



## Friday Morning Coffee

### Nr. 98 — The comeback of Elekta!

The broad market sell-off in March gave us the opportunity to enter the business of cancer treatment again. Not so long ago we sold our shares in Elekta around 135 SEK and now we had the chance to buy back the shares at prices 40-45% lower than when we sold them. This is an opportunity we only get every few years so we kept Elekta on our watchlist after we sold it in hope of getting a chance to buy the company again at an attractive valuation. March gave us that opportunity.

Our investment case in Elekta is quite simple.

- Elekta is a Swedish global industry leader providing radiation therapy, radiosurgery related equipment and clinical management for the treatment of cancer and brain disorders.
- Elekta has a significant underpenetrated and growing market in Asia.
- Elekta comes out of a multi-year investment period where the underlying cash flows has been held back by significant product and innovation investments. These investments are now largely behind us and the company cash flows will significantly improve in the coming years as they sell their brand new and long-cycle technology.
- 40% of revenues comes from servicing the already installed machines. This revenue stream is highly profitable and grows at 5-10% per year.

**Radiation therapy equipment is expensive and only very few players in the industry can offer the level of technology and innovation requested by the market.** Elekta is seen as an industry benchmark in this respect and commands a market share of above 30% globally. Elekta is particularly strong in Asian countries where they are 4x bigger than their closest competitor. In the very near term, the order flow must be expected to run below what can be called normal. This is logical as health care systems globally is now fully occupied with combating COVID-19 virus and thereby less focused on buying or installing new cancer treatment technology. We deem this to be a cyclical and not a structural challenge. The long-term prospects of the cancer treatment industry remain favourable. The world has a large, growing and unmet need for cancer treatment and Elekta is ready to grab that opportunity.

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The business model is highly attractive to us. Elekta has been winning 50% of new orders being awarded to the market with Europe and Asia-Pacific being very strong markets for the company. This will over time expand the installed base of Elekta's equipment and thereby expand the very profitable service revenues when machines are being maintained and updated.

**With Elekta we own a company that makes the world a better place through lifesaving and life-improving technology. It is a company that has potential for many years of growth in the future. We feel good about such investments.**

Have a nice weekend,

**Allan S. Jensen, CFA CAIA**

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