Carl Zeiss Meditec Group

3M 2024/25 Results

Dr. Markus Weber, President and CEO
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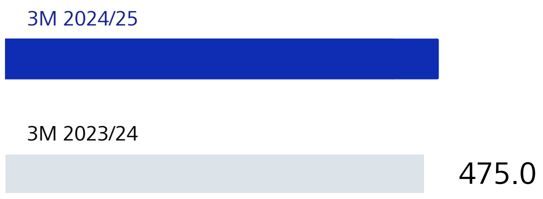
Agenda

Slight reported revenue growth and improvement in order entry

Lower EBITA margin mainly due to product mix

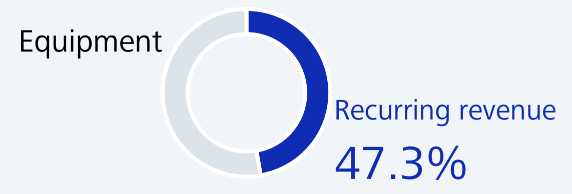
Revenue



€ 490.5m

+3.2%

- FX-adj. revenue +3.3%
- FX- & acquisition-adj. revenue declined by -7.3%
- Recurring revenue at 47%
- Weak organic trend due to high comps for surgical microscopes and femtosecond laser systems (product cycle transitions) & weak investment climate ahead of potential stimulus in China and price decline for IOLs induced by volume-based procurement



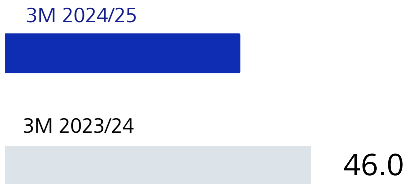
Order entry

€ 522.1m

+34.2%

- FX-adj. order entry +34.4%
- FX- & acquisition adj. orders grew by +21.4%, positive order trend across all regions
- Solid increase in order backlog at €382.2m (12M 23/24 at €282.9m)

EBITA[1]



€ 35.2m

-23.5%

- EBITA margin at 7.2% (PY 9.7%)
- Significant decline in EBITA due to unfavorable product mix (lower share of neurosurgical microscopes, price decline for IOLs in China)
- OpEx excl. DORC slightly lower y/y due to cost control

1. Earnings before interest, taxes and amortization on intangible assets from purchase price allocation

Agenda

01 3M 2024/25 at a Glance

02 Financial Performance

03 Key Topics

04 Outlook

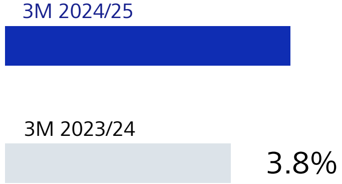
Ophthalmology
EBITA margin stabilized through DORC contribution and good cost control

Revenue

€ 376.2m
+7.1%

- FX-adj. revenue growth of +7.2%
- FX- & acquisition-adj. revenue declined by -7.1%
- Weaker underlying revenue mainly caused by product-cycle-effects in refractive equipment and price declines in IOLs in China from volume-based procurement

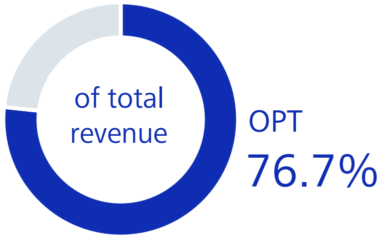
EBITA margin

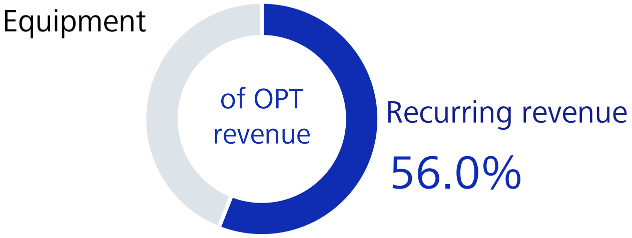


4.8%
+0.9 pp

- EBITA margin slightly improved despite negative mix effects:
  - Positive contribution from DORC consolidation
  - Reduction in underlying OpEx through cost control measures, mainly lower R&D

Revenue Split

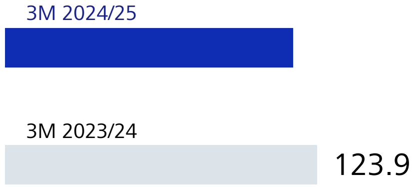




Microsurgery

Temporary margin contraction due to weak top line and product mix

Revenue

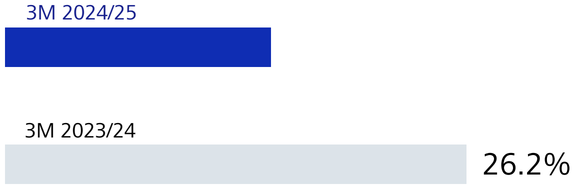


€ 114.3

-7.8%

- FX-adj. revenue decline of -7.8%
- Weak neurosurgery business due to product cycle transition to new KINEVO® 900 S
- Lower sales to China amid expectation of potential stimulus measures

EBITA margin



15.1%

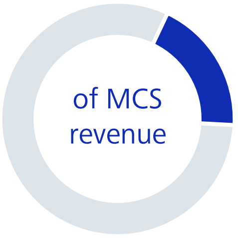
-11.1 pp

- Lower top line and significantly weaker mix ahead of first KINEVO® 900 S deliveries lead to temporary sharp contraction in gross margin and EBITA margin

Revenue Split

MCS
23.3%

Equipment

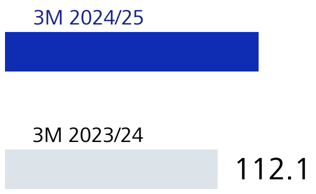


Recurring revenue
18.8%

Regional development

Stabilization in Americas and EMEA – APAC sales under pressure due to China

27.3%
Americas

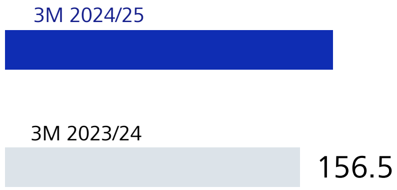


€ 133.7m
+19.3%

Americas

- FX-adj. revenue decrease of +18.6%
- Growth mainly driven by consolidation of DORC, slight growth without DORC contribution
- Recovery in US revenue contribution and stronger order entry

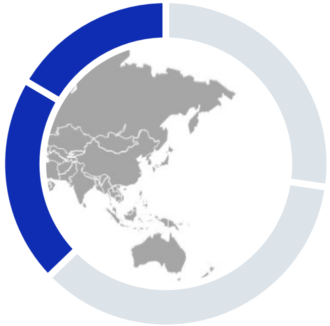
35.5%
EMEA



€ 174.0m
+11.2%

EMEA

- FX-adj. revenue growth of +11.8%
- Slight decline without DORC contribution
- Solid underlying growth in core markets such as GER, UK and Nordics



37.2%
APAC

16.5%
China

€ 182.7m
-11.5%

APAC

- FX-adj. revenue decline of -11.4%
- Weaker sales in China caused by product cycle in refractive equipment, tough price comps in IOLs and restrictive investment in equipment, slow start in Japan and Korea
- Positive trend in India, Southeast Asia

P&L – Favorable underlying OpEx trend in 3M 2024/25

Overall weaker margins due to product mix change

Income Statement

	Period	in €m	in % of sales
Gross profit	3M 2024/25	252.1	51.4
	3M 2023/24	252.5	53.2
Rep. OpEx	3M 2024/25	226.2	46.1
OpEx ex. DORC OpEx	3M 2024/25	198.8	45.2
	3M 2023/24	209.0	44.0
S&M expenses	3M 2024/25	120.5	24.6
	3M 2023/24	101.2	21.3
G&A expenses	3M 2024/25	28.2	5.7
	3M 2023/24	20.0	4.2
R&D expenses	3M 2024/25	77.5	15.8
	3M 2023/24	87.8	18.5
EBIT	3M 2024/25	28.0	5.7
	3M 2023/24	43.5	9.2
EBITA	3M 2024/25	35.2	7.2
	3M 2023/24	46.0	9.7
Adj. EBITA	3M 2024/25	33.1	6.7
	3M 2023/24	46.0	9.7
EPS (€)	3M 2024/25	0.18	
	3M 2023/24	0.42	
Adj. EPS (€)	3M 2024/25	0.22	
	3M 2023/24	0.47	

- Gross margin decline due to unfavorable shift in product mix, VBP-related price decline in China
- Excluding DORC consolidation, underlying OpEx lower y/y (reduction in R&D expenses) as a consequence of strict cost control. Sales & marketing and admin expenses higher due to DORC consolidation and integration expenses, PPA amortization and higher IT expenses
- EPS down -57.1% due to decline in EBIT, negative FX hedging result and higher interest expenses
- Adj. EPS down -52.2%, based on logic of adj. EBITA, excluding non-cash valuation effects on contingent purchase price liabilities in financial result, FX/hedging result not adjusted

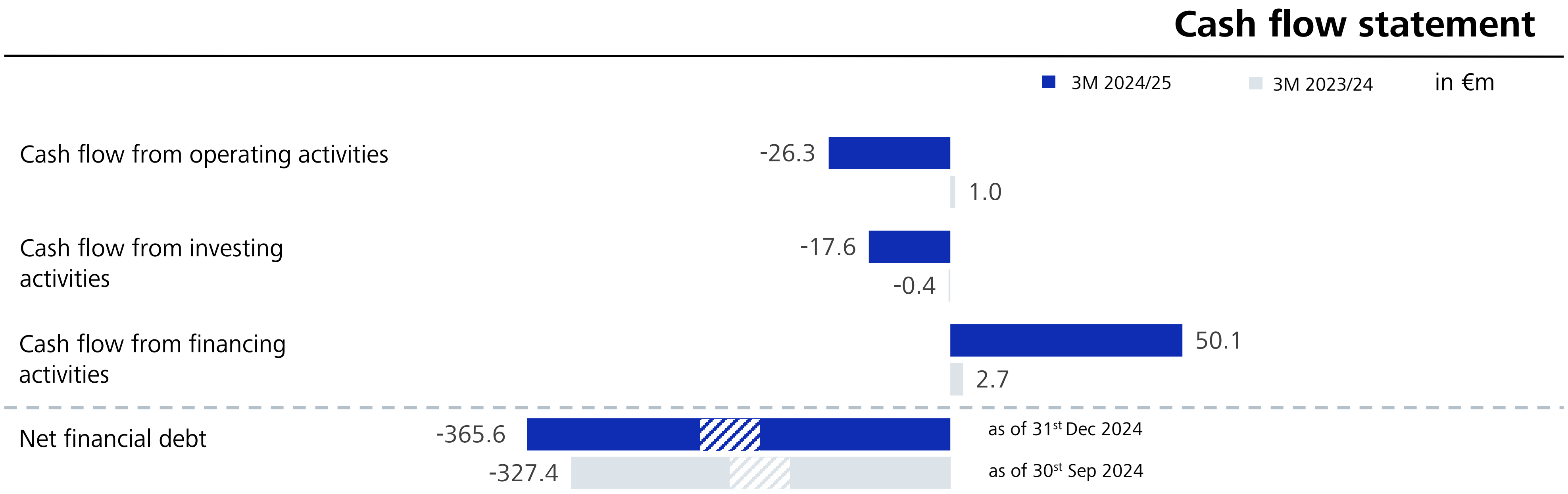
Significant increase in PPA amortization due to DORC acquisition

EBITA

	3M 2024/25 €m	3M 2023/24 €m	yoy %
EBIT	**28.0**	43.5	-35.7
./. Amortization of PPA*	**-7.2**	-2.5	+188 pp
EBITA	**35.2**	46.0	-23.5
EBITA margin	**7.2%**	9.7%	-2.5 pp
./. Other special items**	**+2.1**	0	-
Adjusted EBITA	**33.1**	46.0	-28.0
Adjusted EBITA margin	**6.7%**	9.7%	-2.9 pp

- * Regular amortizations on purchase price allocations (PPA) of DORC (€6.5m) and former acquisitions (€0.7m)
- ** Public grants received in China

Operating cash-flow slightly weaker at start of the year



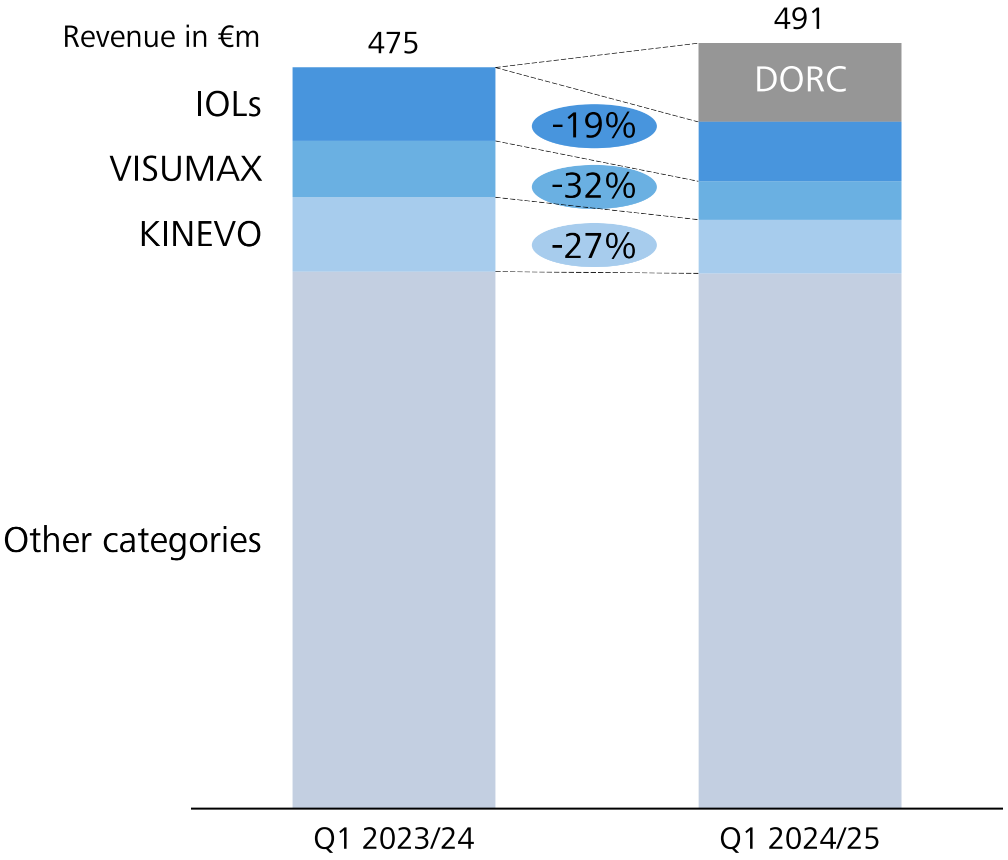
- Lower **operating cash flow** due to weaker operating result and a slight increase in account receivables
- **Investing cash flow** decreased – driven by lower investment in CapEx (tangible & intangible CapEx at 4.3% of revenue) and decline in treasury receivables
- Higher **Financing cash flow** from increase in treasury payables
- **Net financial debt** at -€365.6m refinanced through shareholder loan from Carl Zeiss AG

Agenda

VISUMAX® 800 brings SMILE® pro surgery to Mainland China

- **Faster performance** - Increased laser frequency for faster cut speeds; easy cyclotorsion alignment; little effort during centration
- **Comfortable surgical experience** for surgeons and patients
- **Digitally connected workflow** -Take advantage of streamlined data management
- VISUMAX® 800 recently approved in China, including lenticule extraction and flap cutting
- VISUMAX® 800 + MEL® 90 now available enabling SMILE® pro, Lasik and PRESBYOND®
- Expecting positive influence on ASP in devices and treatment packs over time

Robust Core business - organic sales decline can be entirely attributed to product cycle transitions (VISUMAX/China, KINEVO) & IOL VBP



- Significant decline of VISUMAX® and KINEVO® deliveries in Q1 due to product cycle, trend expected to improve in coming quarters as new products ramp up
- Lower IOL sales reflecting VBP price decline
- Significant increase in order backlog, including strong orders for KINEVO® 900 S in Q1
- Robust trend in all other categories - market share outlook for both OPT and MCS remains strong for FY 2024/25 based on improving order entry

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Outlook for FY 2024/25 unchanged

- 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 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%.

Seeing beyond