

Q2 interim report 2016/2017:

# Increased earnings, strong cash flow and expanded future focus

Telephone conference December 12, 2016

Torbjörn Kronander, CEO and President

Simo Pykälistö, CFO and Executive Vice President

We contribute to a healthier and safer society.

**SECTRA**  
Knowledge and passion

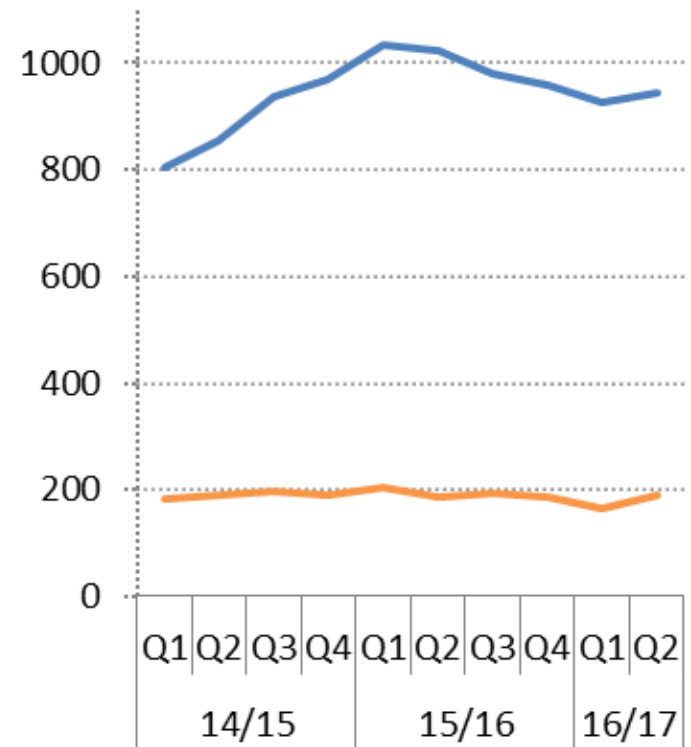
# Q2 Highlights

Torbjörn Kronander, CEO and President Sectra AB

# Imaging IT Solutions

- Improved operating income and operating margin.
- The boost 2014-2015 based on UK demand is now over.

Net sales and operating profit  
Business line Imaging IT Solutions



# Long-term contract signed in Norway

- Healthcare provider Helse Vest RHF ordered a region-wide radiology IT solution from Sectra for managing radiology images and patient information.
- Six-year agreement.
- Over the agreement period the order is valued at NOK 57.0 million.

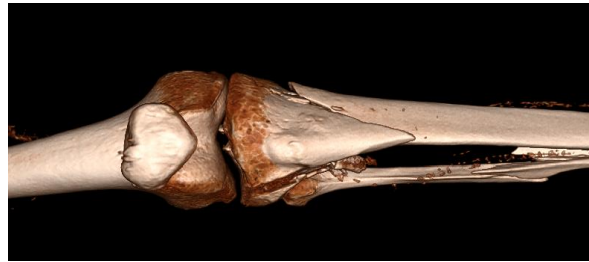


# Future growth projects

## Business Innovation



Medical education



Software systems for planning orthopedic surgery



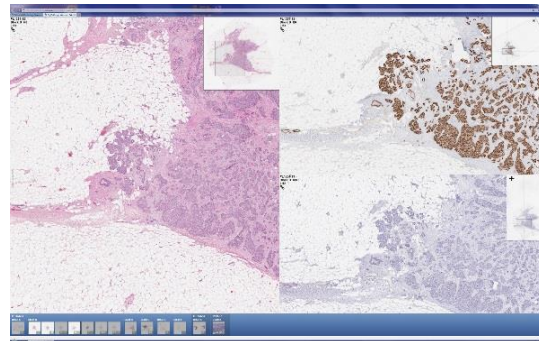
Research

## Secure Communications



IT security for critical infrastructure

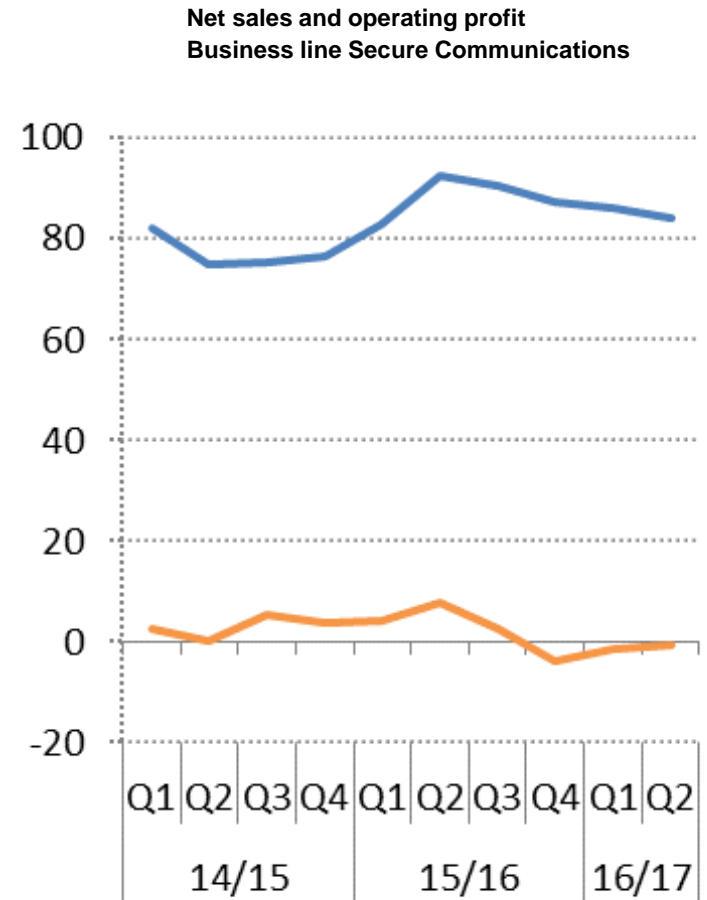
## Imaging IT



Digital pathology

# Secure Communications

- Increasing interest for the Sectra Tiger solutions.
- Critical infrastructure; substantial interest but a by its nature a slow market.



# Long-term investments in Critical IT security

- Growth strategy:
  - Focus on the energy sector.
  - First customers now fully operational.
  - Expand into new geographic markets based on solid references in Scandinavia.

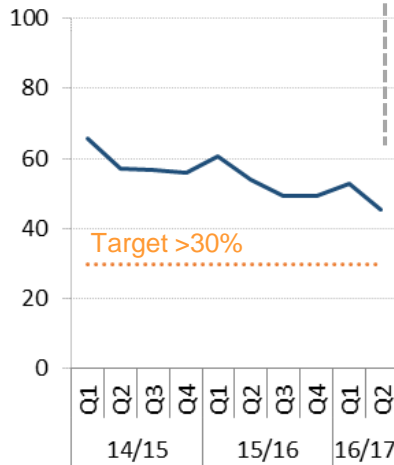


# All financial targets for the Group fulfilled

## Stability

Equity/Assets ratio  
%

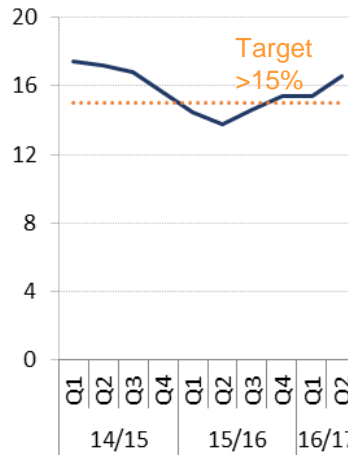
45.4



## Profitability

Operating margin  
%

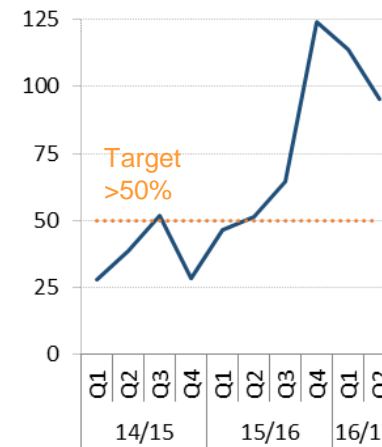
16.6



## Growth

EBIT/share growth  
over a 5-year period, %

95.3



Priority



# Highlights after Q2

Torbjörn Kronander, CEO and President Sectra AB

# Secure Communications

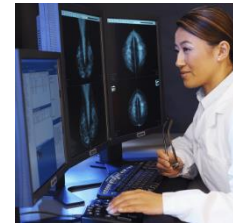
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- Sectra and Samsung's partnership in secure smartphones resulted in Sectra Tiger/R being approved at the RESTRICTED level by the Dutch security authorities.



# Imaging IT Solutions

- Several orders for medical IT solutions from customers in the US, UK, Germany and Sweden.
- Sectra entered the African healthcare market through new distribution partnership with Tecmed Africa in South Africa.



# Local and global presence

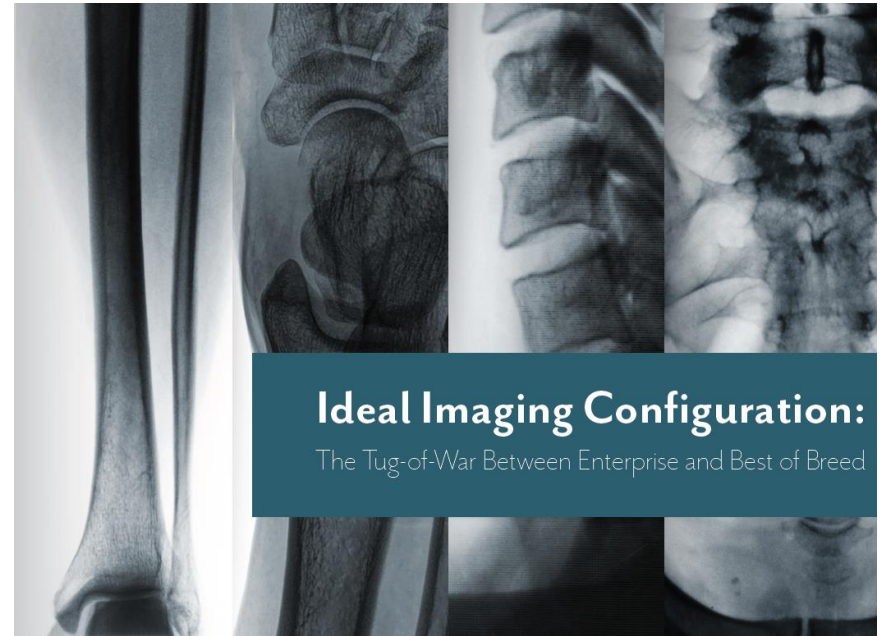
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- Sectra subsidiaries in 14 countries.
  - France (Medical) and Finland (Communications) established 2015/2016.
- Partner sales in selected markets.
- Customers in > 60 countries.
- Sectra's largest markets are:
  - Scandinavia,
  - USA,
  - UK and
  - the Netherlands.



# Unique customer satisfaction

- New report from peer60 November 2016.



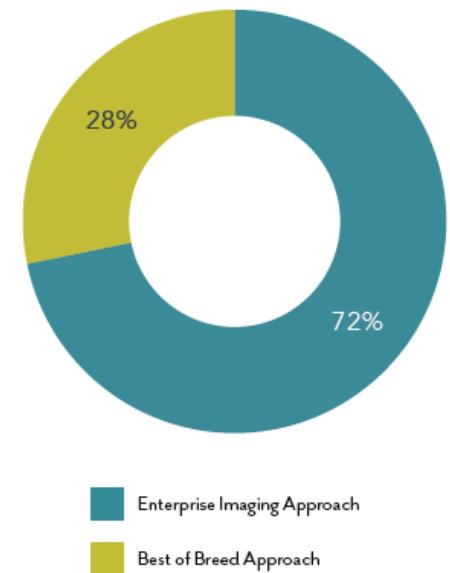
Source:

<https://www.peer60.com/report/ideal-imaging-configuration-2016/>

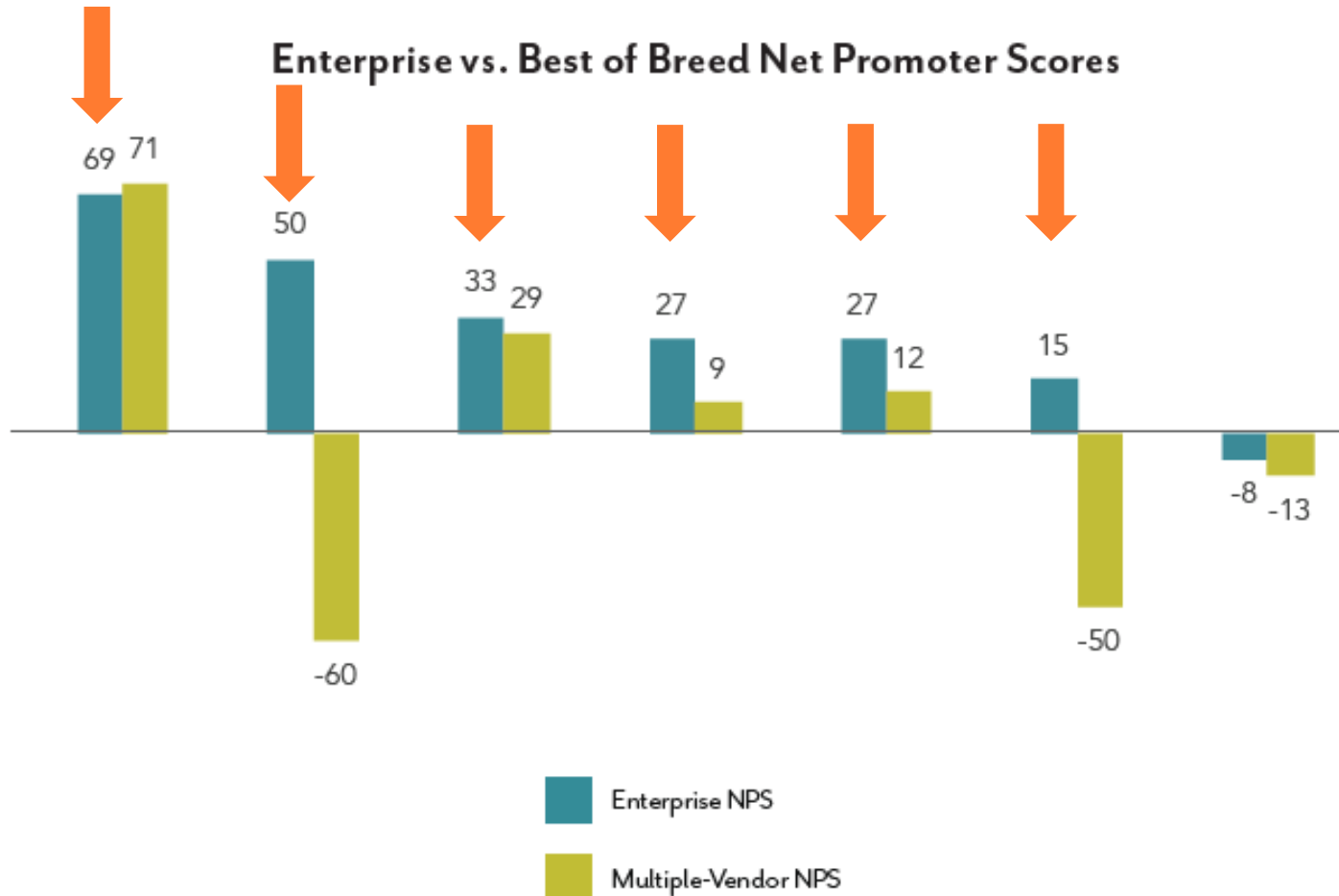
# Quick facts about the report

- Based on feedback from 276 top decision-makers among North American care organizations
- Investigates:
  - Adoption of best of breed and enterprise imaging approaches
  - Reasons for choosing each approach
  - Customer satisfaction

Current Configuration Among Participants



# Single vendor leads to more satisfied customers



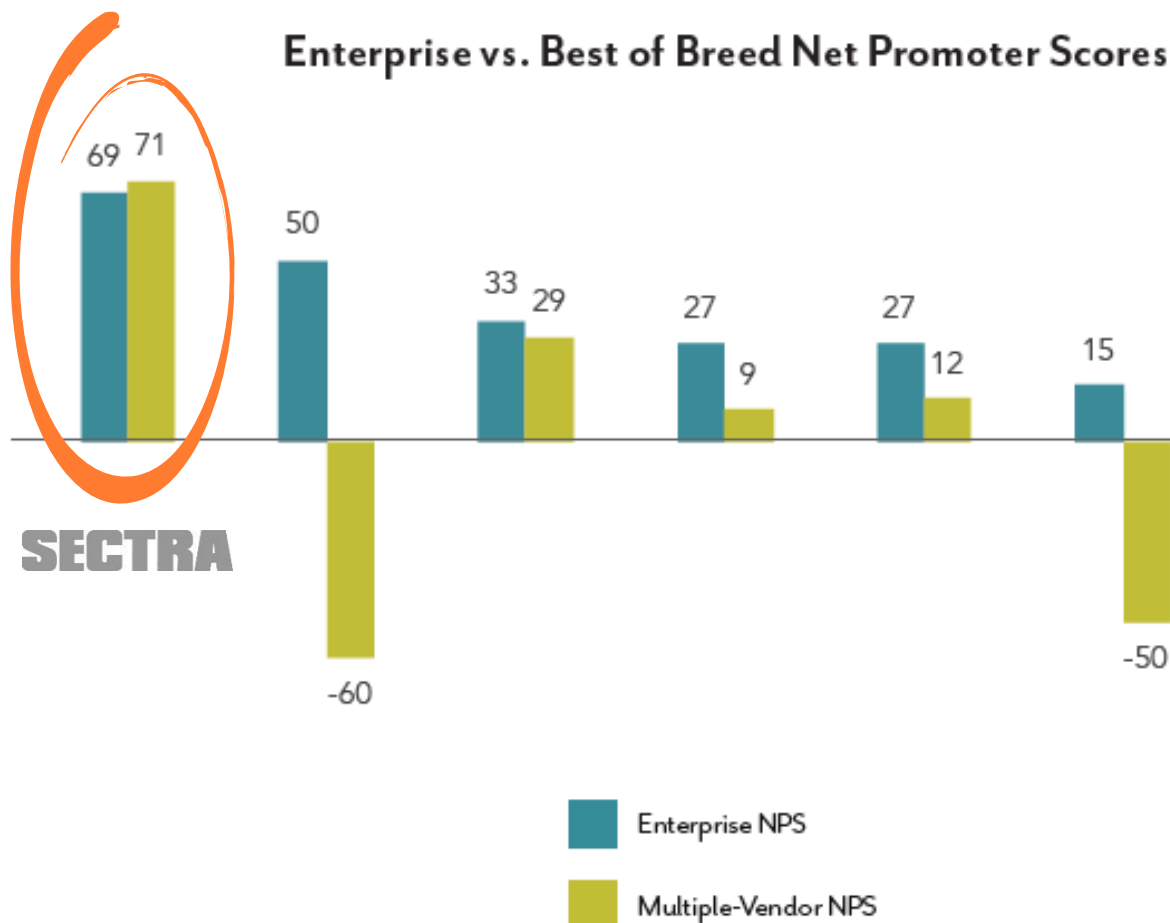
**“In almost every case, enterprise customers are significantly happier than those that use a best of breed approach.”**

Chris Jensen,  
Executive Vice President  
of Peer60

\*Suppliers in this graph (Not in respective order): Agfa, Carestream, Fuji, IBM, McKesson, Philips, and Sectra

peer60 report

# But – Sectra is #1 in both categories



**“Sectra impresses once again with a very high NPS among their PACS customers. No one else seems to be engendering this much loyalty. The fact that Sectra can maintain high scores in both arenas is unique.”**

Chris Jensen,  
Executive Vice President of Peer60

\*Suppliers in this graph (Not in respective order): Agfa, Carestream, Fuji, IBM, McKesson, Philips, and Sectra



# Confirms #1 in customer satisfaction

## BEST-RATED PACS IN THE WORLD



PACS



PACS



PACS



GLOBAL  
PACS



GLOBAL  
PACS

- Sectra PACS top the “Best in KLAS” survey 2015/2016 in the categories Global, US and Europe.

# Financial figures

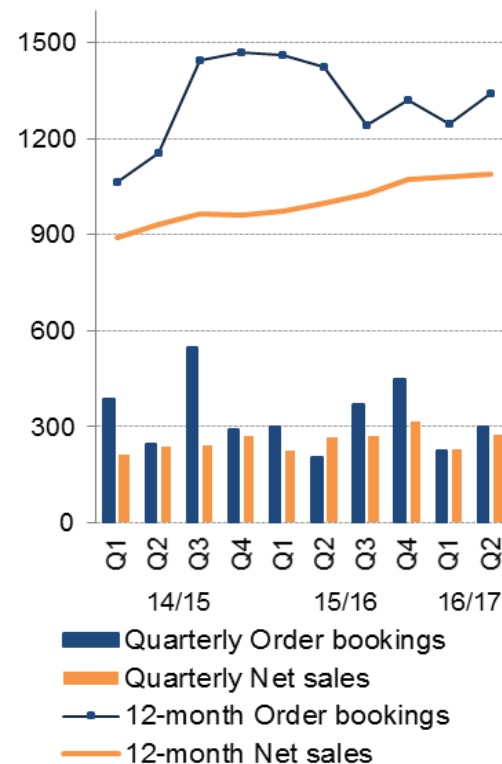
Simo Pykälistö, CFO & Executive Vice President Sectra AB

# Order bookings and net sales

- Best order intake in the US.
- Unfavorable currency fluctuations, mainly GBP.
- Net sales increased 3.4%.  
Adjusted for currency fluctuations up 5.1%.

## Order bookings and net sales

SEK million



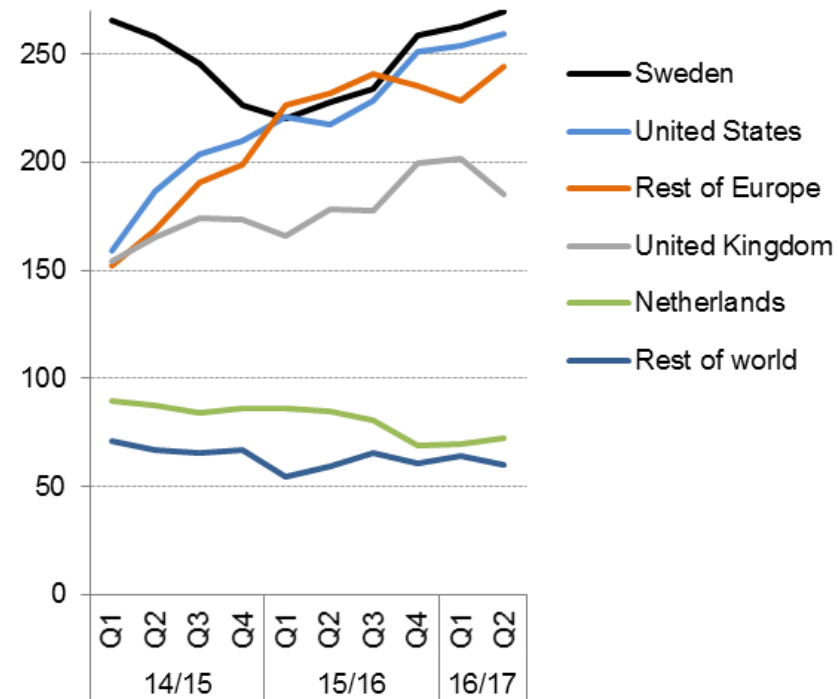
# Sales growth by geographic market

Changes compared with the six-month period  
previous fiscal year:

- Netherlands + 10.0%
  - Sweden + 9.1%.
  - Rest of Europe + 8.3%.
  - US + 7.2 %.
- 
- Rest of World neg. 3.0%.
  - UK neg.15.3%.

## Sales by geographic market

SEK million 12 month rolling



# Sales growth by business segment

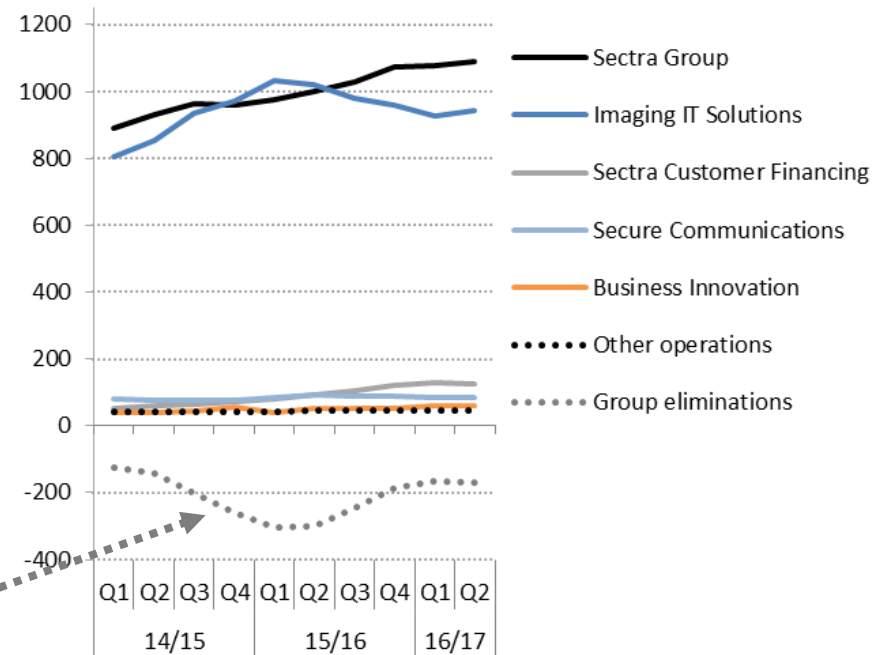
Changes compared with the six-month period previous fiscal year:

- Imaging IT Solutions neg. 2.9%.
- Customer Financing 11.9%.
- Secure Communications neg. 7.1%.
- Business Innovation 35.9%.
- Other operations neg. 4.0%.

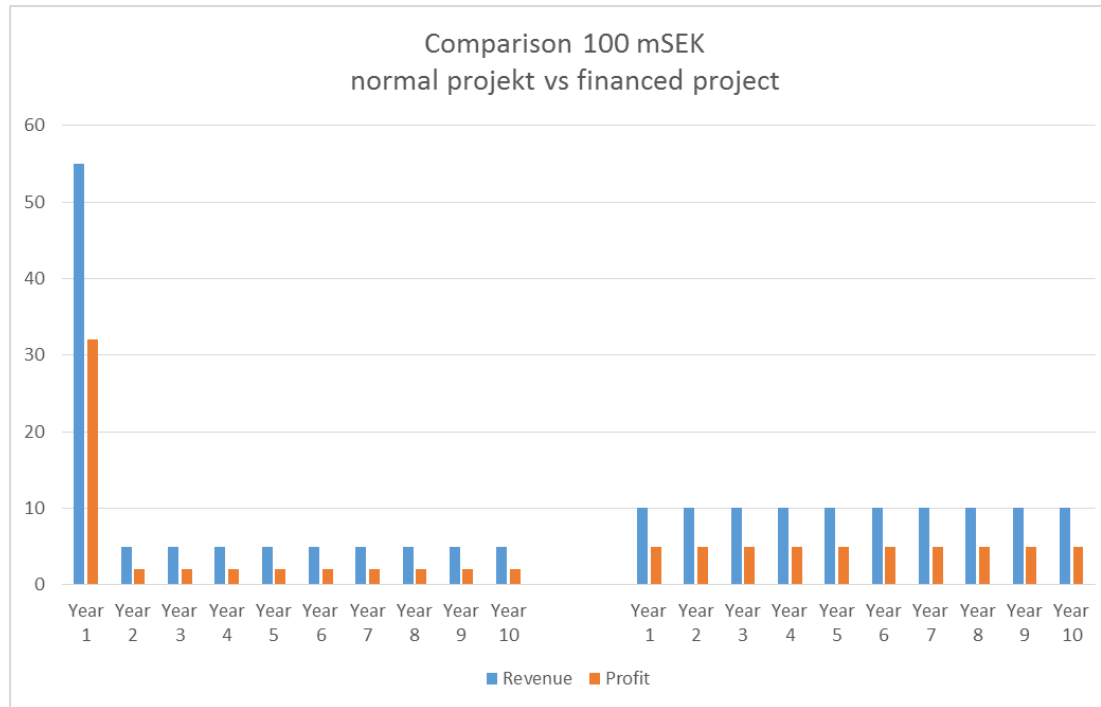
Eliminations mainly  
Group-financed  
large customer  
contracts.

## Sales by business segment

SEK million 12 month rolling



# Group-financed customer projects



## Group-financed customer contracts:

- Revenue and profit eliminated on the group level during the installation.
- Delayed revenue and profit recognition for the Group.
- Long term revenue and profitability improved.

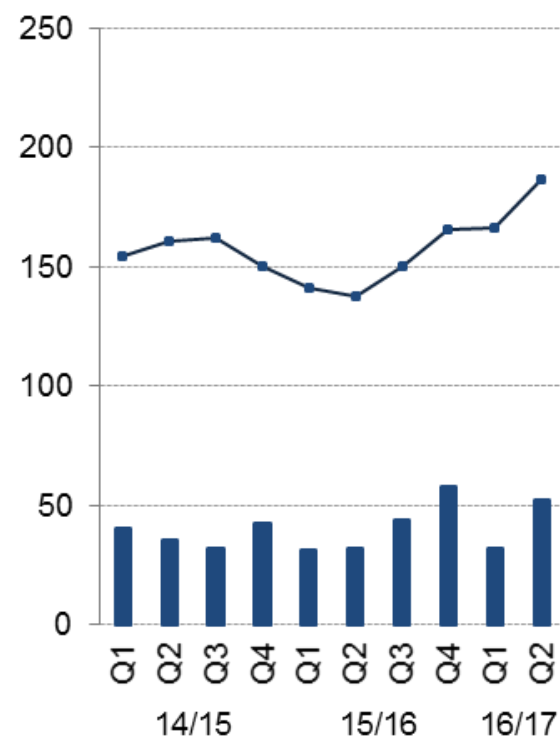
# Operating profits

Changes compared with the six-month period previous fiscal year:

- Operating profit +23.6%.
- Adjusted for currency fluctuations +33.4%.
- Operating margin 15.5%.

## Operating earnings

SEK million 12 month rolling



# Increasing cash flow

	Oct 31, 2016 Quarter 1-2	Oct 31, 2015 Quarter 1-2	Oct, 2016 12-month	Oct 31, 2015 12-month	2015/2016 Full year
Cash flow after changes in working capital	SEK 52.6 M	SEK 52.0 M	SEK 197.5 M	SEK 87.9 M	SEK 185.9 M
Cash flow/share after dilution	SEK 1.83	SEK 1.53	SEK 5.15	SEK 2.30	SEK 4.85

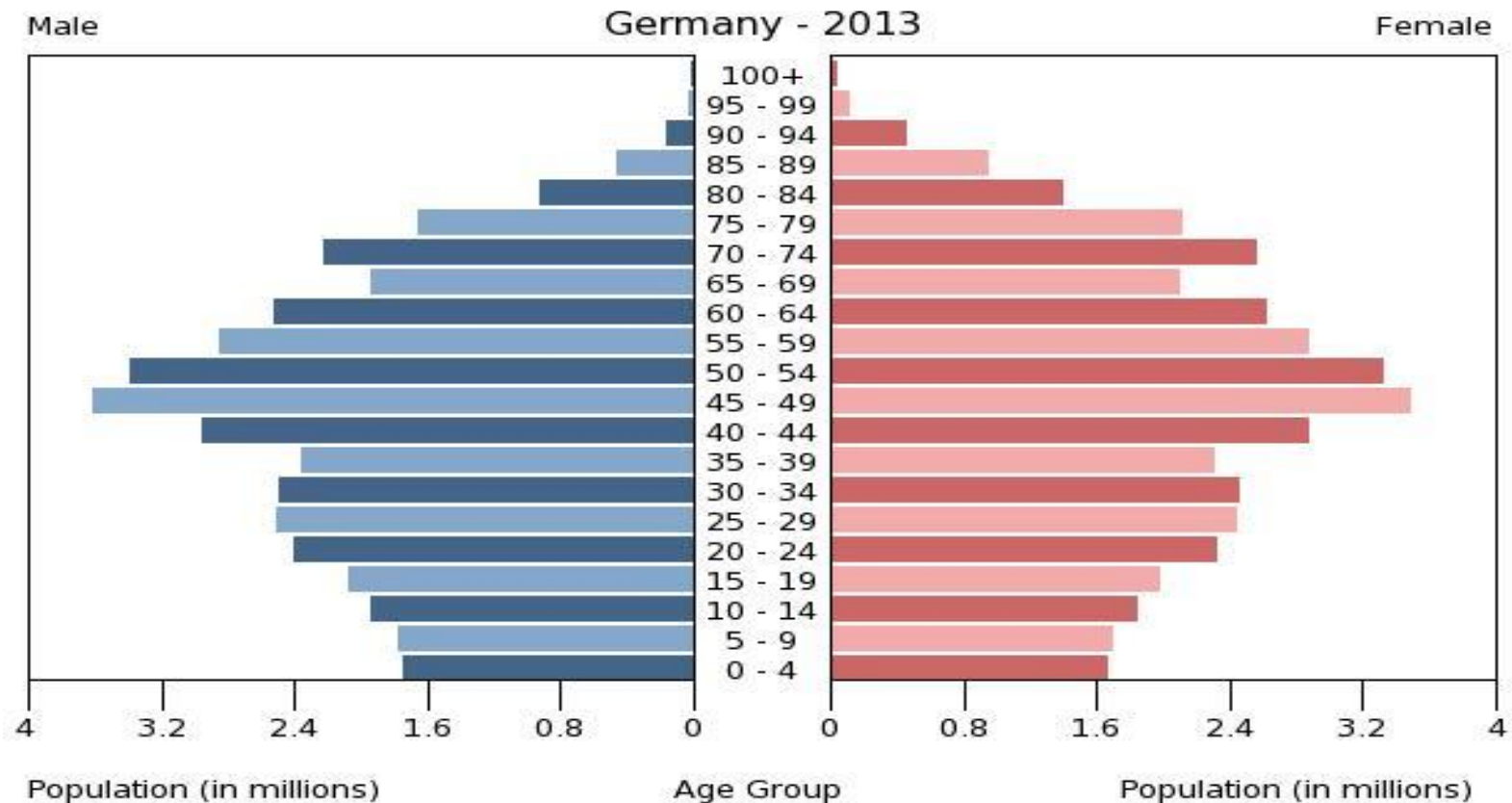
- A number of orders received previous year for medical IT solutions have reached operational phase.
- Long-term, the contracts will contribute to a solid future for the Sectra Group.



# Sectra's way forward

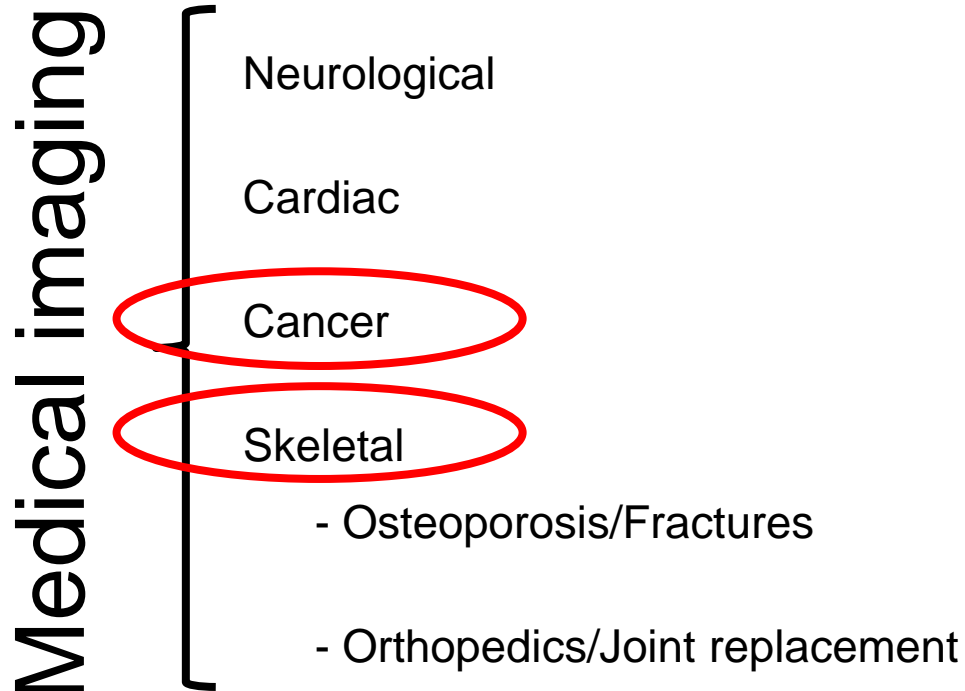
Torbjörn Kronander, CEO and President Sectra AB

# Population in a typical European society



# Growth areas in healthcare

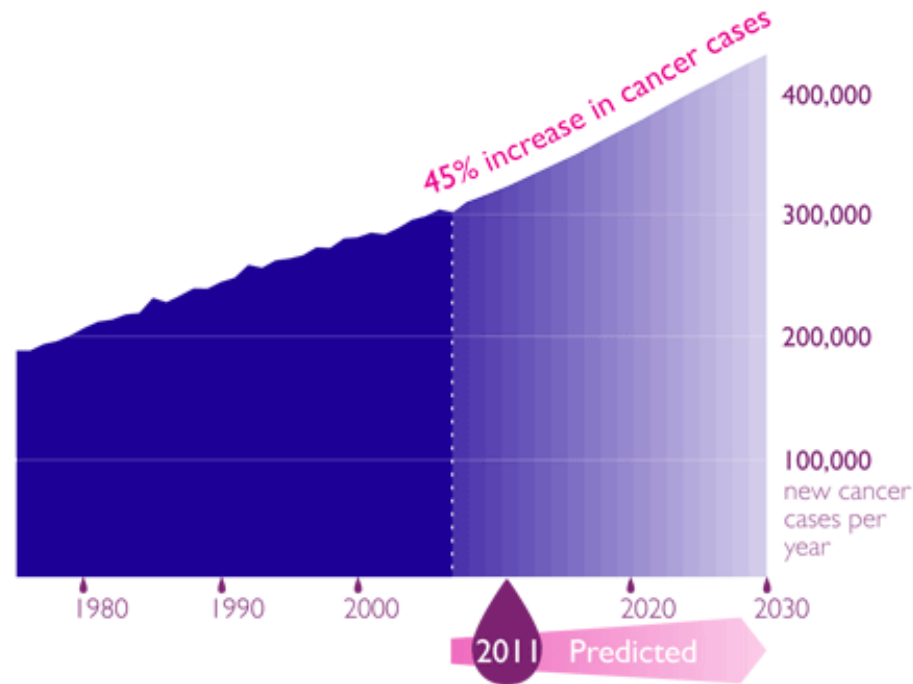
Areas related to the 'old people's disease':



# Focus on cancer diagnostics

Increasing disease with older population and lifestyle

Cancer cases to continue rising



# New methods are revolutionizing cancer survival

- Precision medicine diagnostics, including elaborate monitoring of treatment.
- Integrated diagnostics.
- Companion diagnostics.
- Lifelong monitoring of survivors, driving market size.



Cancer is changing -  
from a deadly disease  
to a chronic disease.

# Secure Communication

- Improvement still needed.
- Continue to grow sales in rest of Europe.
  - Demand is driven by increasing general uncertainty in Europe.
- Opportunities:
  - Critical Infrastructure security.
- Very conservative market so change is slow.



# Research and development

- Special focus on disease related to aging:
  - cancer (incl. pathology)
  - skeletal
  - (circulatory)
  - (neurodegenerative)



Some  
**10-15%**  
of net sales  
is invested in  
R&D  
each year

# Future growth projects

## Business Innovation



Medical education



Software systems for planning orthopedic surgery



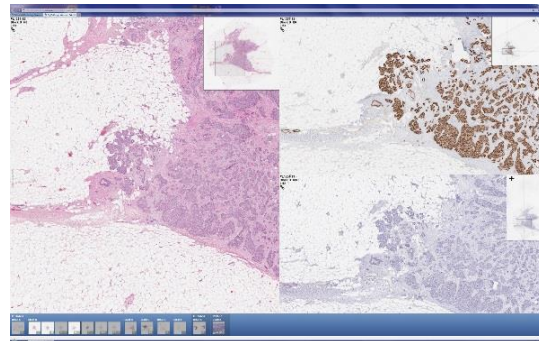
Research

## Secure Communications



IT security for critical infrastructure

## Imaging IT



Digital pathology and Integrated diagnostics



# Focus forward

- Maintain high customer satisfaction ratings.
- Reach financial targets.
- Internal effectiveness.  
Prioritize hosted solutions whenever possible.
- Prioritize large market share in a few geographies.
- Focused expansion, add new geographical markets carefully but decidedly.
- Focus on growth areas.



# Opportunities in major segments

## Imaging IT Solutions

- Be good in general imaging diagnostics, but
- Excel in Cancer Diagnostics
- Expand business with existing customers.
- Cloud services/hosted solutions whenever possible.



# Opportunities in major segments

## Secure Communications

- Political uncertainty coupled with increasing awareness drives cybersecurity business throughout Europe.
- Use brand and knowledge to leverage in Critical Infrastructure.



# Being a shareholder in Sectra

Torbjörn Kronander, CEO and President Sectra AB

# Why Sectra?

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- High customer satisfaction.
- Positioned in growing niche markets.
- A strong brand in markets where trust is critical.
- Management owns shares.
- Substantial and increasing recurring revenue.
- Profitable, strong cash flow and a solid balance sheet.
- Sustainable investments in R&D with exciting future opportunities.



# Upcoming IR events

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- **March 7, 2017 - Nine-month report**
  - Public announcement 8:00 a.m.
  - Telephone conference for presentation of the report 10:00 a.m.
- **May 30, 2017 - Year-end report**
  - Public announcement 8:00 a.m.
  - Telephone conference for presentation of the report 10:00 a.m.
- **September 13, 2017 - Annual General Meeting**
  - In Linköping, Sweden.

Your feedback is important!  
Please let us know what you  
think at  
[sectra.com/irsurvey](https://sectra.com/irsurvey)

Questions?



# SECTRA

*Knowledge and passion*

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