Carl Zeiss Meditec Group

6M 2023/24 Results

Dr. Markus Weber, President and CEO
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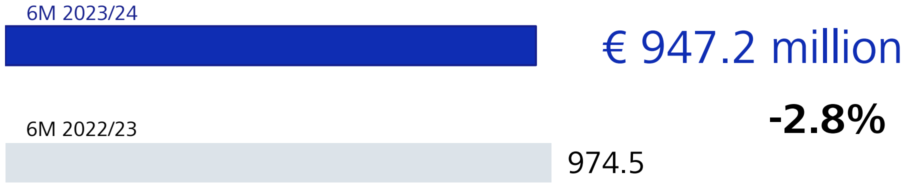
May 8, 2024

Agenda

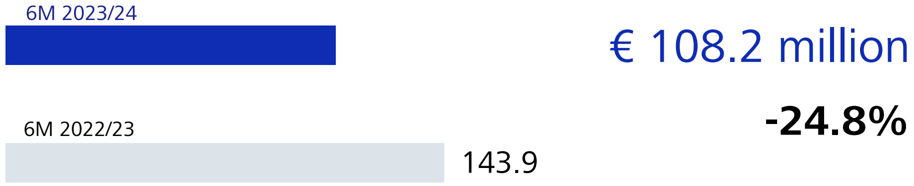
Sideways movement in revenue in 6M 2023/24

…primarily owing to destocking of refractive treatment packs and negative FX



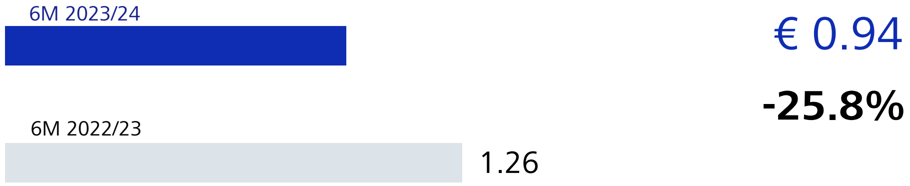
Revenue

- FX-adj. revenue almost stable at -0.7%
- OPT revenue negatively impacted by destocking of refractive treatment packs in Chinese sales channel (concluded in March 2024), whereas MCS profited from order backlog conversion
- Open orders of € 276m remain only slightly elevated vs. pre-pandemic levels



EBIT

- EBIT margin at 11.4% (PY 14.8%) – containing one-off positive result from settlement with Topcon (€18.2m), adj. EBIT margin at 10.0% (PY 15.3%)
- Small improvement in Gross Margin from Q1 to Q2 driven by better pricing, despite less operating leverage
- Only marginal rise in OpEx owing to strategic investments in R&D and innovation while S&M and G&A remained flat to down y/y



EPS

- Lower earnings per share due to decline in EBIT and lower FX hedging result

Agenda

Ophthalmology

Topline decline due to destocking and slower equipment business

Revenue

€ 700.6 million

-5.7%

- FX-adj. revenue drop of -3.7%
- Significant drop of refractive consumables as expected due to completion of destocking in Chinese sales channel; IOL sales above PY despite headwinds from lower volumes in transition period to NVBP in China
- Slowdown in new orders and sales of equipment, particularly diagnostics devices (in contrast to solid deliveries of refractive devices with some backlog remaining)

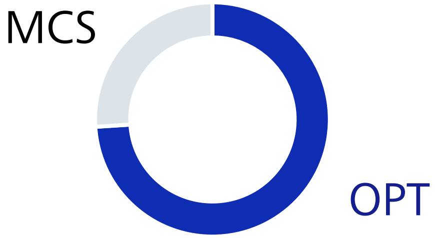
EBIT margin

7.1%

-5.2 pps

- EBIT margin sharply declined due to destocking of refractive consumables in China and missing operating leverage despite cost control measures, neg. FX effects (particularly from RMB, USD, JPY)

Revenue Split



74.0%

of total revenue

Microsurgery
Solid topline growth and healthy profitability continue

Revenue

€ 246.5 million
+6.3%

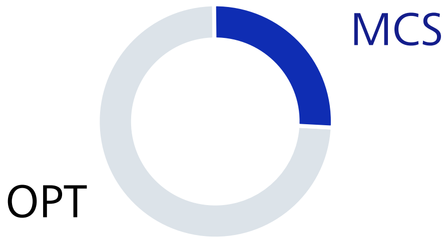
- FX-adj. revenue growth of +9.1%
- Good delivery of devices - particularly in Neurosurgical systems – strong backlog conversion
- Weaker order entry

EBIT margin

23.7%
+1.1 pps

- Improvement in EBIT margin supported by
  - positive pricing effect (mostly offsetting neg. FX)
  - operating leverage amid strict cost control measures

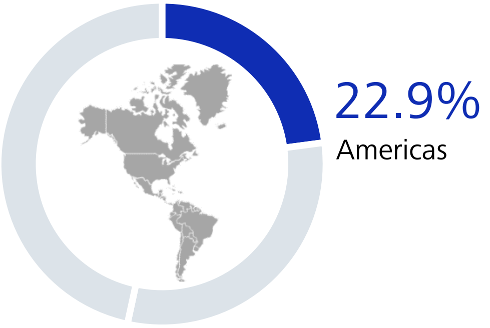
Revenue Split



26.0%
of total revenue

Regional development

EMEA with continued momentum, performance in Americas under pressure

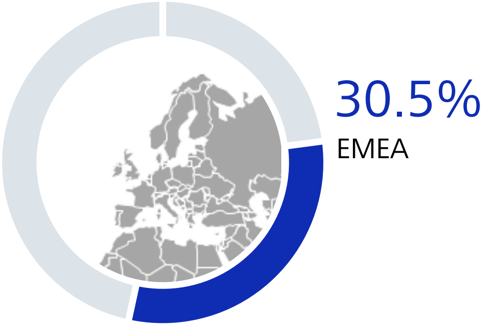


€ 216.6 million

-20.0%

Americas

- FX-adj. revenue decrease of -17.9%
- Weak devices business in US in high-interest rate environment, weak sales funnel conversion
- Expected to improve in H2 due to product launches, shortened manufacturing lead times

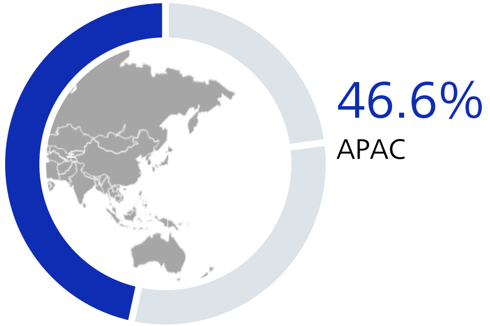


€ 289.4 million

+17.1%

EMEA

- FX-adj. revenue growth of +20.7%
- Good contribution from core markets such as IT, ES, FR
- Refractive benefitting from roll-out of Visumax 800
- Good order backlog conversion



€ 441.1 million

-3.4%

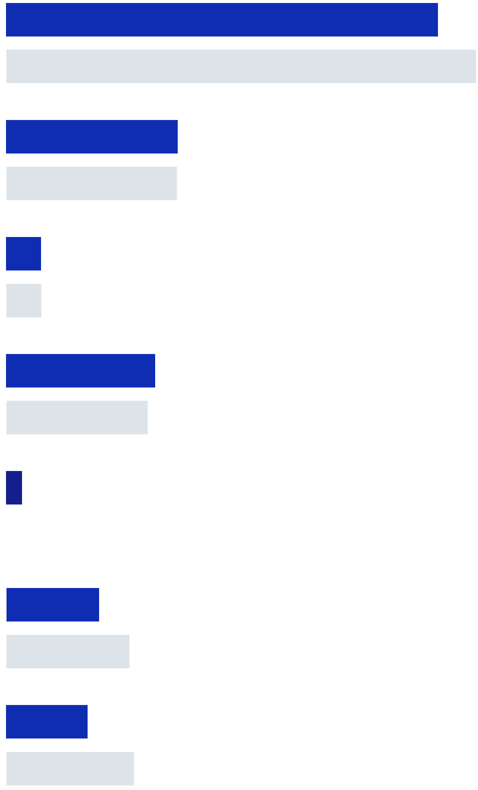
APAC

- FX-adj. revenue decline of -2.0%
- China down y/y due to destocking effect, weaker performance in Japan and Korea
- Good contributions from India and Southeast Asia

P&L – Significant slowdown of Expense Growth in 6M 2023/24

…and strict cost control measures to be continued

Income Statement



	in € million	in % of sales
Gross profit	505.0 549.5	53.3 56.4
S&M expenses	200.4 199.6	21.2 20.5
G&A expenses	40.5 40.9	4.3 4.2
R&D expenses	174.1 165.2	18.4 17.0
Other operating income	18.2 0	1.9 0
EBIT	108.2 143.9	11.4 14.8
Adj. EBIT	95.0 149.3	10.0 15.3

■ 6M 2023/24 ■ 6M 2022/23

- Gross margin decline due to less favorable product mix caused by destocking of refractive consumables in Chinese sales channel, less operating leverage as well as negative FX effects primarily from RMB, USD and JPY
- Growth pace of OpEx significantly slowed down thanks to strict cost controls such as hiring freeze, reprioritization of R&D projects and S&M initiatives
- OpEx ratios remain at a high level mainly due to weak revenue development
- EBIT includes one-off Topcon payment of EUR 18.2 million paid out in February 2024

Adj. EBIT margin declines by more than 1/3 factoring out Topcon settlement

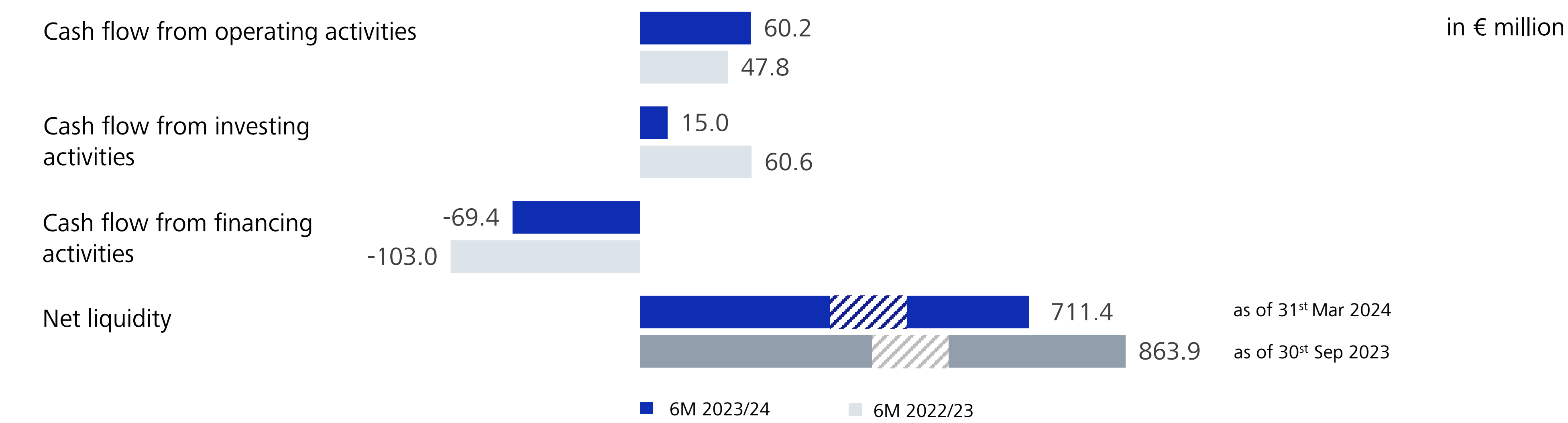
Adjusted EBIT margin

	6M 2023/24 € million	6M 2022/23 € million	Change to PY %
EBIT	**108.2**	143.9	-24.8
./. Acquisition-related special items	**-5.0**	-5.4	-7.4
./. Other special items	**+18.2**	-	-
Adjusted EBIT	**95.0**	149.3	-36.4
Adjusted EBIT in % of revenue	**10.0%**	15.3%	-5.3 pps.

- Acquisition related special items are amortizations on intangible assets arising from the purchase price allocations (PPA) of around €5.om (PY: €5.4m), mainly in connection with the 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
- One-off gain from Topcon settlement in other special items

Operating cash-flow slightly improved in difficult environment

Cash flow statement



- **Operating cash flow** increased due to more efficient working capital management
- **Investing cash flow** decreased primarily due to investment in PPE and intangible assets (especially R&D activation), offset by withdrawals from Group Treasury
- Change in **Financing cash flow** mainly impacted by dividend payment and share buyback
- **Net liquidity** decreased to € 711.4 million – following closing of DORC acquisition in early April, will turn into **Net Debt** position of ~ € 300 million (considering shareholder loan from Carl Zeiss AG of € 400 million)

Agenda

Acquisition of DORC closed on time

Creating a leading solution provider in Retinal Surgery

April 3, 2024 — Closing Day

FY 2024/25

FY 2025/26 and beyond

Integration Phase

Business continuity

Avoid disruptions in **ongoing business**

- Define **joint go-to-market approach**
- Establish **one face to the customer**
- Connect **sales teams**
- Establish **Operating Model and Governance**

Boost jointed value

Bring together **specific unique qualities**

- Define **target culture** based on mutual strengths
- Realize **synergies**
- Integrate **DORC's business processes**

Focus of Integration will be on…

- …Highly complementary portfolio and regional setup between ZEISS and DORC
- …Cross-selling of IOLs, consumables and instruments
- …Creation of full ZEISS Retina Workflow, connecting diagnostic devices, operating microscopes, vitrectomy, consumables and ZEISS Medical Ecosystem

DORC Financial impact in H2 2023/24

- Topline contribution of around €100m
- No consideration of operating result, integration costs and preliminary amortization of purchase price allocation towards FY 2023/24 guidance (will be disclosed at latest by year end FY 2023/24)
- Switch to new guidance incl. top and bottom-line contributions of DORC to SBU OPT for FY 2024/25
- €400m shareholder loan paid out at rate of 3.66% p.a. and maturity in 3y

Agenda

Outlook for FY 2023/24 further quantified

- Revenue to reach approximately €2,100 – €2,150 million excl. DORC // €2,200 – €2,250 million incl. DORC, requiring acceleration of order entry and revenue at now significantly reduced device lead times
- Significant recovery of Gross Profit and EBIT in H2 2023/24 expected from seasonal improvement in Chinese market post-destocking (RTP, IOLs) as well as positive pricing
- Further measures to contain costs in Sales & Marketing and Research & Development have been initiated
- Excluding DORC, the ambitious goal of maintaining EBIT roughly at previous year’s level is upheld for FY 2023/24
- For H2 2023/24, the expected impact from DORC will not be counted towards this goal (total of as integration costs, preliminary amortization from purchase price allocation, as well as the operating result of DORC will be disclosed with year end results); similarly, the Topcon settlement of € 18.2 million is not to be counted against FY 2023/24 targets
- In the medium term, the EBIT margin should recover to a level sustainably above 20%

Seeing beyond