Carl Zeiss Meditec Group

FY 2023/24 Results

Dr. Markus Weber, President and CEO
Justus Felix Wehmer, CFO

Agenda

01 12M 2023/24 at a Glance

02 Financial Performance

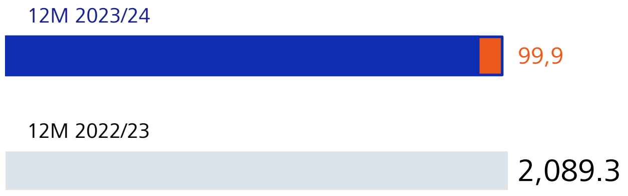
03 Highlights

04 Outlook

Revenue at 12M 2023/24 slightly down – order entry stabilizing

Organic growth hit by restrictive investment climate, weak consumer sentiment

Revenue



€ 2,066.1m

-1.1%

- FX-adj. revenue +0%
- DORC contributed €99.9m revenue in H2, FX- & acquisition-adjusted revenue declined by -4.8%
- Pressure on equipment sales continues amid restrictive investment climate
- Weaker refractive consumables due to destocking completion in H1 and weak main season in China

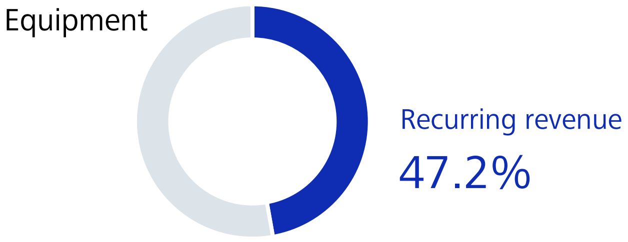
Order entry

€ 1,934.8m

+2.8%

- FX-adj. order entry +3.9%
- Ex DORC, order entry were -2.5%
- Incremental stabilization of order entry
- Normalization of order backlog after 12M at €282.9m

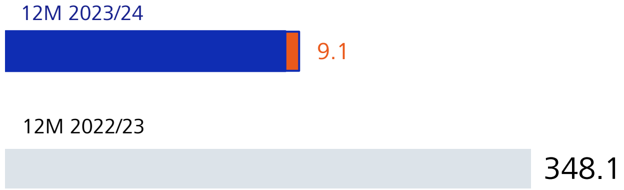
Revenue Split



Adj. EBIT margin well within lowered guidance range

Reported EBIT burdened by special effects related to DORC acquisition and CTI

EBIT

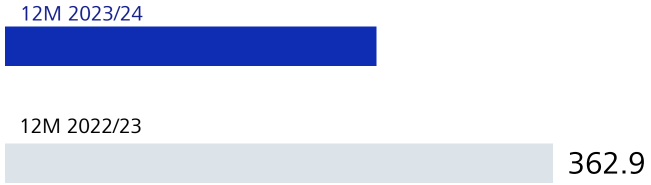


€ 194.5m

-44%

- EBIT margin at 9.4% (PY 16.7%)
- Significant decline in EBIT due to slight revenue contraction and unfavorable product mix
- One-time impact in Q4 23/24 due to correction of CTI (former "Iantech") intangible assets
- Strict cost control results in OpEx ex DORC slightly below past year
- "Resilience" measures remain in place for FY 2024/25

Adj. EBIT

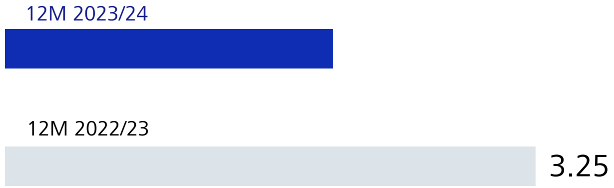


€ 245.9m

-32%

- Adj. EBIT margin at 12.5% (PY 17.4%)
- Key adjustments for DORC related contribution and integration expenses, amortization of PPA of DORC and earlier acquisitions, impairment of intangible assets of CTI as well as one-off gain from Topcon

EPS



€ 2.01

-38%

- Lower earnings per share due to decline in EBIT, reduced FX hedging result and higher interest expenses despite positive effect from reduced contingent purchase price liabilities related to CTI acquisition

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Ophthalmology

Margin decline due to top-line weakness, mix change as well as special effects

Revenue

€ 1,589.2m

+0.8%

- FX-adj. revenue growth of +1.8%
- Ex. DORC, revenue declined by -5.5%
- Weaker equipment revenue mainly from diagnostics and ophthalmic microscope categories

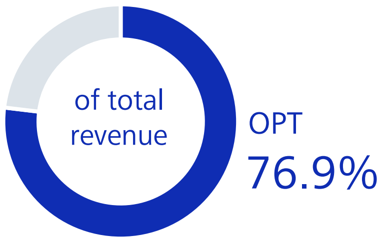
EBIT margin

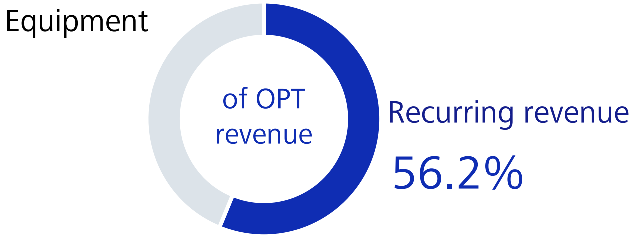
6.3%

-7.5 pp

- EBIT margin significantly declined mainly due to
    - Negative mix shift from underlying decline in consumables (ex DORC acquisition), primarily caused by destocking of refractive consumables in H1 and soft peak season in China
    - EBIT decline partially mitigated by "Resilience" cost control measures
    - Significant impact of CTI impairment in Q4 as well as DORC PPA-related effects

Revenue Split





Microsurgery

Weak top line and product mix shift cause pressure on EBIT margin

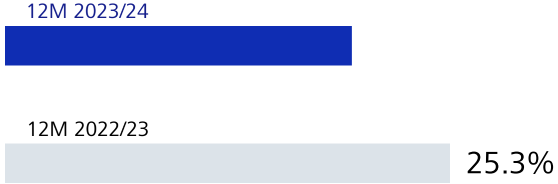
Revenue

€ 477.0

-7.0%

- FX-adj. revenue decline of -5.6%
- Weak neurosurgery business impacted by restrictive investment climate, especially in North American market

EBIT margin

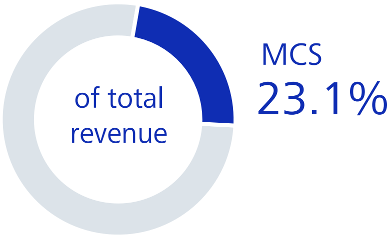


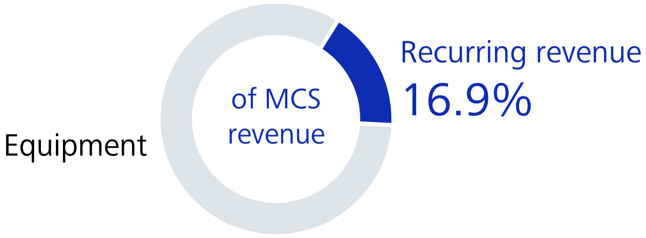
19.7%

-5.5 pp

- Decline in EBIT margin due to weaker top line, negative mix shift with lower share of neurosurgical sales
- OpEx trending sideways due to strict “Resilience” cost control measures

Revenue Split

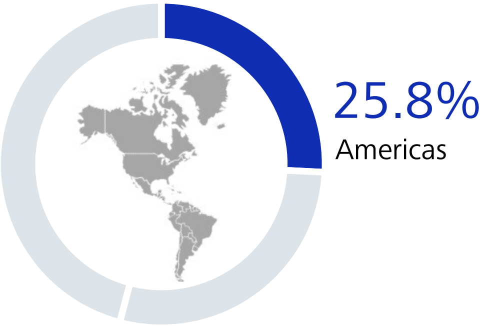


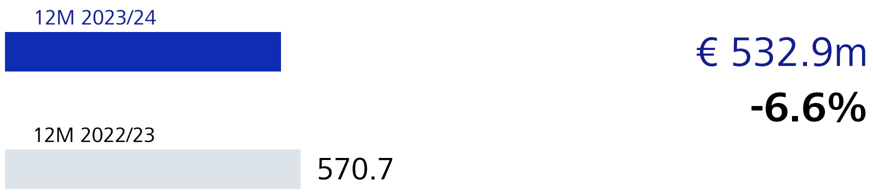


Regional development

Strong backlog-driven growth in EMEA offset by headwinds in APAC, Americas

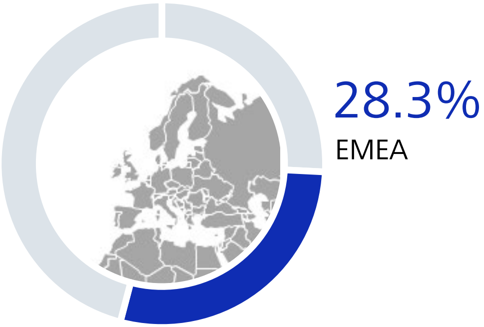
Americas

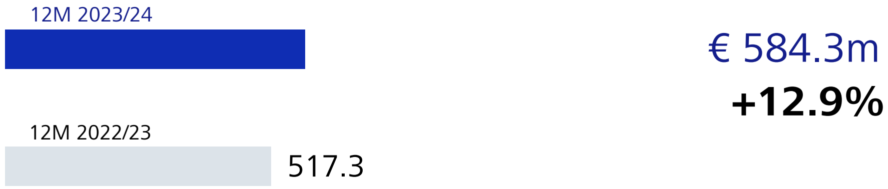




- FX-adj. revenue decrease of -5.4%
- Stagnant device business in US amid high financing cost environment
- Incremental improvement in order entry throughout the year

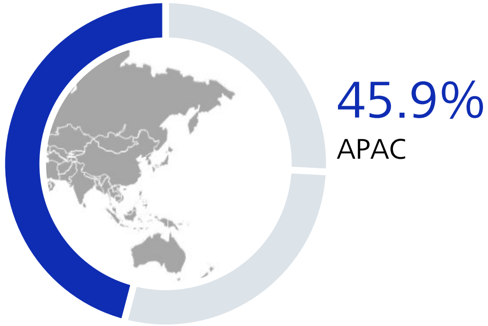
EMEA

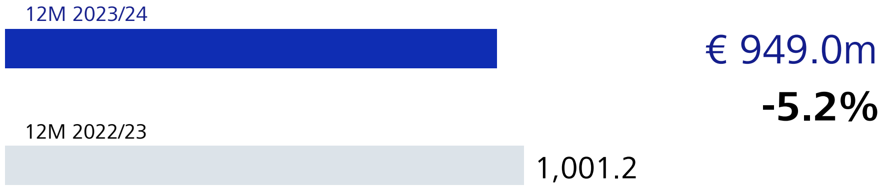




- FX-adj. revenue growth of +14.3%
- Solid growth in core markets such as FR, IT, ES largely driven by strong deliveries out of equipment backlog
- Order trend slightly weakening throughout the year

APAC



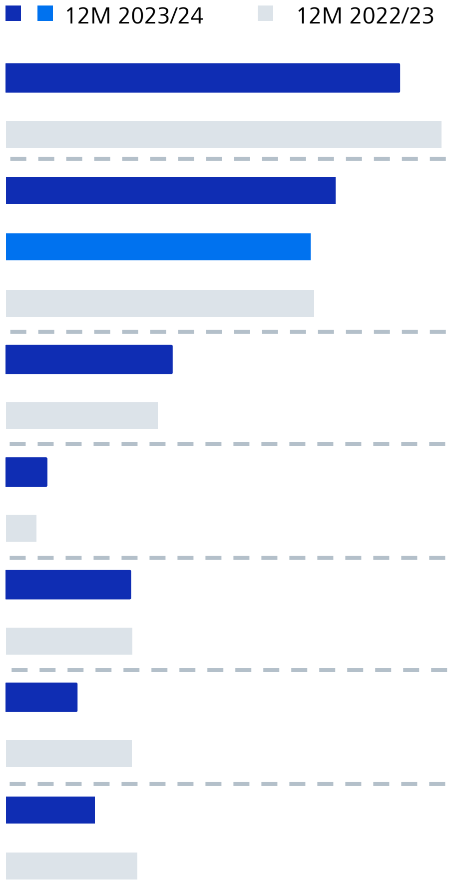


- FX-adj. revenue decline of -4.3%
- China decline due to destocking, delayed VBP implementation and softer refractive peak season; weaker performance as well in Japan and South Korea
- Positive trend in SEA, India and Australia

P&L – Sideways underlying OpEx trend in 12M 2023/24

OpEx ratio higher due to weaker revenue and DORC integration

Income Statement



	in €m	in % of sales
Rep. Gross profit	1,088.6	52.7
	1,205.8	57.7
Rep. OpEx	912.3	44.2
OpEx ex. DORC[1]	843.4	42.9
	853.3	40.8
S&M expenses	458.2	22.2
	420.3	20.1
G&A expenses	111.0	5.4
	83.8	4.0
R&D expenses	343.1	16.6
	349.3	16.7
Rep. EBIT	194.5	9.4
	348.1	16.7
Adj. EBIT	245.9	12.5
	362.9	17.4

- Gross margin decline due to CTI impairment, negative product mix with lower refractive consumables, VBP-related price reduction in IOLs in China, as well as negative FX effects primarily from RMB, USD and JPY
- Excluding DORC consolidation and integration cost, OpEx slightly lower thanks to strict cost controls mainly in the area of R&D and S&M expenses. Admin expenses higher due to DORC integration expenses.
- OpEx ratios still slightly higher due to weak revenue development

[1] OpEx excluding OpEx of DORC and integration cost of DORC

EBITA and EBITA margin as key indicators for future reporting in light of DORC acquisition

EBITA & adj. EBIT

	12M 2023/24 €m	12M 2022/23 €m	yoy %
EBIT	**194.5**	348.1	-44.1
./. Amortization of PPA*	**-10.0**	-10.5	-4.8
./. Amortization of PPA DORC	**-13.0**	-	-
./. Impairment CTI intangible assets	**-31.5**	-	-
EBITA	**248.9**	358.6	-30.6
EBITA margin	**12.0%**	17.2%	-5.2 pp
./. Other special items**	**+18.1**	-4.3	-
./. DORC integration and inventory step-up	**-24.3**	-	-
./. DORC reported EBIT	**+9.1**	-	-
Adjusted EBIT	**246.0**	362.9	-32.2
Adjusted EBIT margin	**12.5%**	17.4%	-4.9 pp

* Regular amortizations on intangible assets arising from purchase price allocations (PPA) of former acquisitions

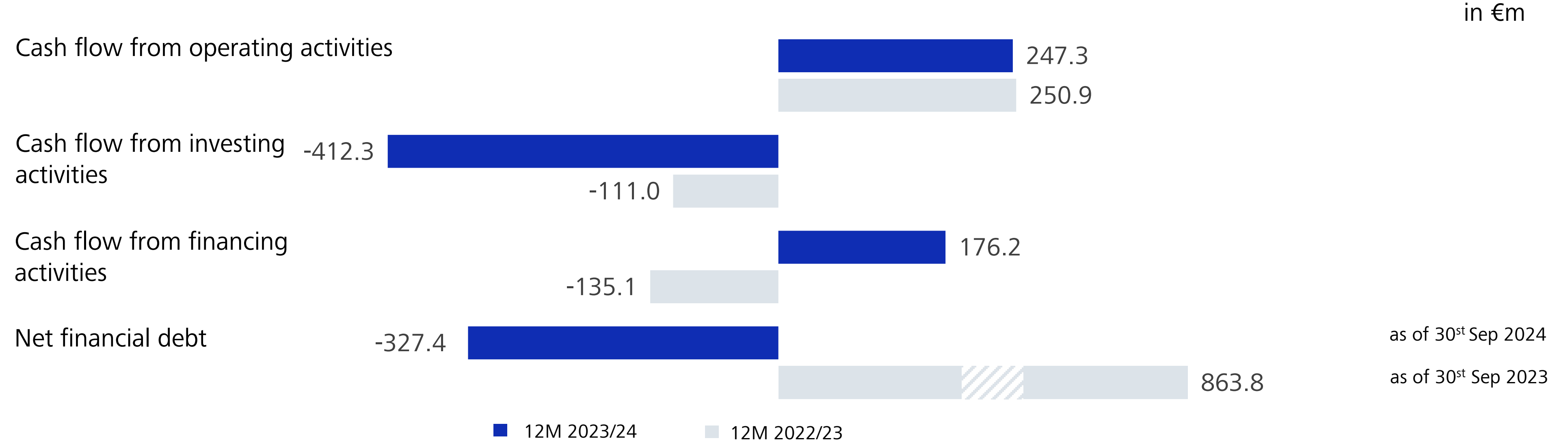
** Topcon settlement in Q2 2023/24

Future guidance will be mainly focusing on EBITA and include DORC contribution from FY 2024/25 onwards.

Adjusted EBIT will only contain irregular / one-time effects.

Operating cash-flow roughly stable in difficult environment

Cash flow statement



- **Operating cash flow** roughly stable y/y – profit decline partially compensated by efficient working capital management
- **Investing cash flow significantly** decreased – contains acquisition of DORC and higher CapEx ratio (tangible & intangible CapEx at 7.4% of revenue)
- Higher **Financing cash flow** from issuance of shareholder loan and share buyback
- **Net financial debt** at €-327.4m – mainly shareholder loan

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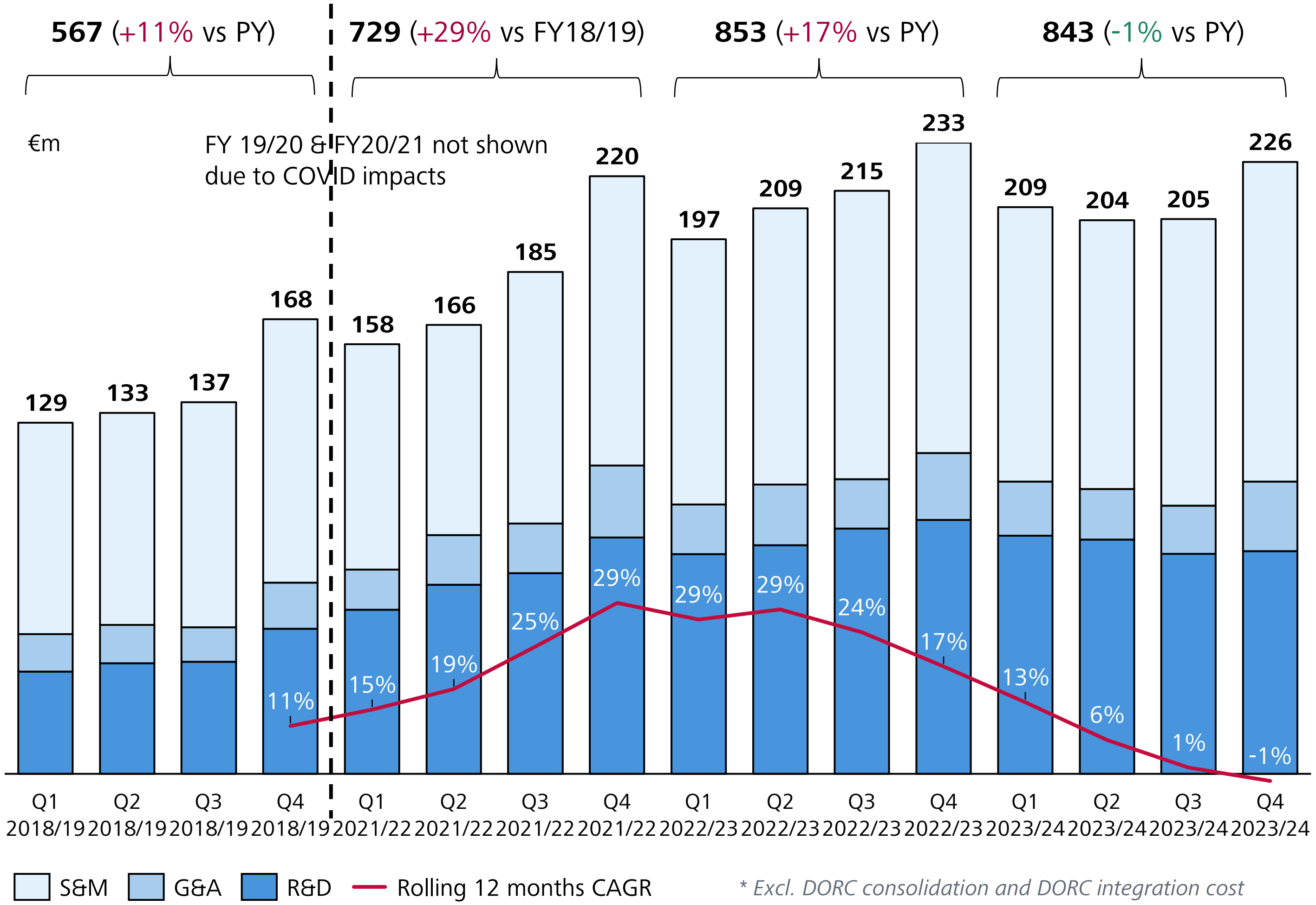
Successful implementation of resilience measures in FY 2023/24 and launch of transformation initiatives

OpEx* development post COVID

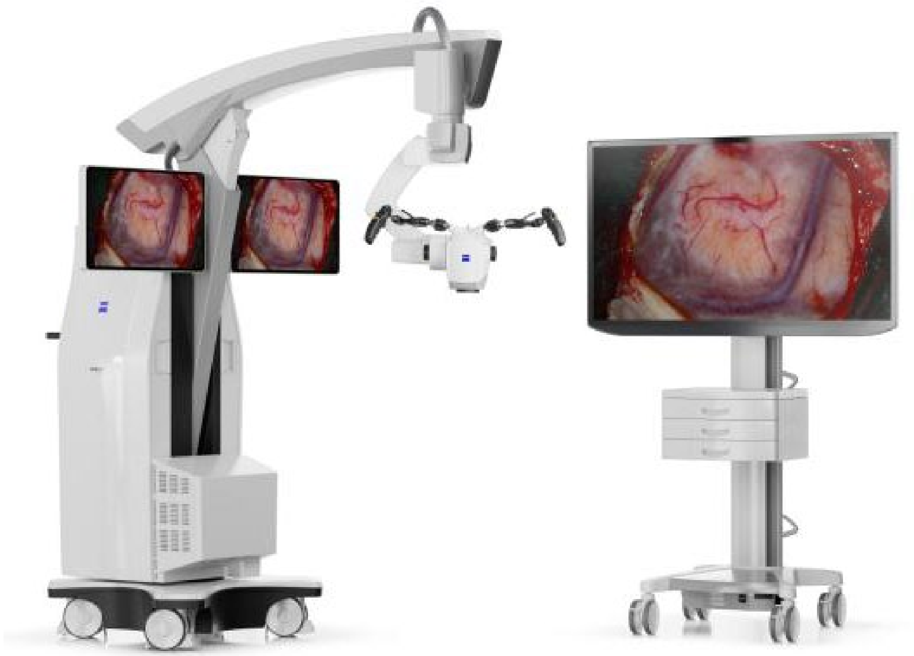


** Excl. DORC consolidation and DORC integration cost*

- **Achievement of resilience measures:**
  - Slowdown in OpEx increase since peak in late 2022
  - Net OpEx reduction of ~ €10m in FY 2023/24 on a comparable basis (excl. DORC)
- **Key resilience measures including:**
  - Effective utilization of organizational flexibility,
  - Transformation initiatives launched in key areas including
    - Business Case Prioritization
    - Commercial Excellence
    - Innovation Excellence
    - COGS down
- **Target for 2024/25**:
  - Maintain flat operating costs excluding impact of DORC acquisition
  - Should the market environment deteriorate further, additional savings potential in the **low- to mid-double-digit million-euro** range have been identified

Growth by adding new value to the already leading platform

Turning complexity into clarity – KINEVO® 900 S

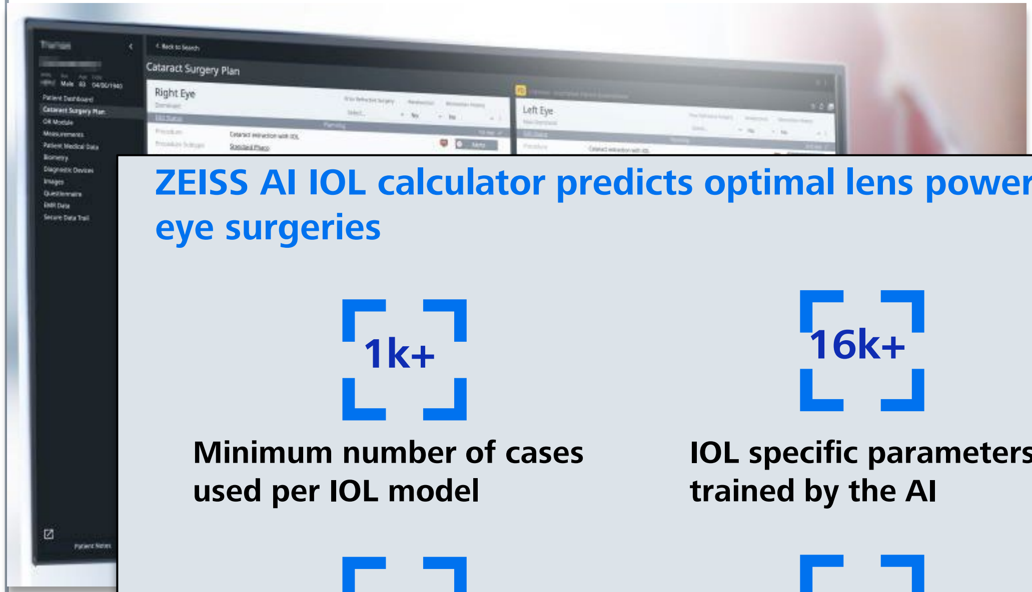


- Launched in **September 2024**
- Now available in **Europe and US,** expected launch in Japan in 2025 and China in following years
- **Best digital visualization** – better than reality
- **Cobotic assistant -** AI-based robotic auto-centering and Voice Assistant
- **Connected intelligence** – New clinical and workflow value, integration of KOGENT's portfolio

AI integration across our solutions

ZEISS AI IOL calculator, ZEISS CIRRUS PathFinder

ZEISS AI IOL Calculator



ZEISS AI IOL calculator predicts optimal lens power for eye surgeries

1k+

Minimum number of cases used per IOL model

16k+

IOL specific parameters trained by the AI

13

Number of IOL models[1] trained by the AI

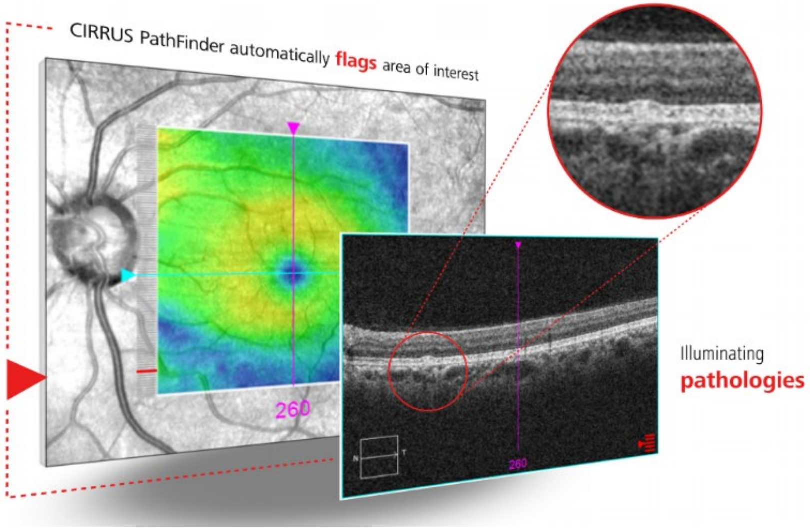
0

No IOL constant needed

- ✓ **AI-driven IOL** power prediction for **improved** cataract surgery **outcomes**

1 Currently available IOLs: ZEISS CT LUCIA 621P, DCB00, ZCB00, PCB00, DIB00, MX60E, SofPort AO, AcrySof AU00T0, AcrySof SA60AT, AcrySof SA60WF, AcrySof SN60WF, Clareon CNA0T0, Clareon SY60WF

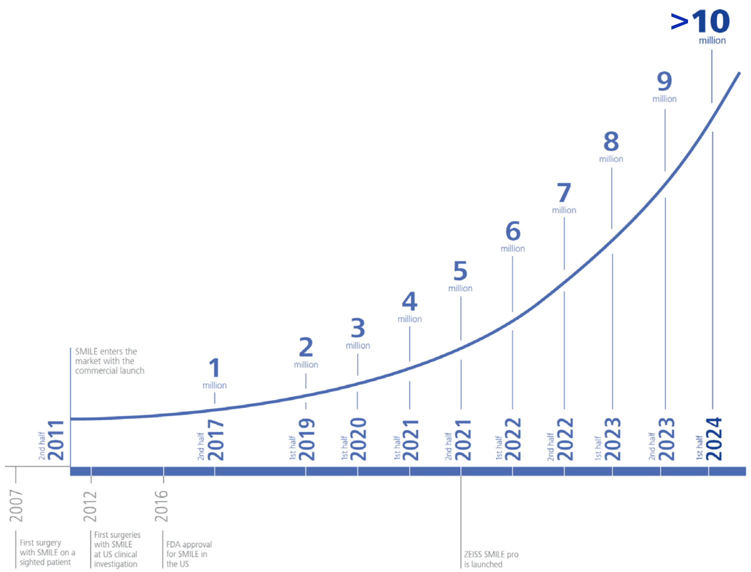
ZEISS CIRRUS PathFinder

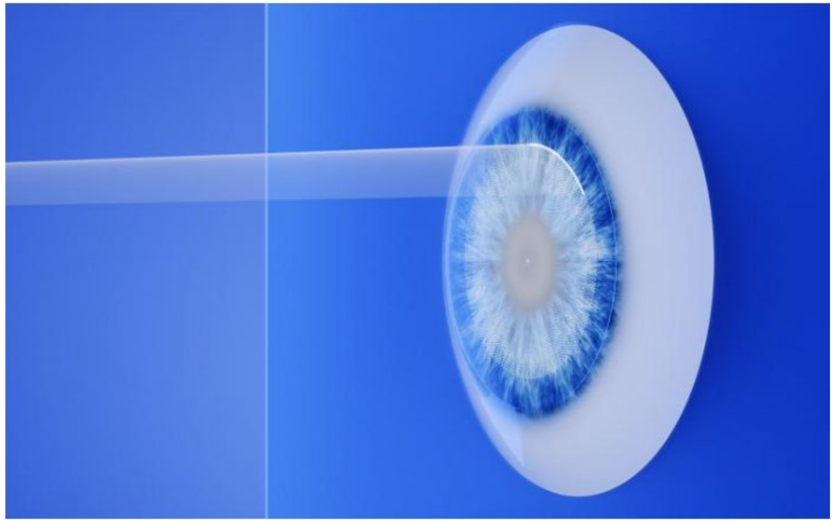


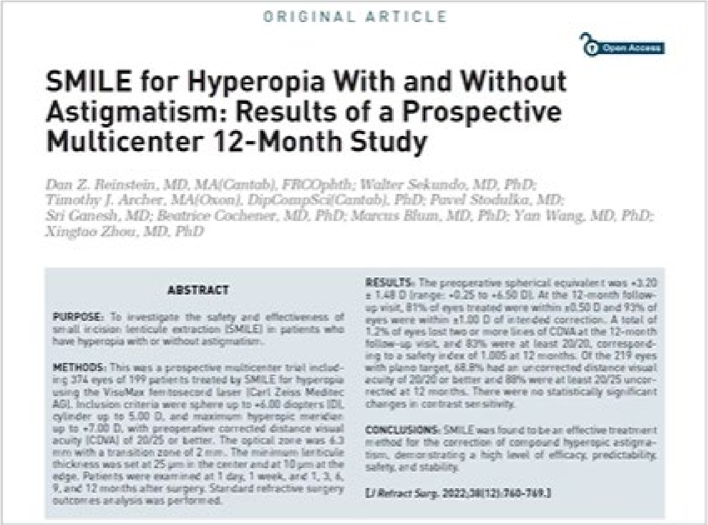
- ✓ **Automatically screening patients** pre surgery and assists with **accurate diagnosis and referral of patients**
- ✓ **AI-powered identification** of OCT scans that have **one or more of 8 pathologies** that may be of interest (e.g., subretinal fluid, intraretinal fluid etc.)
- ✓ Trained by retina specialists on 75,000 B-scans, with **88% sensitivity** and **93% specificity reducing false referrals**

SMILE® 10m milestone – constant growth and development

… now also for hyperopia w. w/o. astigmatism







ORIGINAL ARTICLE

Open Access

SMILE for Hyperopia With and Without Astigmatism: Results of a Prospective Multicenter 12-Month Study

Dan Z. Reinstein, MD, MA(Cantab), FRCOphth; Walter Sekundo, MD, PhD; Timothy J. Archer, MA(Oxon), DipCompSci(Cantab), PhD; Pavel Stodulka, MD; Sri Ganesh, MD; Beatrice Cochener, MD, PhD; Marcus Blum, MD, PhD; Yan Wang, MD, PhD; Xingtao Zhou, MD, PhD

ABSTRACT

PURPOSE: To investigate the safety and effectiveness of small incision lenticule extraction (SMILE) in patients who have hyperopia with or without astigmatism.

METHODS: This was a prospective multicenter trial including 374 eyes of 199 patients treated by SMILE for hyperopia using the VisuMax femtosecond laser (Carl Zeiss Meditec AG). Inclusion criteria were sphere up to +6.00 diopters (D), cylinder up to 5.00 D, and maximum hyperopic meridian up to +7.00 D, with preoperative corrected distance visual acuity (CDVA) of 20/25 or better. The optical zone was 6.3 mm with a transition zone of 2 mm. The minimum lenticule thickness was set at 25 µm in the center and at 10 µm at the edge. Patients were examined at 1 day, 1 week, and 1, 3, 6, 9, and 12 months after surgery. Standard refractive surgery outcomes analysis was performed.

RESULTS: The preoperative spherical equivalent was +3.20 ± 1.48 D (range: +0.25 to +6.50 D). At the 12-month follow-up visit, 81% of eyes treated were within ±0.50 D and 93% of eyes were within ±1.00 D of intended correction. A total of 1.2% of eyes lost two or more lines of CDVA at the 12-month follow-up visit, and 83% were at least 20/20, corresponding to a safety index of 1.005 at 12 months. Of the 219 eyes with plano target, 68.8% had an uncorrected distance visual acuity of 20/20 or better and 88% were at least 20/25 uncorrected at 12 months. There were no statistically significant changes in contrast sensitivity.

CONCLUSIONS: SMILE was found to be an effective treatment method for the correction of compound hyperopic astigmatism, demonstrating a high level of efficacy, predictability, safety, and stability.

[J Refract Surg. 2022;38(12):760-769.]

Incredible achievement:

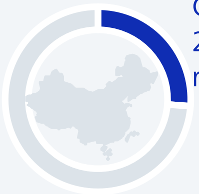
- Since its launch in 2011, more than 10 million eyes have been treated with SMILE® and SMILE® pro by over 3.000 surgeons from more than 80 countries
- Global installed base > 2,300 devices

Continuous innovation: Hyperopia treatment - With extended treatment ranges up to +7D, SMILE ® pro is the first lenticule extraction solution to treat hyperopia, myopia, and astigmatism.

Clinical study: SMILE ® was found to be an effective treatment method for the correction of compound hyperopic astigmatism, demonstrating a high level of efficacy, predictability, safety, and stability.

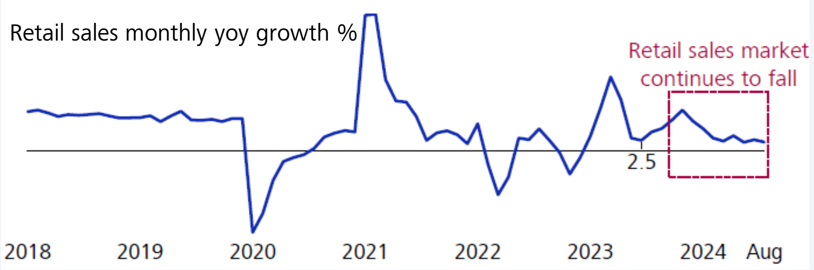
China refractive – well established strong position

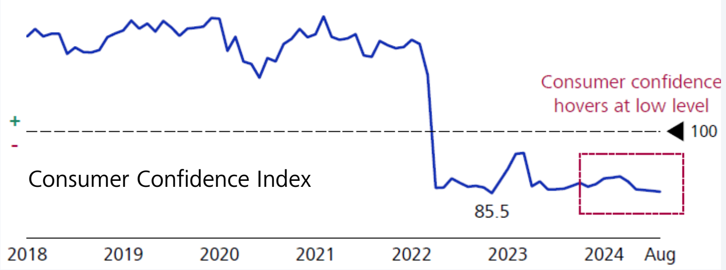
Temporary pressure from weak consumer confidence



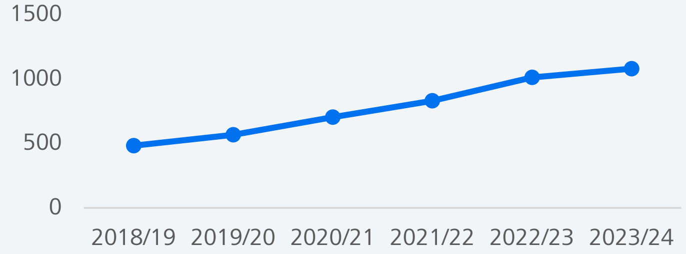
China incl. HK
26% of group
revenue

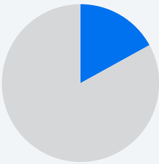
Challenging
macro economy



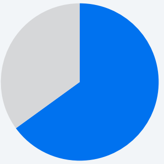


Installed base
expansion



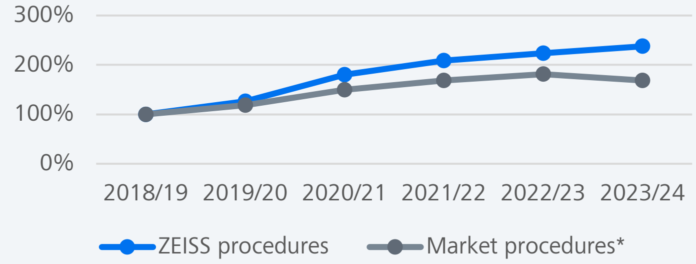


>15% installed base
older than 8 years



>60% IB at
private hospitals

Utilization data
continuously
outperforming market



Market share
around 50%

SMILE vs. Lasik
split: 70:30 by
volume

** Source: MarketScope and Company's estimates*

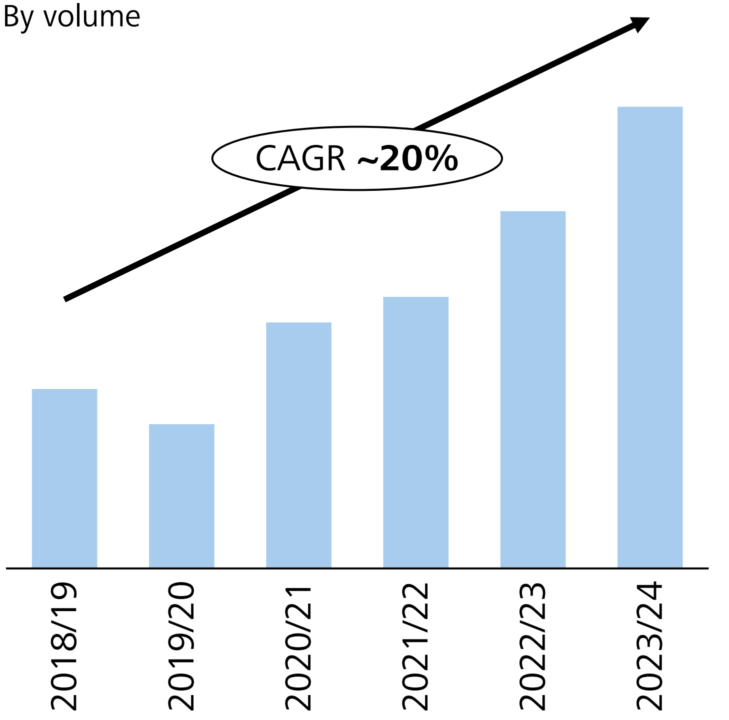
Long-term opportunities
and challenges

- High myopia prevalence while lower procedure rate compared to US, Western Europe and South Korea**
- Preference of lenticule based solution
- Closely monitoring potential local competitors

*** Source: MarketScope – 2023 Refractive Surgery Market Report*

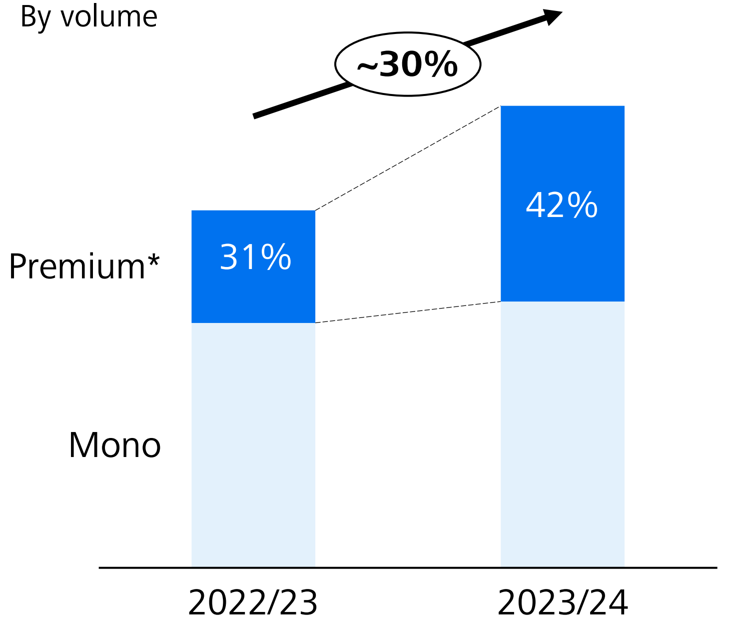
China IOL – fastest growing surgical field

Fastest growing IOL business



- Broad product offering
- Strong market position established

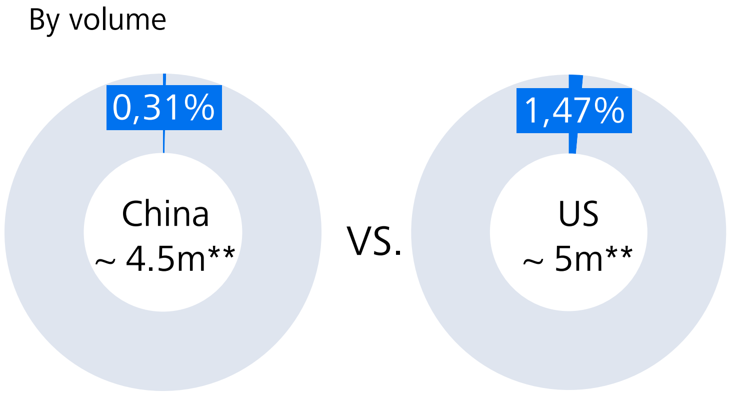
Premiumization trend after IOL VBP



- VBP related price cut at > 40%
- Strong volume rebound especially in premium IOL

** Premium includes Mono toric and Presbyopia-correcting*

IOL market over long-term



Optimistic perspective on volume growth over long-term, benefited from

- Strong brand power
- Broad customer base
- Local production plant
- Extensive product portfolio of refractive solutions (incl. clear lens exchange/ PRESBYOND®) for mid-aged presbyopia population

*** Source: MarketScope and Company's estimates*

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Outlook for FY 2024/25

- For 2024/25, we continue to anticipate a challenging global macroeconomic environment and do not expect a quick recovery in the investment climate for equipment, along with sustained pressure on consumer spending for elective procedures.
- Revenue is expected to return to moderate growth, supported by the recent stabilization in order intake and the full-year consolidation of DORC.
- EBITA and EBITA margin are expected stable to slightly higher in FY 2024/25.
- Cost containment measures will remain in effect to keep cost development roughly stable before the full-year consolidation of DORC.
- New product launches (such as KINEVO® 900 S and possible further VISUMAX® 800 approvals) provide additional upside potential throughout the year depending on timing of approvals & speed of ramp-up. Public stimulus measures for the consumer economy as well as medtech spending could provide further upside.
- A gradual increase in the EBITA margin is targeted in subsequent years, supported by increasing recurring revenues. Long-term sustainable potential for the EBITA margin is seen in the range of at least 16-20%.
- Expect weak revenue and EBITA trend to continue in Q1 2024/25, improve thereafter.

Seeing beyond