Carl Zeiss Meditec Group
Annual Results FY 2022/23

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

December 12, 2023

Agenda

Continued market-beating revenue growth in FY 2022/23
Product mix and high strategic investment lead to reduced earnings

Revenue

€ 2,089.3 million

+9.8%

- FX-adj. revenue growth by +10.1% - ahead of our markets
- Positive revenue trend in both SBUs and all regions
- Very close to our forecast of EUR 2.1bn despite negative FX in H2
- Continuous improvement of supply chains in H2 open orders still slightly elevated at €409m

EBIT

€ 348.1 million

-12.3%

- EBIT margin at 16.7% (PY 20.9%), adj. EBIT margin at 17.4% (PY 21.4 %)
- Gross Margin declined from 59.3% in PY to 57.7% - less favorable product mix with less recurring revenue, higher supply chain linked cost and negative FX
- Planned high strategic investment in R&D as well as S&M from growth initiatives and innovation
- Slight deviation from 17% EBIT forecast as reported only due to non-operating factors (deconsolidation of two investments and FX effects in Q4) – on an adjusted EBIT margin basis, we are within the profitability range provided in April 2023

EPS

€ 3.25

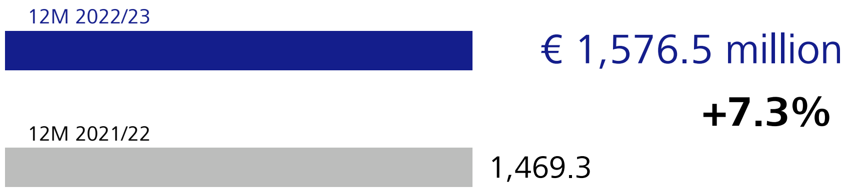
-1.2%

- Earnings per share close to PY level - proposed unchanged dividend of € 1.10 per share
- Higher interest income, positive FX hedging sustaining net profit despite lower EBIT

Agenda

Ophthalmology
Topline growth supported by accelerating device business

Revenue

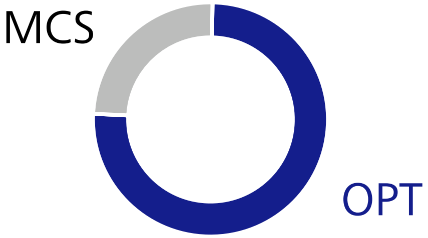


- Delivery of devices accelerated in H2 – continuous normalization of lead time
- Refractive treatment packs below PY's high levels (inventory build in Chinese sales channel in H2 2021/22)
- FX-adj. revenue increased by +7.6%

EBIT margin

- EBIT margin decline of -6.8 pps due to:
  - Less favorable product mix due to lower shipments of refractive consumables
  - Continued high level of investment in digitalization, higher sales & marketing expenses, increased advertising & trade show presence, product launches and targeted growth initiatives
  - Outlook on Chinese consumables unchanged:
    refractive destocking proceeding according to schedule
    nationwide IOL volume-based-procurement results provide good base for future profitable growth of ZEISS brand

Revenue Split



75.5%

of total revenue

Microsurgery
Profitable growth fueled by ongoing normalization in supply chains

Revenue

€ 512.8 million

+18.3%

- Reduction of backlog led by further improvements in supply chain
- FX-adj. revenue grew by +18.7%

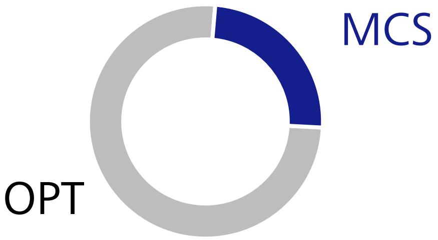
EBIT margin

25.3%

+3.8 pps

- Strong gross margin and EBIT margin trend supported by positive pricing effect and operating leverage

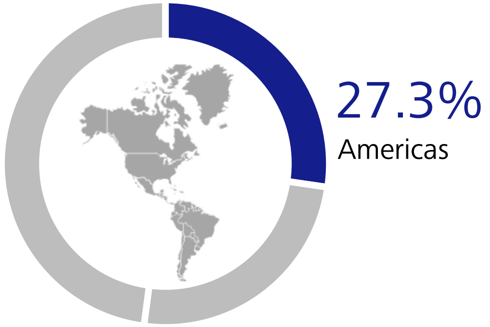
Revenue Split

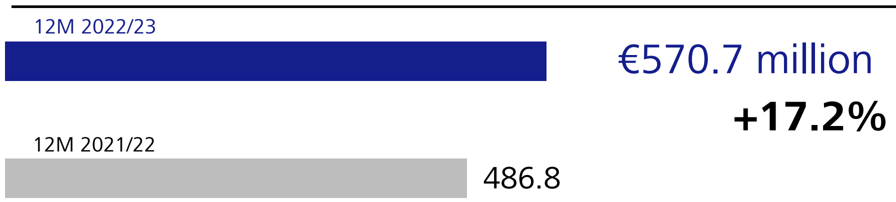


24.5%

of total revenue

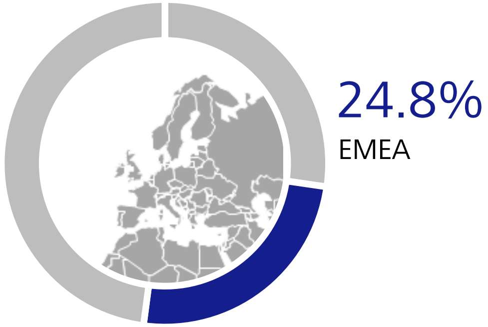
Revenue growth across all regions
…strongest momentum in Americas

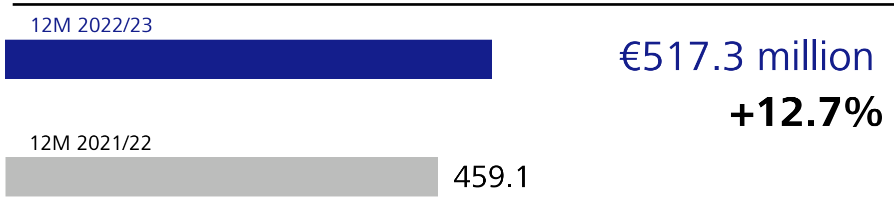




Americas

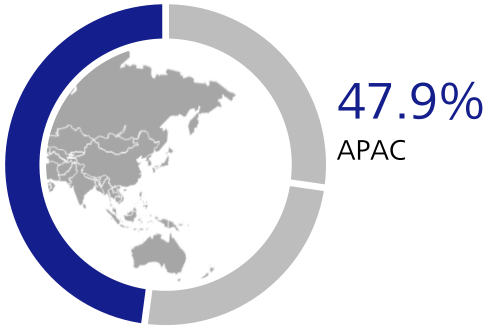
- FX-adj. revenue grew by +15.7%
- Strong growth across most countries, in US particularly driven by conversion of large order backlog

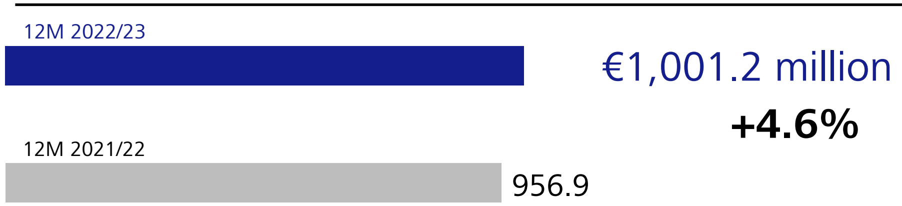




EMEA

- FX-adj. revenue growth by +13.7%
- Solid growth contributions from core markets such as France, Italy, Spain and Germany





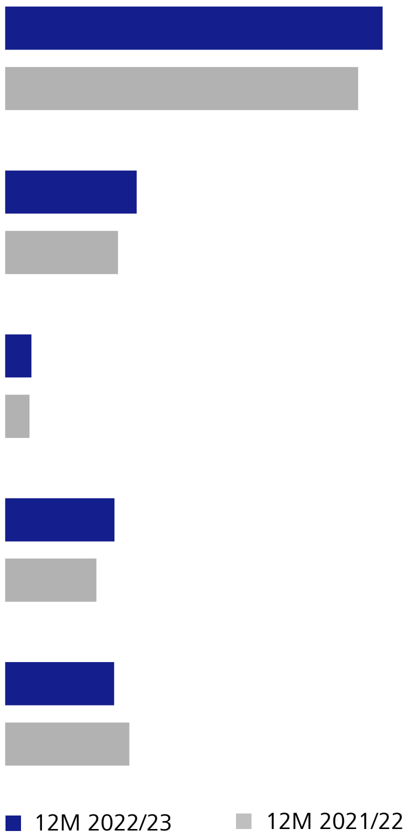
APAC

- FX-adj. revenue growth by +5.6%
- Revenue supported by robust performance in India and SEA
- Strong growth in India, Southeast Asia - Japan and South Korea remained stable, China slightly down y/y due to lower consumables shipments

Decline in EBIT mainly due to higher strategic investment

…gross margin facing headwinds due to lower recurring business and FX

Income Statement



	in € million	in % of sales
Gross profit	1,205.8	57.7
	1,127.6	59.3
Selling & marketing expenses	420.3	20.1
	360.2	18.9
General admin. expenses	83.8	4.0
	77.9	4.1
R&D expenses	349.3	16.7
	291.4	15.3
EBIT [adj.]	348.1 [362.9]	16.7 [17.4]
	396.9 [406.8]	20.9 [21.4]

- Gross margin decline based on less share of recurring revenue (high base effect of PY: inflated recurring business due to additions to refractive consumables stocks in Chinese sales channel), negative FX effects in particular from EUR/RMB
- Rise in sales & marketing expenses due to growth initiatives, in particular Refractive and Surgical Ophthalmology, higher travel and advertising expenses
- Research & development expenses rise due to strategic investments in digitalization and workflows, IOL business

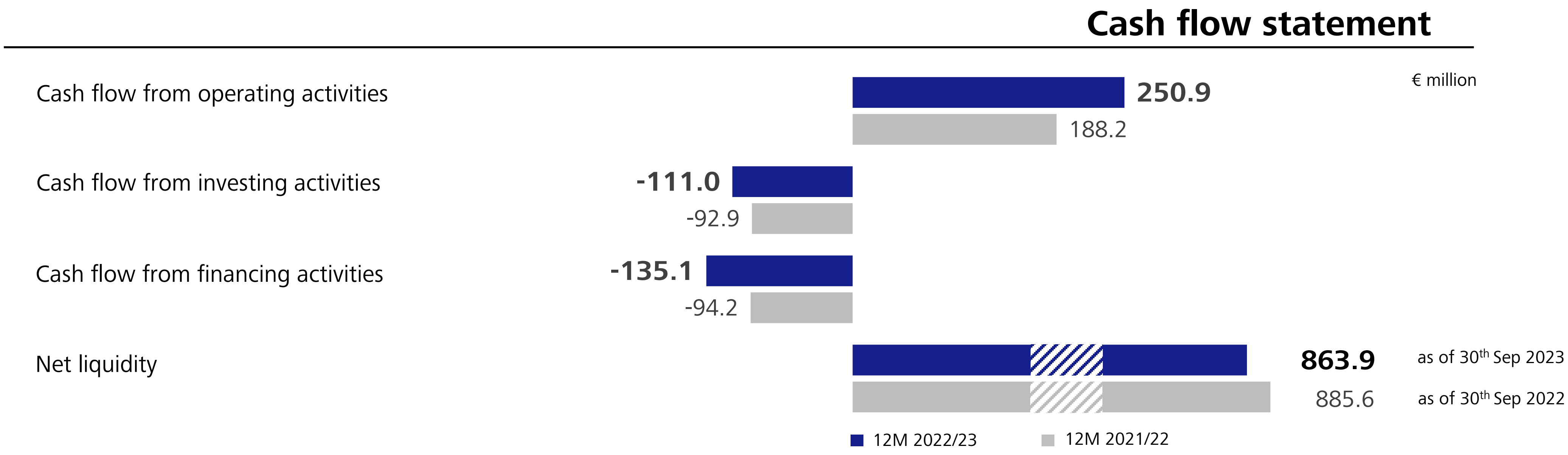
Adjusted EBIT margin amounted to 17.4%

Adjusted EBIT margin

	12M 2022/23 € million	12M 2021/22 € million	Change to PY %
EBIT	**348.1**	396.9	-12.3
./.Acquisition-related special effects	**-10.5**	-8.6	+22.1
./.Other special items	**-4.3**	-1.3	>100
Adjusted EBIT	**362.9**	406.8	-10.8
Adjusted EBIT margin	**17.4%**	21.4%	-4.0 pps

- Amortizations on intangibles from purchase price allocations (PPA) of around €10.5m (PY: €8.6m), mainly in connection with acquisitions of CZM Production LLC (formerly: Aaren Scientific, Inc.), CZM Cataract Technology, Inc. (formerly: IanTECH, Inc.) as well as Katalyst Surgical LLC and Kogent Surgical LLC
- EUR 4.3m in special effects in EBIT from deconsolidation of two development stage companies (Photono Oy and Ophthalmic Laser Engines, LLC) due to repositioning of diagnostics portfolio

Inventory ramp-up and investments weigh on working capital amid supply chain diversification



- Operating cash flow at a higher level primarily from higher interest income and lower tax payments, partially offset by build-up safety stocks in context of supply chain diversification
- Cash flow from investing activities in reporting period including expansion of production capacity for surgical consumables in France, Germany and China as well as investments in Vibrosonic and Audioptics
- Net liquidity at € 863.9m only slightly below PY

Agenda

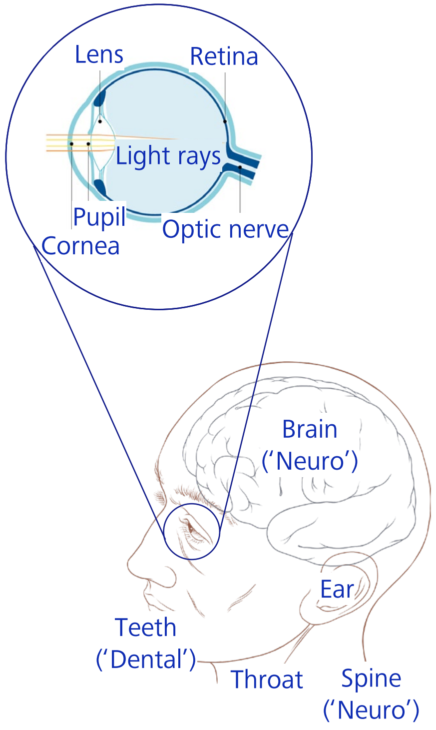
AT ELANA® 841P trifocal hydrophobic IOL launched at ESCRS, Vienna in September 2023

First multifocal hydrophobic IOL launched at European Society for Cataract & Refractive Surgeons Summer meeting in Vienna, Sept 2023

ZEISS AT ELANA® 841P
Maximizing patient satisfaction by combining leading technologies

- The best of **ZEISS trifocal technology**
- **Hydrophobic C-loop platform**
- **Fully preloaded** injector
- **Launch in EU countries ongoing**

Ophthalmology and Microsurgery Strategy: from Devices to Workflows
…Example: Developing Hearing Loss Workflow and Cataract Workflow



Extension of value chain

Devices

Reach sufficiently significant and relevant market standing in the core and earn "**right to expand**"

Workplaces

Strategically enter additional relevant workplaces and develop an **integrated value proposition**

Workflows

Establish as a full workflow player, capture high-value elements, **leverage position**

Example: Hearing Loss- and Cataract Workflow

Diagnostics

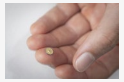
AUDIOPTICS MEDICAL

Surgical Visualization

Instruments / Therapy

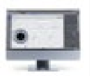
Implants

vibrosonic



Assess & educate

Plan



Treat

Check

Key priorities

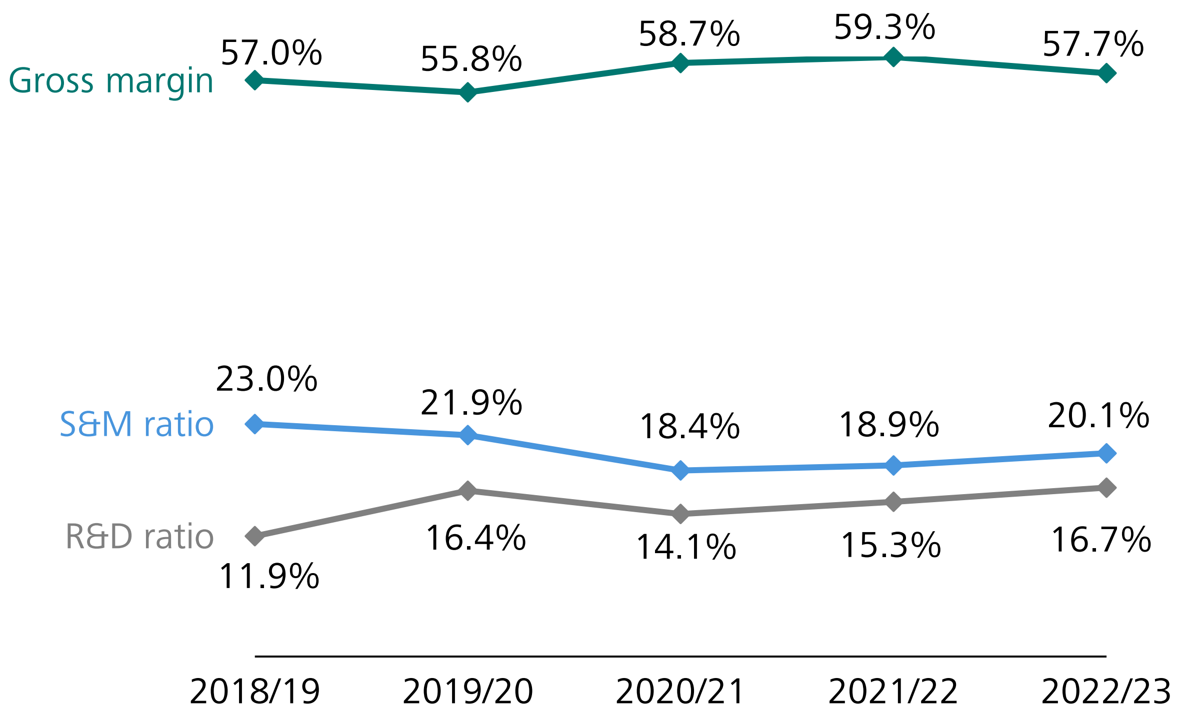
- Changing to workflow-oriented organization
- Creating structures for better scalability of organization
- Facilitating stringent decision making with sharpened roles and responsibilities
- Winning team culture based on empowerment

Agenda

Priorities for next years: profitable growth and return to mid-term target

Recurring business and economies of scale provide for R&D investment needs of business

Gross margin and OpEx ratio over past 5 years



- Gross margin supported by growth in recurring business

- Higher **OpEx investments** required post-COVID to build a more scalable organization and clear the way for future growth – leading to higher investments in 2021/22 and 2022/23
- Currently high degree of economic uncertainty and wage inflation
- Tactical adjustment required to the speed of investment over last two years for FY 23/24:
  - More cautious hiring at the outset of FY 23/24
  - Re-Prioritization of Selling & Marketing growth initiatives as well as certain R&D projects
  - Prudent approach to enter FY 23/24 to protect earnings in case a more severe downturn were to materialize

- Mid-term **EBIT margin** target of > 20% remains unchanged
- Goal to reach target profitability **in a sustainable way over time**, underpinned by improvements in scale, mix and recurring business while maintaining a healthy degree of growth investment

Targeting further growth and stable EBIT for FY 2023/24

Main impact of China-destocking and IOL price cuts expected in H1 2023/24 followed by recovery in H2

FY 2023/24 Outlook

- **Sales** growth at least in line with the underlying markets (at least in the mid-single-digit percentage range, assuming: stable macroeconomic situation and excluding currency effects).
- Significant decline in gross profit and EBIT in H1 FY 2023/24 expected due to:
  - Pre-planned reduction of high inventories of consumables in the Chinese sales channel in the mid-double-digit million Euro range (as announced in Q3 22/23 quarterly statement, August 2023).
  - Introduction of new Nationwide Volume Based Procurement for IOLs in the Chinese market will cause an additonal headwind in the low-double-digit million Euro range.
- **EBIT** is expected to remain roughly **stable** for FY 2023/24. This requires a strong performance in H2 2023/24 in which EBIT and EBIT margin should again recover above the H2 2022/23 level.
- Should the overall economic situation deteriorate further, contingency measures are in place to curb expense growth further.
- **Mid-term, EBIT margin** should recover to sustainably over 20%.

Seeing beyond