Carl Zeiss Meditec Group
9M 2023/24 Results

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

Agenda

Continued headwind to revenue and profit in 9M 2023/24

…amid restricted investment climate and weaker consumer sentiment

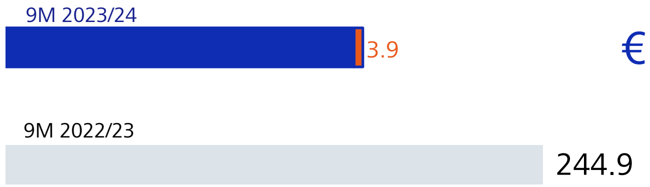
Revenue

€ 1,486.5 million

-1.5%

- FX-adj. revenue +0.1%
- DORC revenue contributed €52.7m in Q3, adjusted for DORC acquisition -5%
- Pressure on equipment revenue continues due to unchanged restrictive investment climate, especially in North America; consumables also below PY due to refractive treatment packs destocking (until March 2024) and slow start to summer peak season
- Book-to-bill ratio stabilized at slightly above 1 in Q3

EBIT

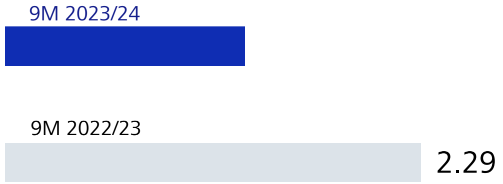


€ 162.7 million

-33.6%

- EBIT margin at 10.9% (PY 16.2%)
- DORC EBIT at €3.9m in Q3; Adj. EBIT margin at 11.2% (PY 16.8%)
- Significant decline in EBIT due to slow revenue development and lack of operating leverage, weaker product mix arising from lower share of refractive treatment packs & delayed implementation of volume-based procurement of IOLs in China
- Strict cost control results in flat OpEx development, further cost reduction measures initiated for Q4 and FY 2024/25

EPS



€ 1.32

-42.4%

- Lower earnings per share due to decline in EBIT, reduced FX hedging result and higher interest expenses

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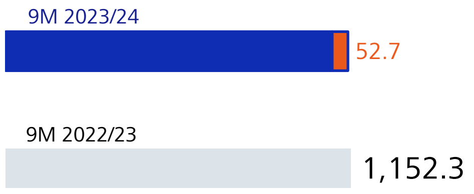
Ophthalmology

Lower margin caused by weak sales and soft consumables mix

Revenue

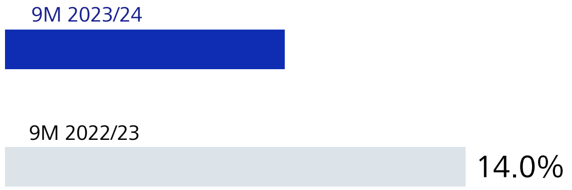


€ 1,143.0 million

-0.8%

- FX-adj. revenue growth of +0.7%
- Excl. DORC, revenue decline at -5.4%
- Weaker equipment revenue mainly from diagnostics and ophthalmic microscopes categories in North America
- Decline in Consumables, primarily caused by destocking of refractive consumables until March 2024 and slower start to the summer peak season in China

EBIT margin

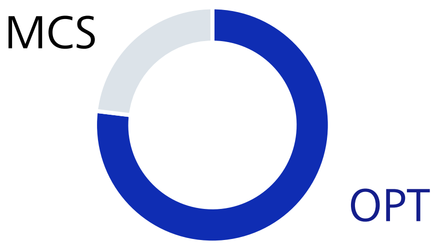


8.5%

-5.5 pp

- EBIT margin significantly declined due to weaker consumables mix and missing operating leverage despite cost control measures
- DORC EBIT margin at 7.4% in Q3

Revenue Split



76.9%

of total revenue

Microsurgery

Continued investment reluctance leads to weak top line and margin headwind

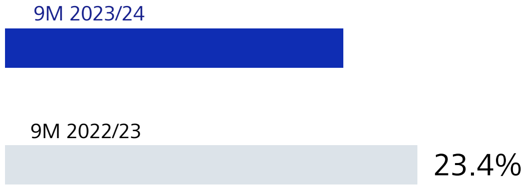
Revenue

€ 343.5 million

-3.9%

- FX-adj. revenue drop by -1.9%
- Weaker dental and neurosurgery business also affected by restricted investment climate on the part of various customer groups (especially North America)

EBIT margin

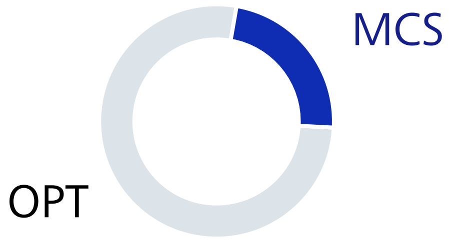


19.2%

-4.2 pp

- Decline in EBIT margin primarily caused by lack of operating leverage
- OpEx almost flat through strict cost control measures

Revenue Split

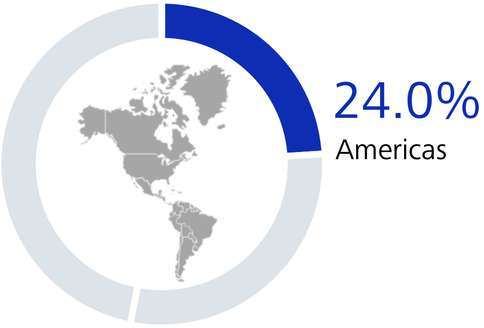


23.1%

of total revenue

Regional development

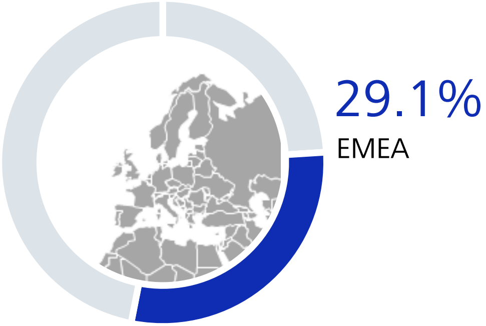
EMEA profiting from order backlog, Americas performance remains under pressure



€ 356.9 million
-13.0%

Americas

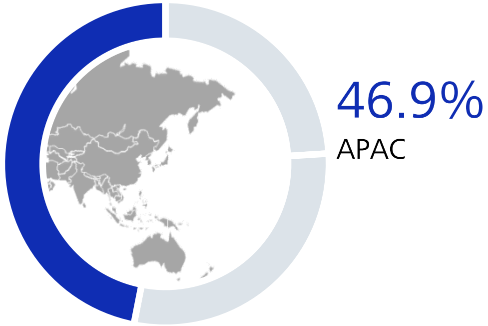
- FX-adj. revenue decrease of -11.9%
- Stagnant device business in US amid high-interest rates, low sales funnel conversion
- Q3 order entry slightly positive for first time during FY 2023/24



€ 432.2 million
+16.1%

EMEA

- FX-adj. revenue growth of +19.1%
- Solid growth in core markets such as IT, ES, FR



€ 697.5 million
-4.1%

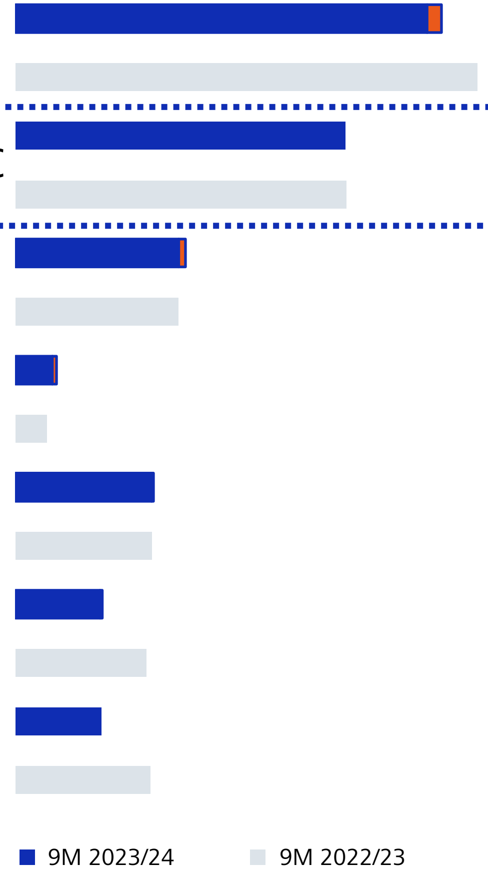
APAC

- FX-adj. revenue decline of -3.0%
- China trending sideways due to destocking effect (until March 2024) and delayed VBP implementation; weaker performance in Japan and South Korea
- Continued growth in India and Australia

P&L – Sideways underlying OpEx trend in 9M 2023/24

OpEx ratio higher due to weaker revenue trend and DORC integration

Income Statement



	Period	in € million	in % of sales
Gross profit	9M 2023/24	798.5	53.7
	9M 2022/23	865.5	57.3
OpEx excl. DORC	9M 2023/24	617.8	43.1
	9M 2022/23	620.6	41.1
S&M expenses	9M 2023/24	318.6	21.4
	9M 2022/23	305.8	20.3
G&A expenses	9M 2023/24	77.1	5.2
	9M 2022/23	59.1	3.9
R&D expenses	9M 2023/24	258.4	17.4
	9M 2022/23	255.6	16.9
EBIT	9M 2023/24	162.7	10.9
	9M 2022/23	244.9	16.2
Adj. EBIT	9M 2023/24	161.0	11.2
	9M 2022/23	252.9	16.8

- Gross margin decline mainly due to less operating leverage, less favorable product mix caused by destocking of refractive consumables in Chinese sales channel until March 2024 as well as negative FX effects primarily from RMB, USD and JPY
- Without DORC consolidation and integration cost, OpEx broadly flat thanks to strict cost controls such as hiring freeze, reprioritization of R&D projects and S&M initiatives
- Higher OpEx ratios mainly due to weak revenue development and first-time consolidation of DORC
- Adj. EBIT excludes DORC related effects, Topcon and amortization on PPA

Adj. EBIT expanded to correct for first-time DORC consolidation & integration

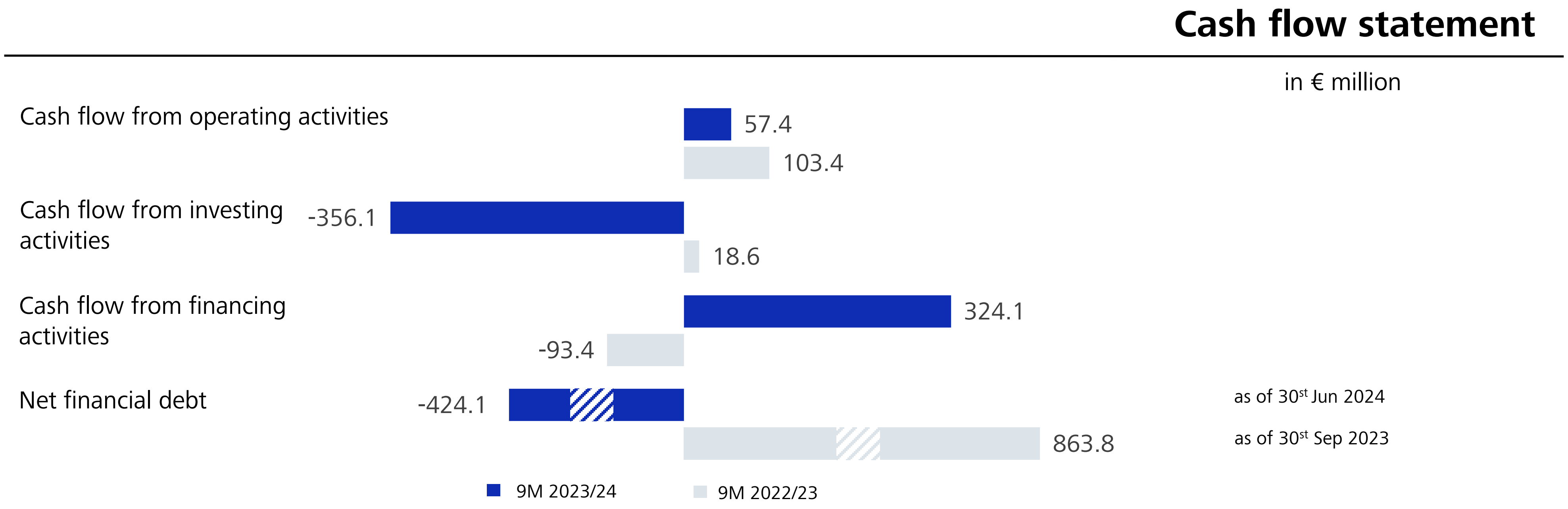
Adjusted EBIT margin

	9M 2023/24 € million	9M 2022/23 € million	Change to PY %
EBIT	**162.7**	244.9	-33.6
./. Amortization on PPA*	**-7.5**	-8.0	-6.5
./. Other special items**	**+18.2**	-	-
./. DORC reported EBIT	**+3.9**	-	-
./. Cost of DORC integration	**-12.9**	-	-
Adjusted EBIT	**161.0**	252.9	-36.4
Adjusted EBIT in % of revenue	**11.2%**	16.8%	-5.6 pp

* Amortizations on intangible assets arising from the purchase price allocations (PPA) of around €7.5m (prior year: €8.0m), mainly in connection with the acquisitions of CZM Production LLC (formerly: Aaren Scientific, Inc.) in FY 2013/14, CZM Cataract Technology, Inc. (formerly: IanTECH, Inc.) in FY 2018/19 as well as Katalyst Surgical LLC and Kogent Surgical LLC in FY 2021/22.

** One-off gain from Topcon settlement

Operating cash-flow slightly improved in difficult environment



- **Operating cash flow** decreased due to lower profit and higher tax payment despite more efficient working capital management
- **Investing cash flow** decreased mainly due to acquisition of DORC and investment in CapEx
- Change in **Financing cash flow** mainly comes from issuance of shareholder loan, dividend payment and share buyback
- Progress of **share buyback**: as of 30th Jun 2024, €108m from planned €150m has been paid, representing 1.2m shares or 1.4% of share capital
- **Net financial debt** at €-424.1m – incl. bank liabilities and loans

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Short-term focus on resilience, mid-term focus on transformation

Short-term

TARGETS

- Secure **target achievement for revenue and OpEx** in current FY
- **Realize quick wins** to improve efficiency and effectiveness
- **Reduce structural OpEx** by low to mid double-digit million EUR amount in FY 2024/25 before DORC-consolidation

FOCUS

- **Reduce discretionary** expenses
- **Prioritize & focus** R&D projects
- **Reduce third-party services**
- **Continue** with **very selective hiring approach**

Mitigate margin decline in weak market environment

Mid- to long-term

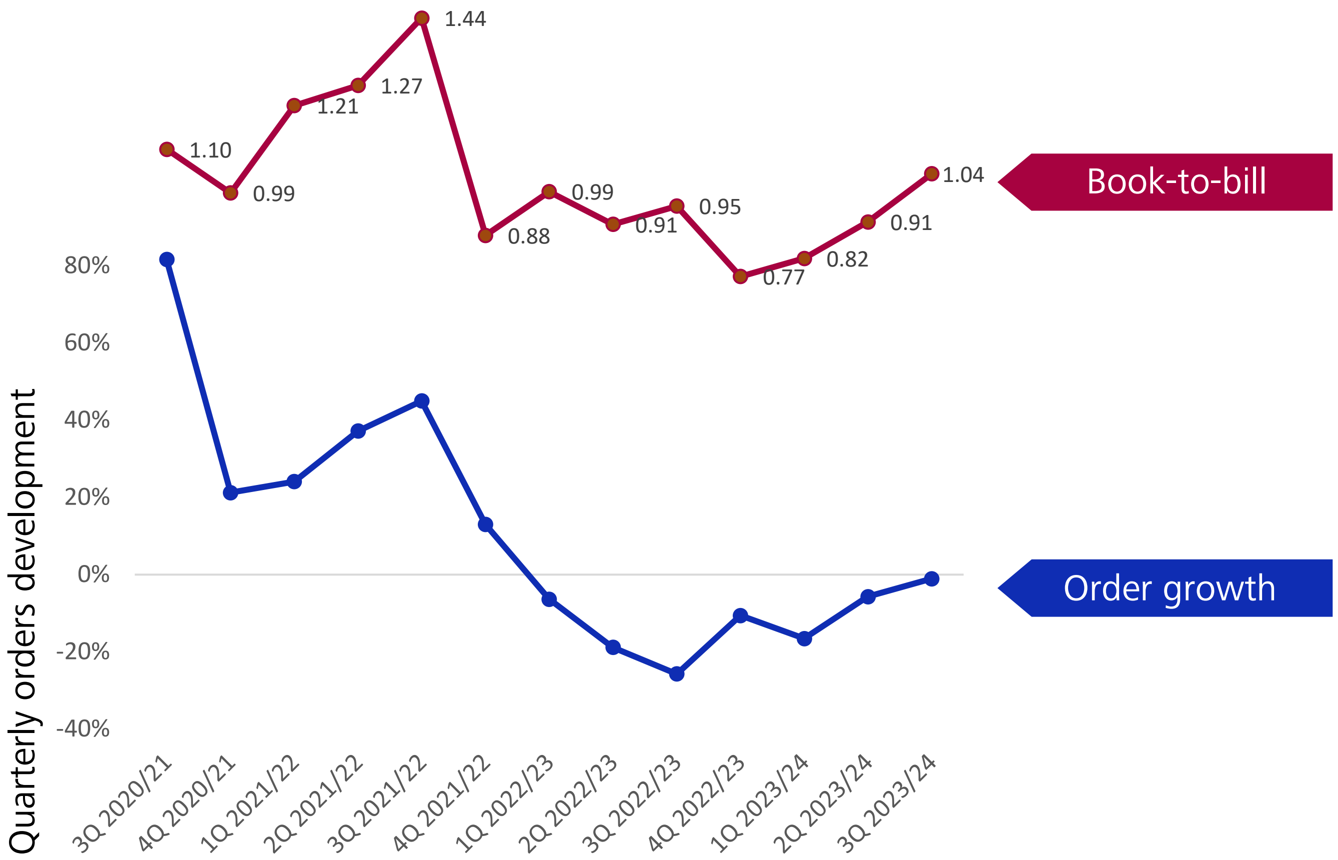
TARGETS

- **Accelerate organizational development through transformation initiatives:**
  - Supply Chain Optimization / COGS down
  - Innovation Excellence
  - Commercial Excellence
  - Secure ongoing productivity benefits and economies of scale

Accelerated transformation of MED with rising productivity

Order development beginning to stabilize

Book-to-bill ratio rising above 1 in Q3 2023/24



- Order intake excluding DORC beginning to stabilize in Q3
- Positive book-to-bill trend
- Order entry materially inflated during COVID period – likely leading to short term saturation in some equipment categories

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Outlook for FY 2023/24 further quantified

- Revenue of around **€2,000m** expected for FY 2023/24 (excluding DORC contribution of around €100m in H2 2023/24)
- Adj. EBIT expected to reach a range of around **€225m to €275m** (9M 2023/24 adj. EBIT at €161m adjusted for DORC EBIT, DORC integration cost, Topcon payment and amortization on PPA)
- Further measures to reduce costs in Sales & Marketing and Research & Development have been initiated
- Mid-term transformation initiatives launched in Operations, Commercial & Innovation - Target for FY 2024/25: savings of a low to mid double-digit million Euro amount excluding the DORC acquisition
- Mid-term EBIT margin should recover in the direction of a level of 20% with increasing share of consumables and supported by transformation initiatives

Seeing beyond