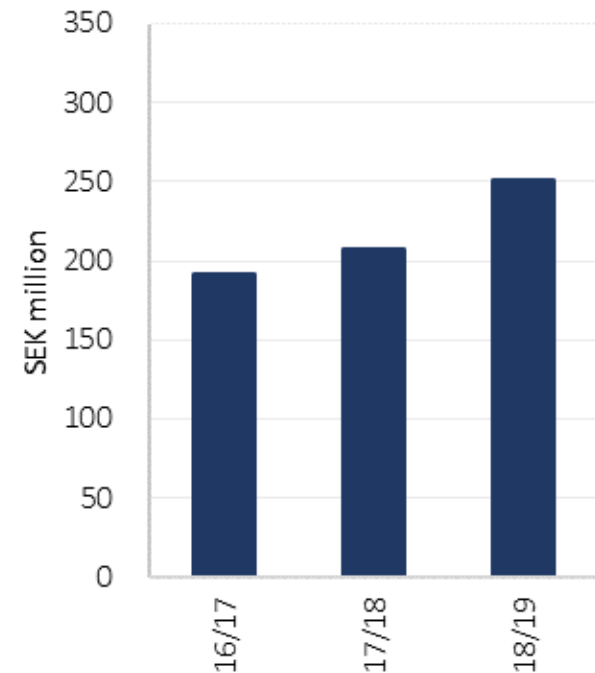


Changes compared with the corresponding fiscal year. Historical numbers are 239,1 last year and 259,0 this year.

Cash flow

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

Trend for the Group
12 month



Cash flow after changes in
working capital

Sectra's way forward

Torbjörn Kronander, CEO and President

Sectra's markets



- » Sectra is positioned in markets (Healthcare IT and Cyber security) where society dynamics mandates market 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

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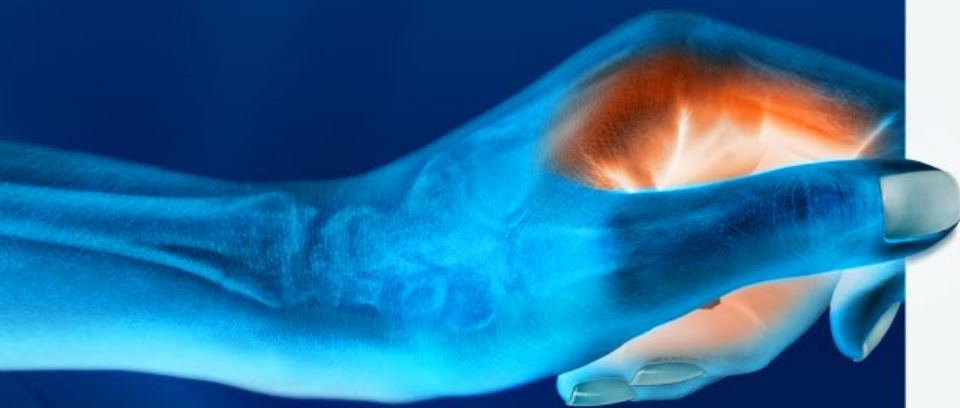
Knowledge and passion

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





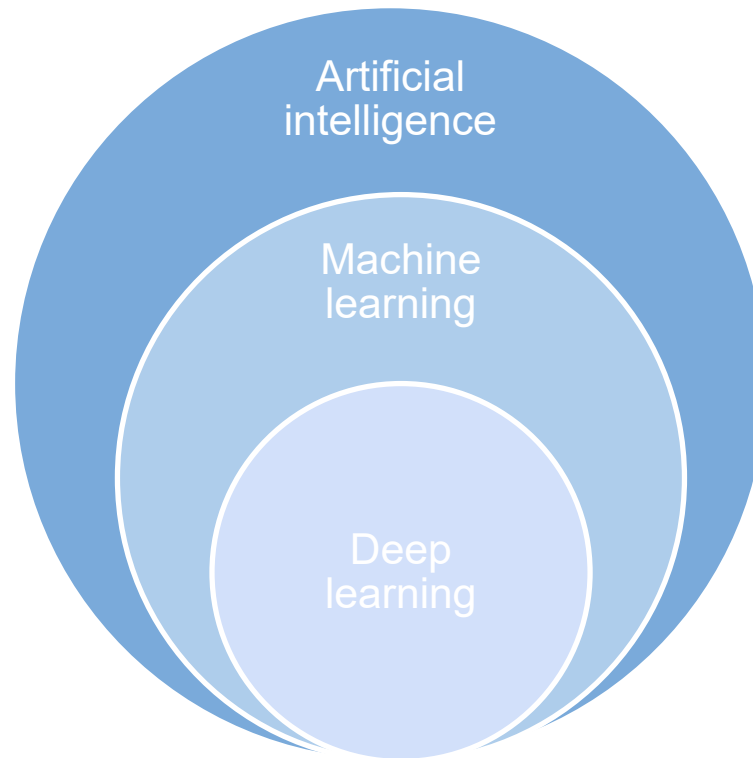
...and everything
is different

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 also in rapid change



"Where there is change, There is margin"

Being a shareholder in Sectra

Redemption program and dividend

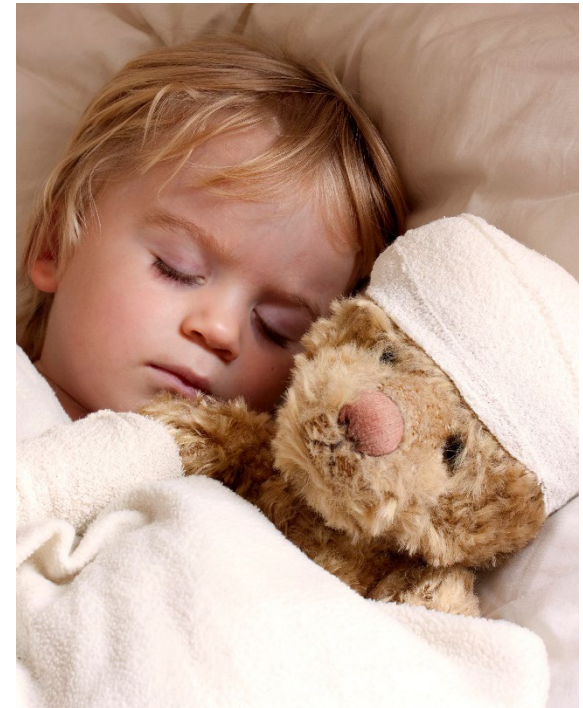
- Proposal to AGM:
SEK 4.50 per share to the shareholders through a 2:1 share split in combination with a mandatory redemption process.
- No ordinary dividend is proposed.

68.1%

Sectra share
total value growth
2018/2019 incl.
proposal to
AGM 2019

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

- September 3, 2019: Three month interim report
- September 5, 2019: Annual General Meeting

Your feedback is important!

Please let us know what you think at

www.sectra.com/irsurvey

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Knowledge and passion

Questions?

If you follow online, please use the email button.

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Knowledge and passion

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