

# Carl Zeiss Meditec Group Investor Presentation



Investor Relations

May 2024



**01** At a Glance

**02** Strategy

**03** Facts and Figures

**04** Outlook

**05** Appendix

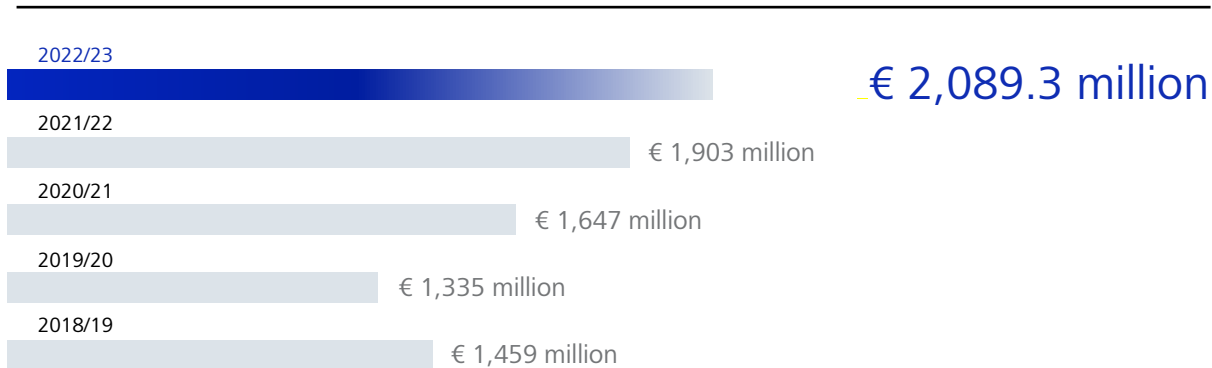


# Leading market position in Ophthalmology and Microsurgery

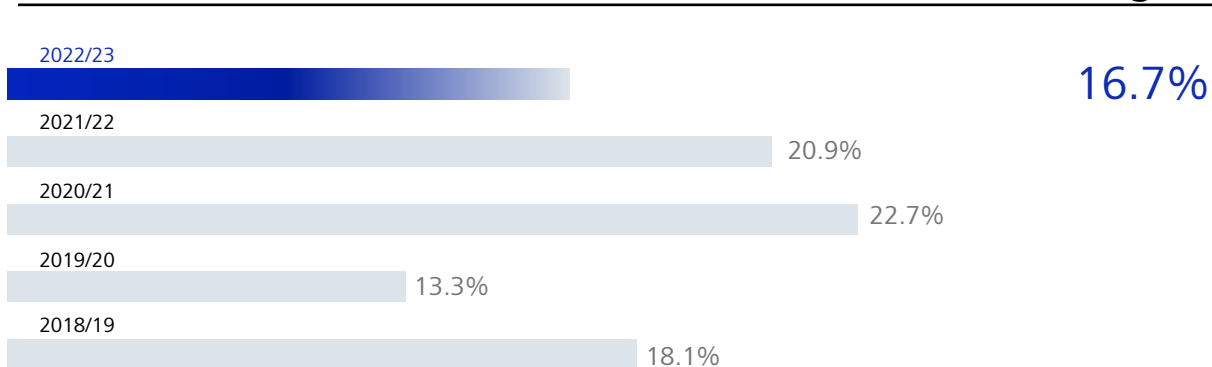
## Solid revenue development over last 5 years



### Total revenue



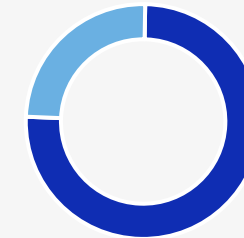
### EBIT margin



### MCS

25%

of total revenue



### OPT

75%

of total revenue

Reporting date September 30, 2023

- Headquarters in Jena, Germany
- Around 4,823 employees worldwide
- Listed on the MDAX and TecDAX
- 59% of shares held by Carl Zeiss AG
- Leading market positions:  
#2 in Ophthalmology - #1 in Microsurgery

# Our markets benefit from structural tailwinds

## Attractive outlook for Medical Technology



1  
2  
3  
4  
5



➤ Aging of the population and growing affluence  
**Continuously increasing volume of cataract surgeries**



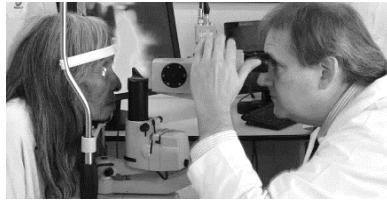
➤ Accelerating myopia and high myopia prevalence  
**Demand on premium vision quality**



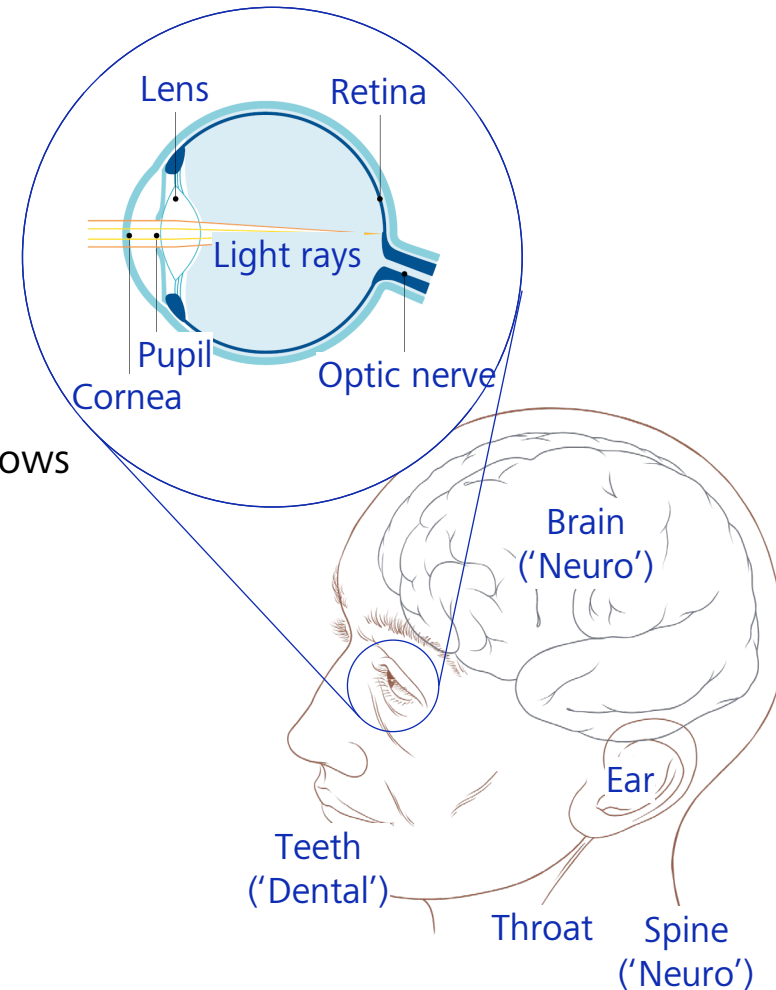
➤ Growing patient load requires more efficient workflows  
**Digitalization to re-shape healthcare**



➤ Increasing information access and awareness  
**Need to improve surgical treatment outcomes**



➤ Rising access to health care in RDEs



# Ophthalmology

Advancing eye care - Every step of the way




### Chronic Disease Mgmt



Market size<sup>1</sup>:  
~ € 2.5bn

Ophthalmic diagnosis

### Refractive Surgery



Market size<sup>1</sup>:  
~ € 1.6bn

Corneal surgery for visual correction

### Surgery Anterior Seg



Market size<sup>1</sup>:  
~ € 6.8bn

Cataract treatment

### Surgery Posterior Seg



Market size<sup>1</sup>:  
~ € 1.9bn

Retinal treatment

**Customers:** ophthalmologists, optometrists, ambulatory surgery centers, hospitals / eye clinics

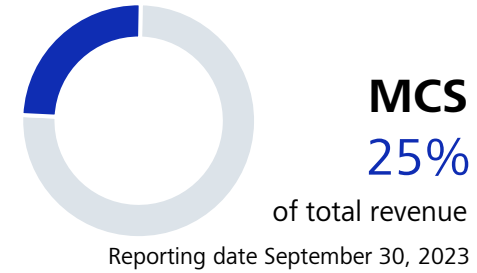
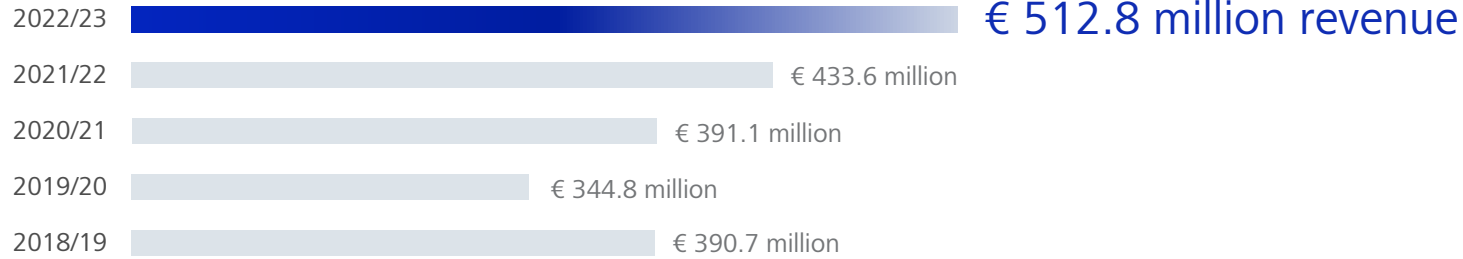


<sup>1</sup> CZM internal estimates



# Microsurgery

## Redefining surgical visualization



### Neuro / Spine



Visualization and treatment of Neuro / Spine

### ENT / P&R



Visualization and treatment of ENT/ Plastic & Reconstructive

### Dentistry



Visualization of Dentistry

Market size of surgical visualization<sup>1</sup>: > € 0.7bn; potential business field in treatment

**Customers:** clinics and hospitals, dental offices/clinics

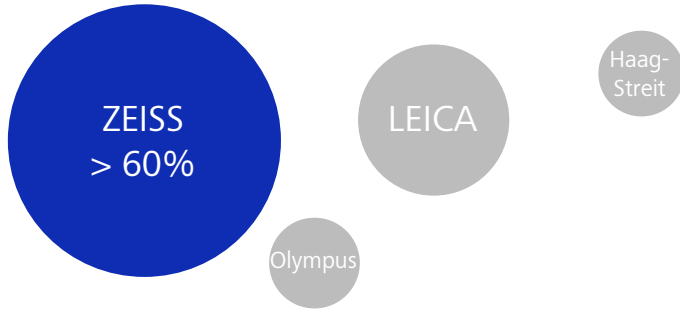


<sup>1</sup> CZM internal estimates

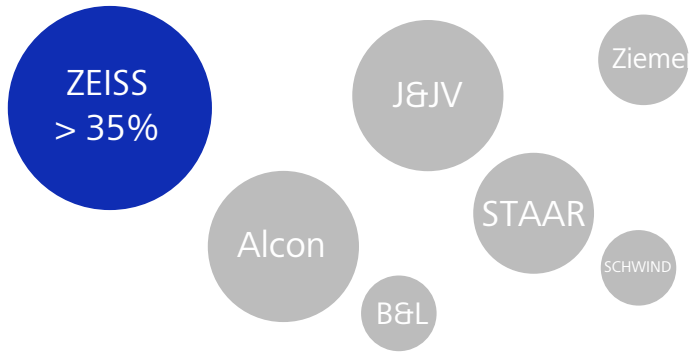
# ZEISS has leading positions in most markets



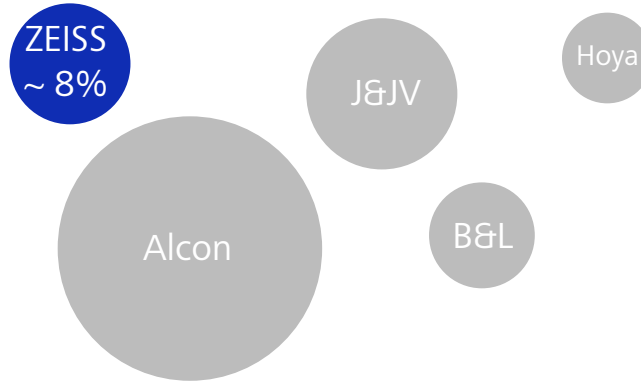
## Most advanced in Visualization at **Microsurgery**



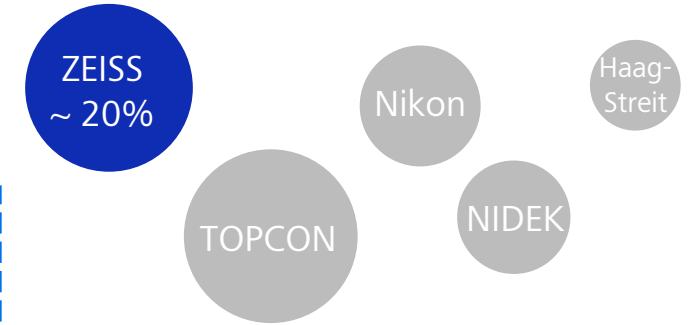
## Top ranking in **Refractive Surgery**



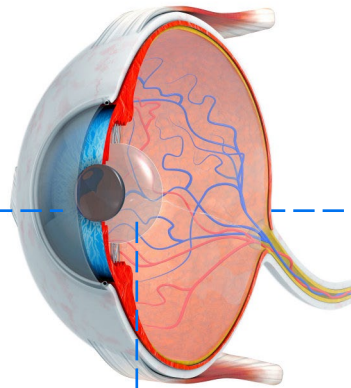
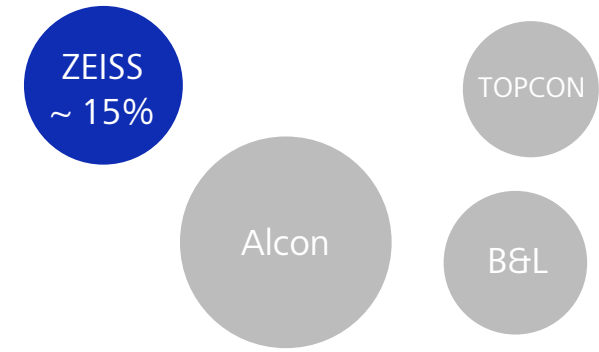
## Growing position in large **Surgery Anterior Seg**



## Key position in **Chronic Disease Management**



## Leading offering in **Surgery Posterior Seg**



Source: CZM internal estimates, Marketscope

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**02** Strategy

**03** Facts and Figures

**04** Outlook

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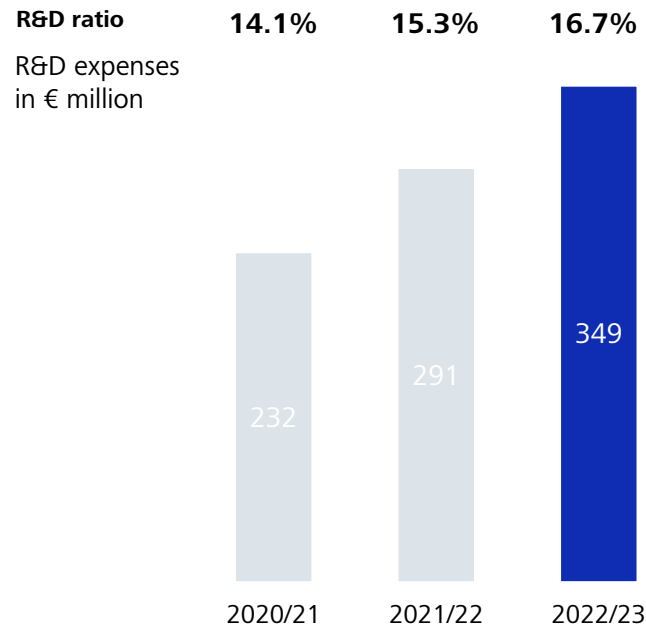




# Technological leading - Strong position in key technologies and leading in market shaping innovation



ZEISS innovates to drive customer value through superior solutions.



High commitment to R&D investment resulting in technology leadership across our portfolio.

1

## LEADING INNOVATION AND PUSHING THE BOUNDARIES OF TECHNOLOGY

Shaping technological progress by turning state-of-the-art technology into superior applications

### History of gold standards in optical technologies

2

## DEVELOPING WITH THE CUSTOMER

Involving customers and key opinion leaders from an early stage - integrated into optical R&D network of the ZEISS Group

### Application-driven development

3

## CONNECTIVITY & DATA MANAGEMENT

Specific applications and workplaces to handle data and to support decision-making

### Lead the digitization of our business

4

## WORKFLOW- AND OUTCOME-DRIVEN SOLUTIONS

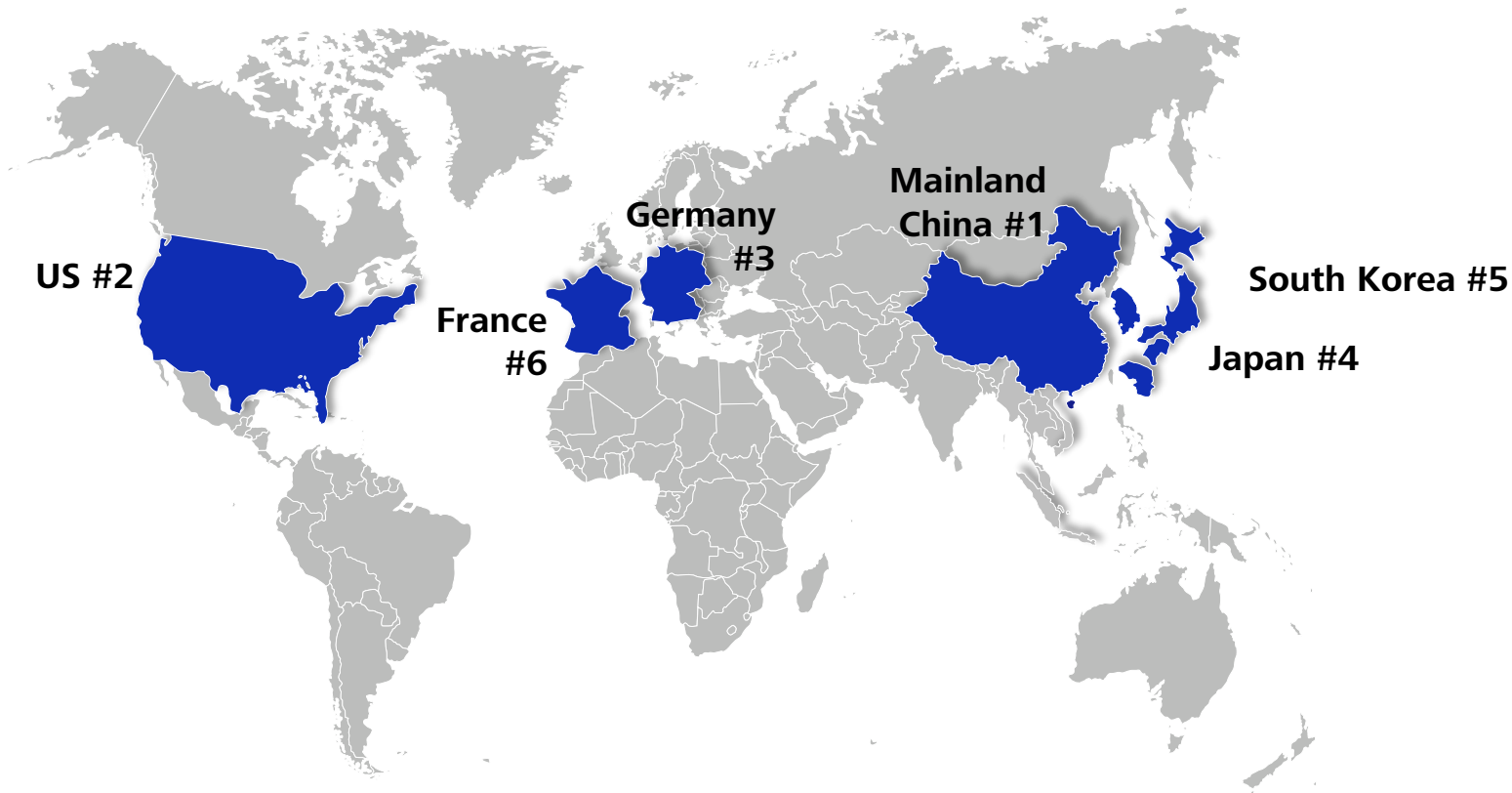
Integrated solutions supporting strong treatment outcomes and efficient workflows

### We integrate our products into systems

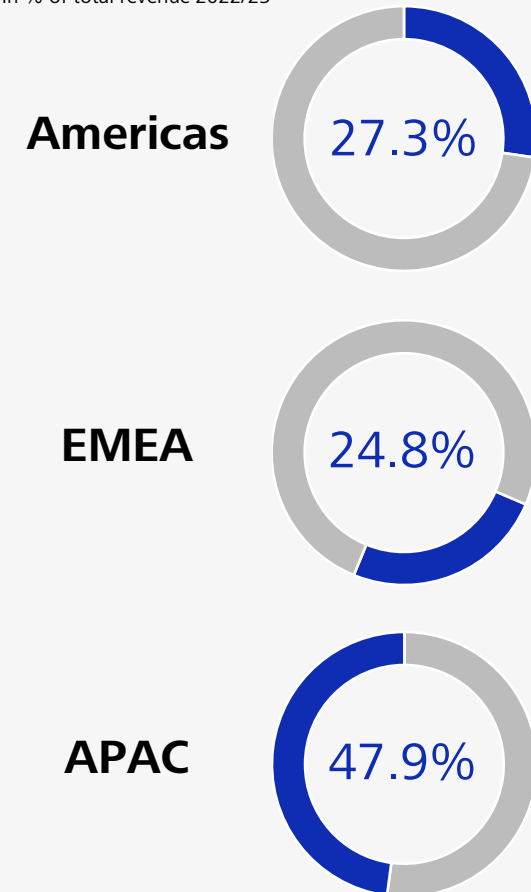
# Geographical distribution - APAC has become the largest region



Carl Zeiss Meditec Group's largest markets in terms of revenue  
Ranked by proportion of total revenue



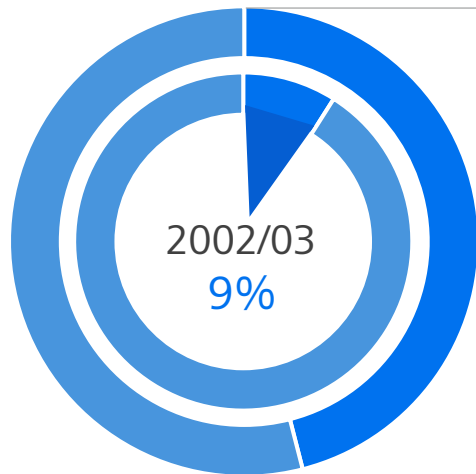
Carl Zeiss Meditec Group's regional split  
In % of total revenue 2022/23



# Favorable product mix - broad and diversified portfolio with growing share of recurring revenue



Share of recurring revenue has advanced steadily over two decades



2022/23

**~43%**  
of total revenue  
of €2,089.3 million



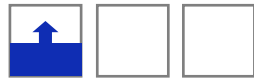
- More recurring revenue has allowed for profitable growth and less cyclicity
- We steadily broaden our service offering to complement our product offering and enhance the share of recurring revenue
- Recurring revenue has reached a level of around 43% in 2022/23 (-3 pps yoy)
- Key components of recurring revenue: Surgical consumables (e.g. intraocular lenses (IOLs), refractive treatment packs, OVDs, viscoelastics, phaco cassettes, drapes etc. ) and service

# Driving clinical outcome and efficiency improvement

...through workflow solutions built around anchor products



## 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**



Pre-treatment

Surgical Visualization

Instruments / Therapy

Implants

Post-treatment

Example: ZEISS Tumor Workflow

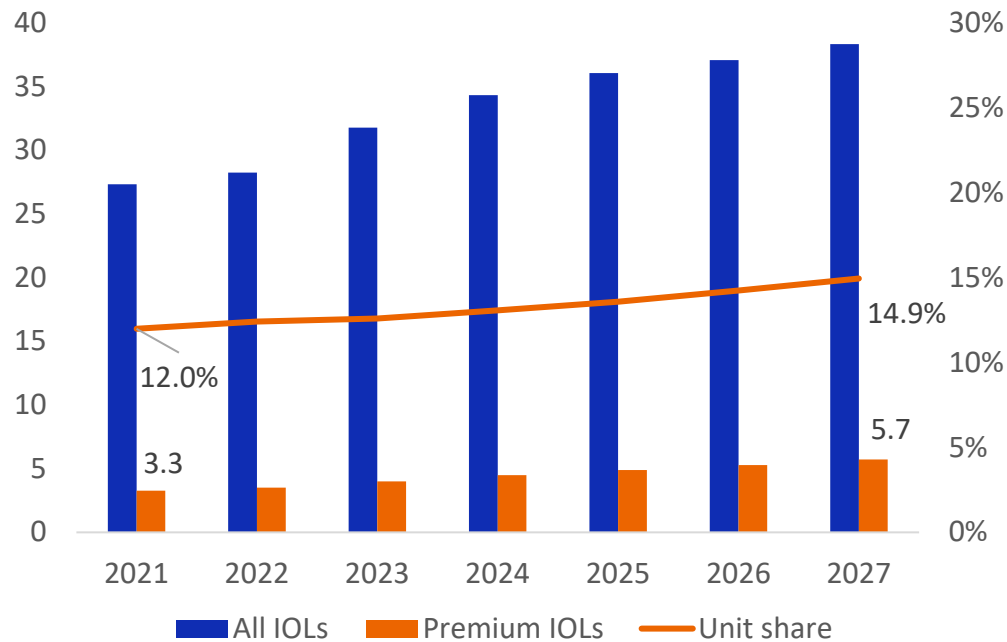


# IOL market - Cataract surgeries projected to grow strongly

## Accelerating Premium IOL growth

### Premium IOL trend until 2027

in million units



Premium IOLs include Bifocal, Trifocal, EDoF, Accomodating, Presbyopia correcting etc.

- Current cataract procedures around 25 m annually
- Market gradually recovered and is about to reach the pre-COVID level, catch-up of procedures anticipated to stretch out to further periods
- Premium IOL unit share (Premium IOL units / all IOL units) reached 12% while its revenue share reached 40% in 2021
- Growth to accelerate further: Premium IOL unit share to approach 15% while its revenue share to reach 48% in 2027
- Drivers: new innovations, technological improvement, higher awareness and adoption by patients, favorable health insurance provisions

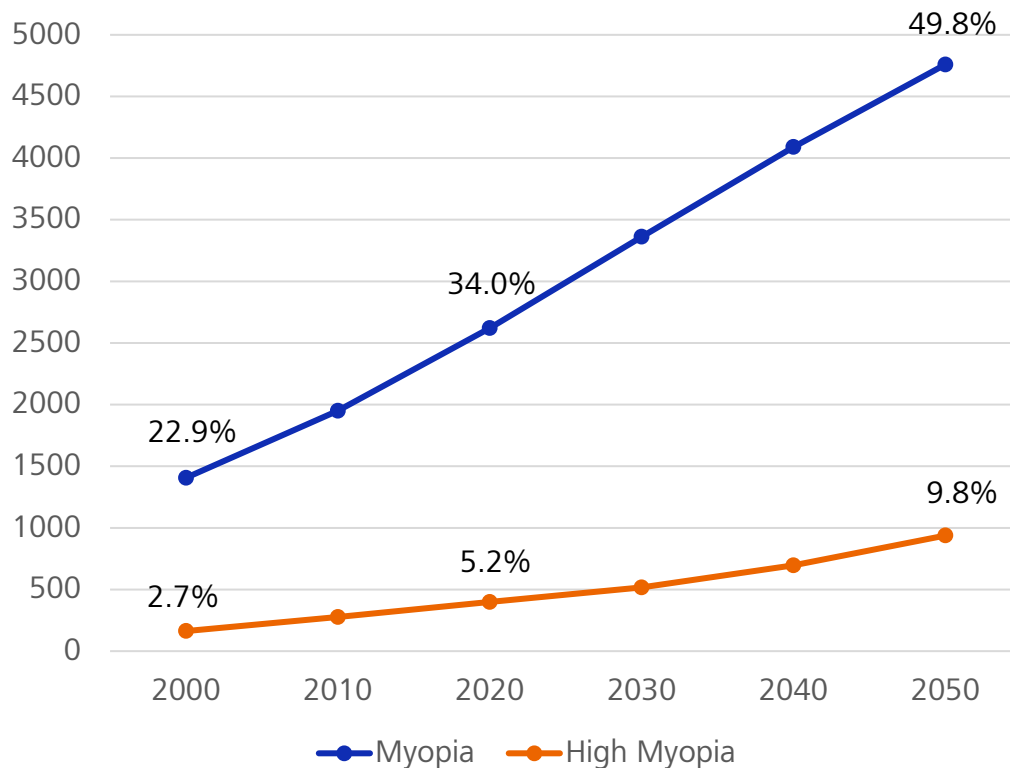


# Refractive market - Myopia prevalence to significantly expand

## High myopia to grow at even more accelerated pace

### Global myopia prevalence

in million people



Myopia rate	2020	2050
Asia Pacific, high income	53.4%	66.4%
North America, high income	42.1%	58.4%
Western Europe	36.7%	56.2%

- Myopia: -0.5D or less, high myopia: -5.0D or less
- Myopia and high myopia estimates suggest significant increases in prevalence globally
- Currently 1/3 of world population is myopic, 1/20 high-myopic; in 30 years around 1/2 of world population is myopic, 1/10 high-myopic
- High income regions with more accelerated trend

Source: Estimates by American Academy of Ophthalmology

# ZEISS provides the most comprehensive diagnostic and surgical solution portfolio in eye care



						
Diagnostics	Routine Diagnostics	+			+	+
	Retinal Imaging	+			+	+
	Perimetry	+				+
	Biometry	+	+		(+)	+
Surgical	Therapeutic Laser	+	+			
	Refractive Laser	+	+	+	+	
	Surgical Microscopy	+	+		(+)	+
	Phaco & IOLs	+	+	+	+	
	Vitreotomy	+	+		+	

- ZEISS provides gold standard systems and solutions across eye diagnostics and surgery based on deep application know-how in optics and imaging.
- Connectivity of imaging and surgical devices used to support surgeons' quest for premium treatment outcomes and workflow efficiency.

# Digital Supported Cataract Workflow

Integrated solutions to provide highest level of care

PART OF THE ZEISS MEDICAL ECOSYSTEM

## ZEISS Cataract Workflow

Efficiency without  
compromise



### Assess & educate

Obtaining deeper insights and engaging patients early on



ZEISS EYEGUIDE



ZEISS IOLMaster 700



ZEISS CIRRUS 6000



### Plan

Streamlining pre-operative planning



ZEISS Digital Ordering Platform



ZEISS Digital Ordering Platform



### Treat

Bringing surgical efficiency to the next level



ZEISS OPMI LUMERA



ZEISS QUATERA 700



ZEISS OPTIKIT



ZEISS CT LUCIA



ZEISS OVDs



### Check

Enabling learning for future cases



ZEISS SL 800 &  
ZEISS SL Imaging Solution

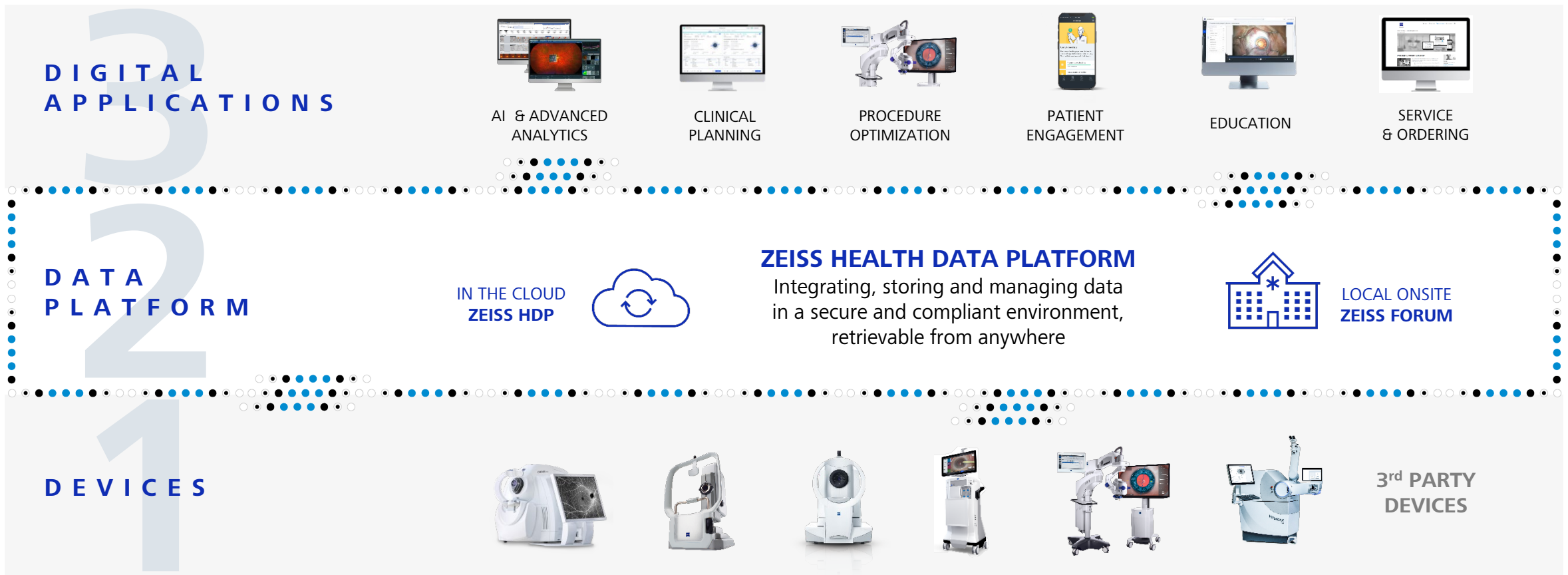


ZEISS Surgery Optimizer

# ZEISS Medical Ecosystem

Connecting devices > Connecting data > Connecting applications

**ZEISS Medical Ecosystem** represents a fully integrated environment where a combination of devices, data platform, software applications and services enables our customers to improve efficiency and accuracy



# ZEISS Medical Ecosystem

## Digital Applications



**Adding value beyond the devices** - enabling customers to benefit from a streamlined workflow, improved clinical planning and algorithms designed to monitor performance and contribute to patient outcome quality



### PATIENT SATISFACTION



#### ZEISS EYEGUIDE

- Facilitates patient education
- Aids in patient compliance
- Captures patient preferences



### EFFICIENCY



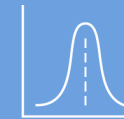
#### ZEISS VERACITY Surgery Planner / ZEISS EQ Workplace

- Reduces transcription errors by eliminating multiple data entry points

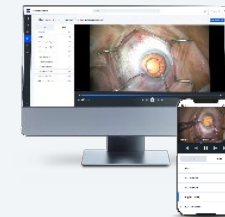


#### ZEISS VERACITY Surgery Planner / ZEISS EQ Workplace + ZEISS CALLISTO eye

- Reduces time in toric IOL workflow with markerless toric alignment in the surgical microscope



### STANDARDIZATION OF PRACTICE



#### ZEISS Surgery Optimizer

- Utilizes surgical videos to enable self-training & standardization of surgical techniques

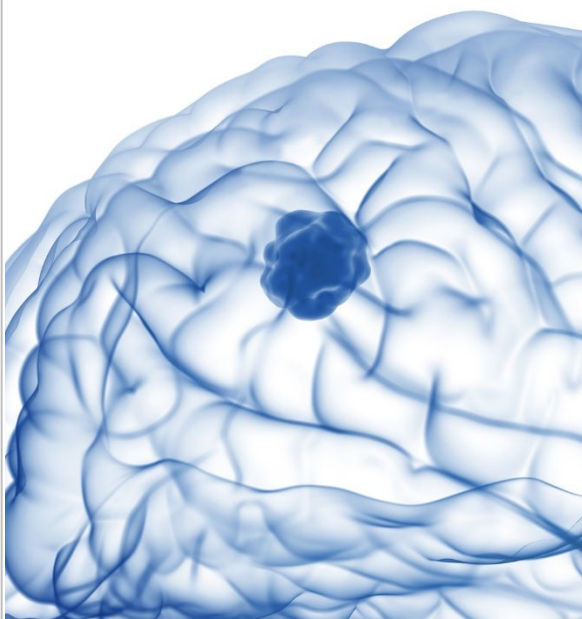


# Tumor Workflow

Integrated solutions to provide highest level of care

## ZEISS Tumor Workflow

Reconsidered brain tumor treatment standard, striving for the best possible treatment of patients.



See.



Visualize of small and fluorescence-stained structures during tumor treatment.

ZEISS KINEVO 900



Check.



Enable real-time feedback on tissue microstructure through digital pathology consultation.

ZEISS CONVIVO



Treat.

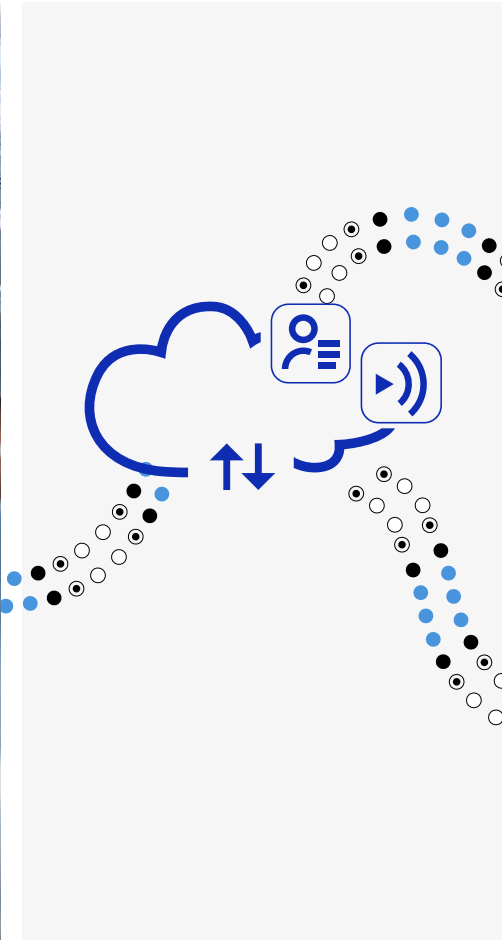


Precisely target and intraoperatively irradiate the tumor cavity.

ZEISS INTRABEAM 600



# Leading digital solutions beyond optical capabilities



- ✓ **Visual Certainty**
- ✓ **Seamless Performance**
- ✓ **Integrated Connectivity**

## **ZEISS Surgical Cloud and ZEISS Livestream**

- Contemporary connections
- Simplify data management
- Facilitate collaboration and education

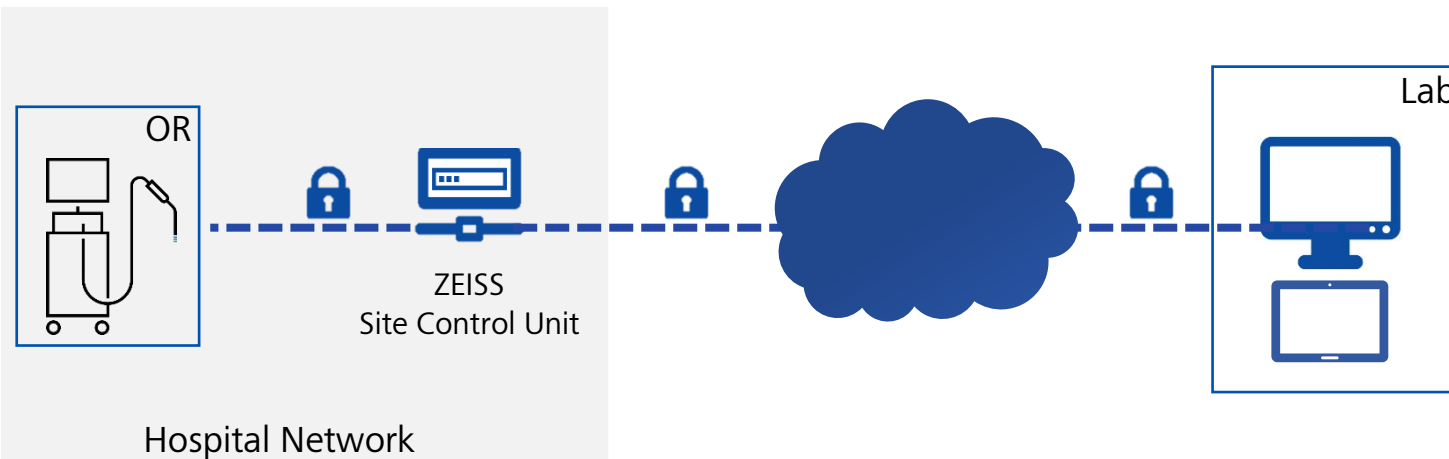
# Strong position with a durable competitive advantage



Largest R&D team for surgical visualization

Leading in bringing robotic and advanced video technology to microsurgery

Close collaboration with customers



Technology leadership

Strong brand

High customer loyalty

High market share

Long product lifecycles

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**01** At a Glance

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**02** Strategy

---

**03** Facts and Figures

---

**04** Outlook

---

**05** Appendix

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# Sideways movement in revenue in 6M 2023/24



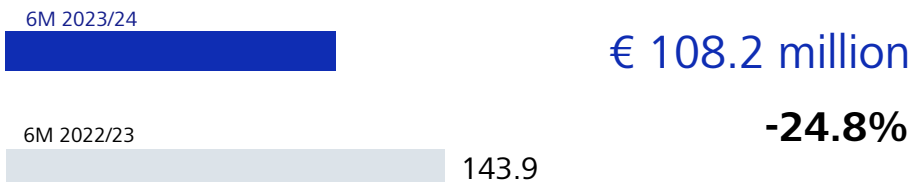
...primarily owing to destocking of refractive treatment packs and negative FX

## Revenue



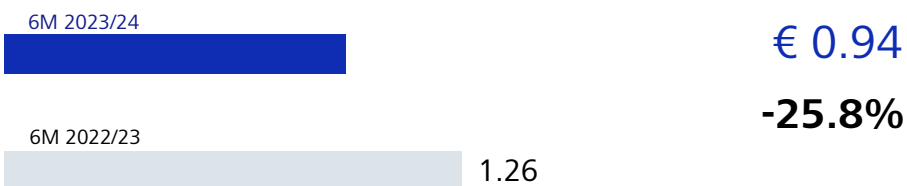
- FX-adj. revenue almost stable at -0.7%
- OPT revenue negatively impacted by destocking of refractive treatment packs in Chinese sales channel (concluded in March 2024), whereas MCS profited from order backlog conversion
- Open orders of € 276m remain only slightly elevated vs. pre-pandemic levels

## 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

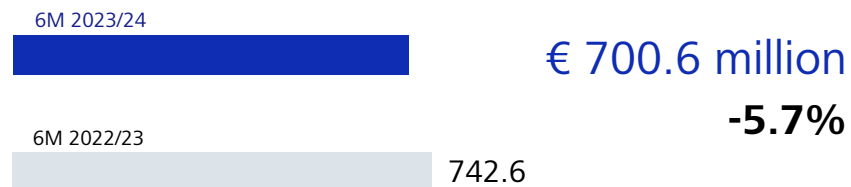


# Ophthalmology

## Topline decline due to destocking and slower equipment business

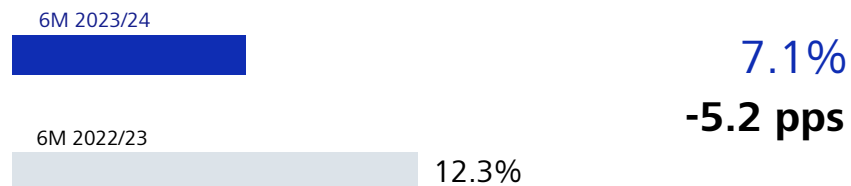


### Revenue



- 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



- 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

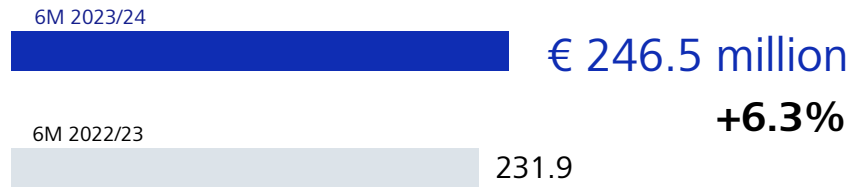


# Microsurgery

Solid topline growth and healthy profitability continue

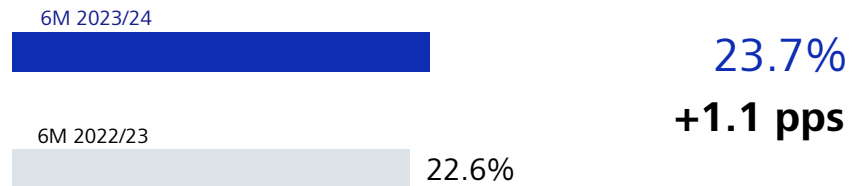


## Revenue



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

## EBIT margin



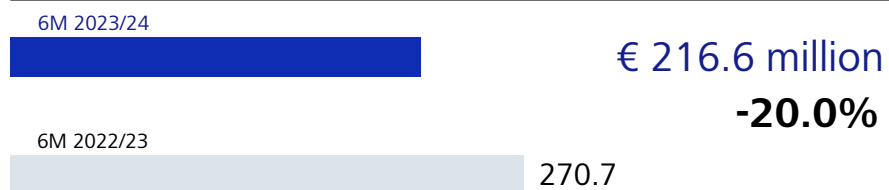
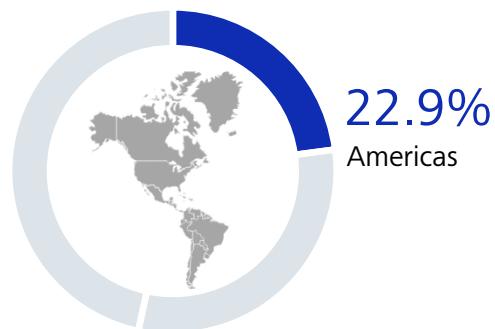
- Improvement in EBIT margin supported by
  - positive pricing effect (mostly offsetting neg. FX)
  - operating leverage amid strict cost control measures

## Revenue Split



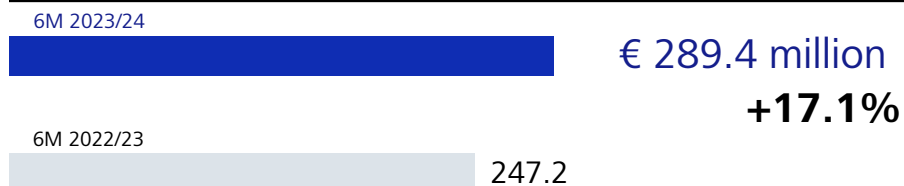
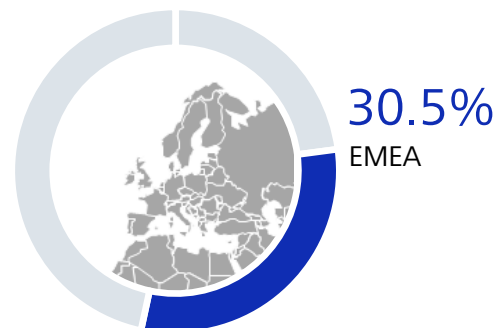
# Regional development

## EMEA with continued momentum, performance in Americas under pressure



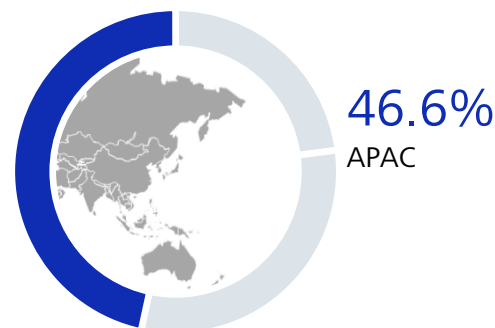
### Americas

- 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



### 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



### 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		<b>505.0</b>	<b>53.3</b>
		549.5	56.4
S&M expenses		<b>200.4</b>	<b>21.2</b>
		199.6	20.5
G&A expenses		<b>40.5</b>	<b>4.3</b>
		40.9	4.2
R&D expenses		<b>174.1</b>	<b>18.4</b>
		165.2	17.0
Other operating income		<b>18.2</b>	<b>1.9</b>
		0	0
EBIT		<b>108.2</b>	<b>11.4</b>
		143.9	14.8
Adj. EBIT		<b>95.0</b>	<b>10.0</b>
		149.3	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 €5.0m (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



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**01** At a Glance

---

**02** Strategy

---

**03** Facts and Figures

---

**04** Outlook

---

**05** Appendix

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# 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%

**01** At a Glance

**02** Strategy

**03** Facts and Figures

**04** Outlook

**05** Appendix

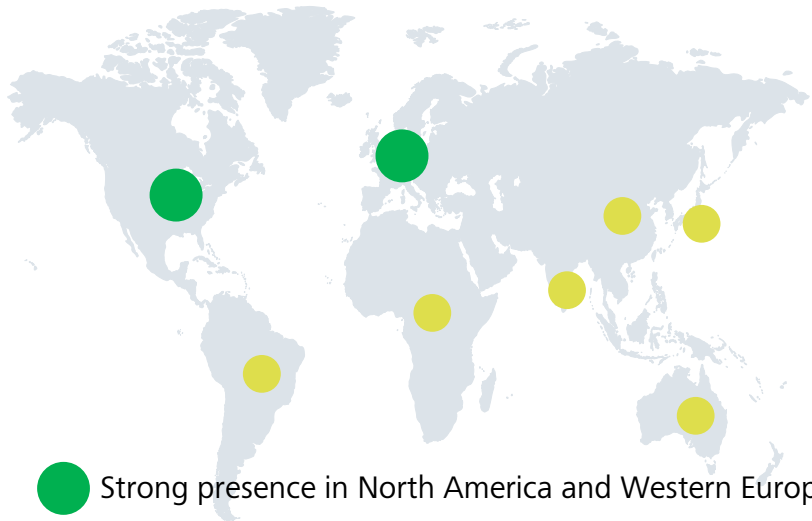


# With DORC Acquisition, ZEISS will create a unique Retina Workflow

## Highly complementary portfolio and regional setup



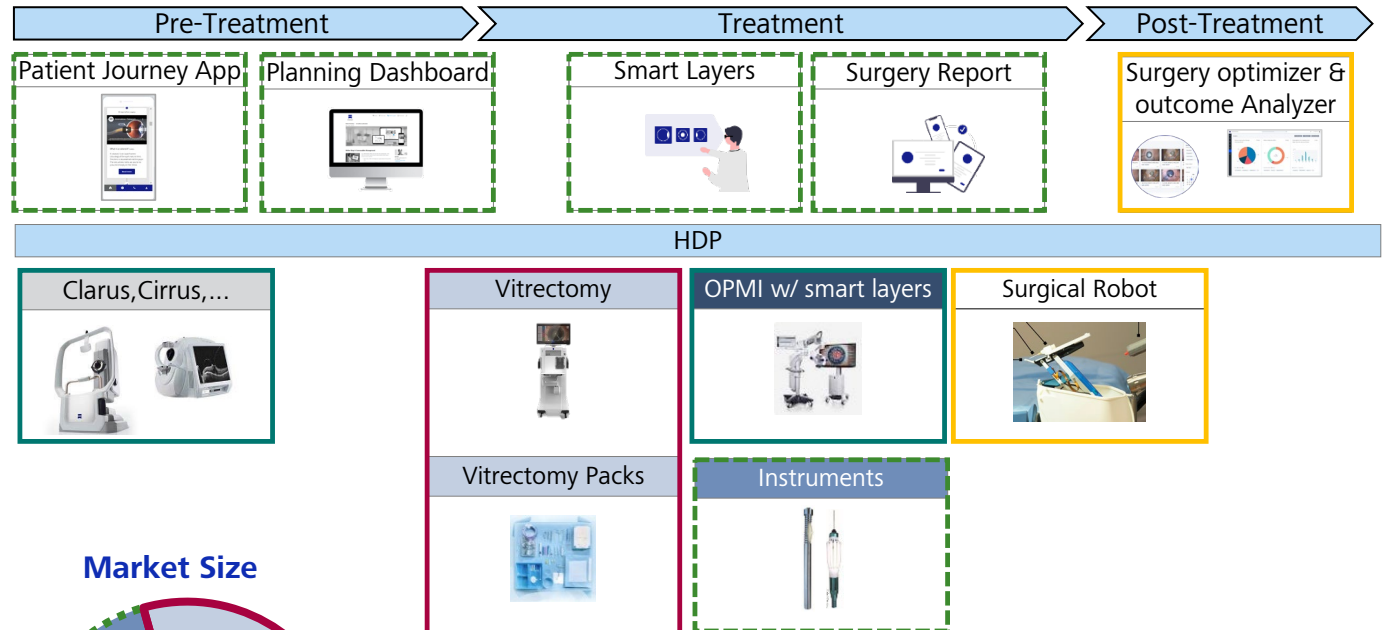
### DORC global presence



- Strong presence in North America and Western Europe
- Well established installed base operated by distributors

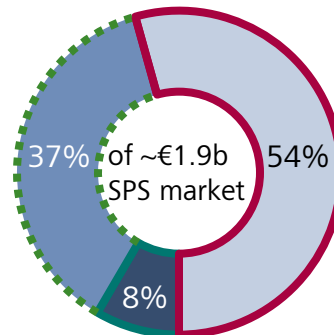
- Highly complementary portfolio and regional setup between ZEISS and DORC
- Cross-selling of IOLs, consumables and instruments
- Creation of full ZEISS Retina Workflow, connecting diagnostic devices, operating microscopes, vitrectomy, consumables and ZEISS Medical Ecosystem

### Retina (Surgical Posterior Segment) Workflow



Applications  
Data  
Devices  
Consumables

### Market Size

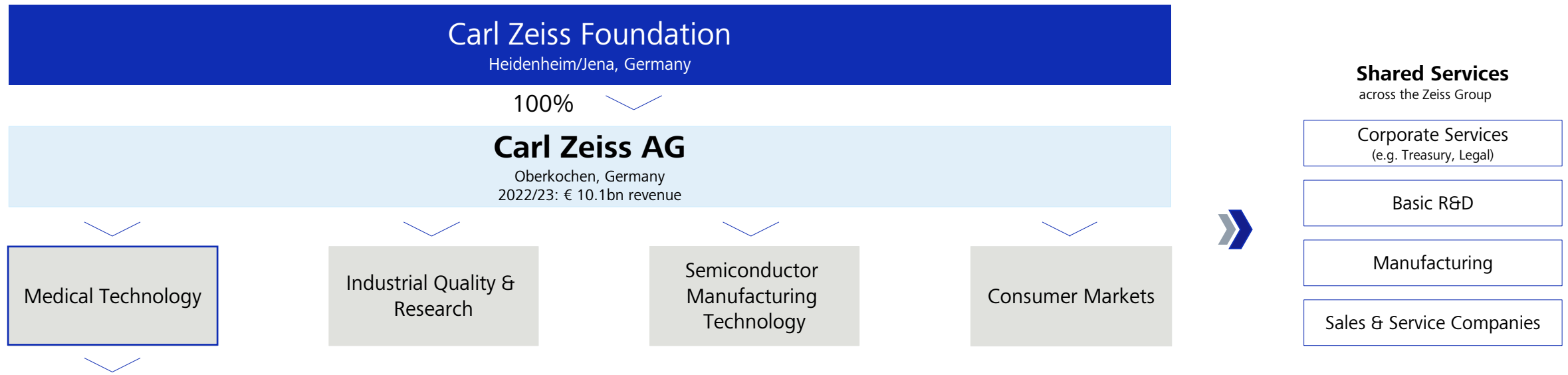


- Surgical Scopes
- Disp. Instruments
- Vitrectomy

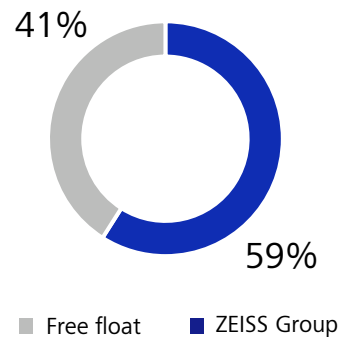
### ZEISS Position

- Established (Solid line)
- Partially established (Dashed line)
- Key Gap (Red outline)
- Future potential (Yellow outline)

# Medical Technology is a deeply integrated core business for the ZEISS Group

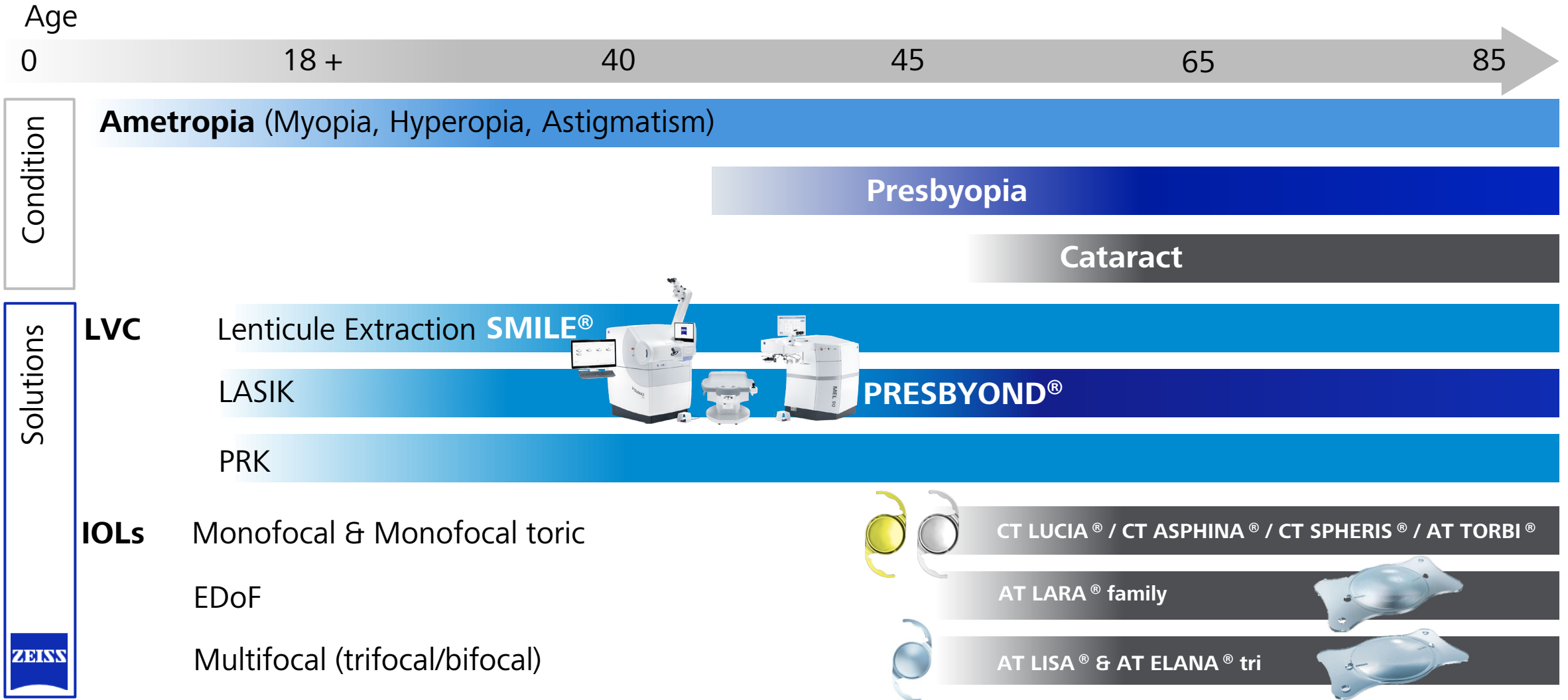


## Shareholder structure of Carl Zeiss Meditec AG



- Carl Zeiss Foundation created in 1889 as sole stakeholder of Carl Zeiss AG. Statutory goal to promote natural science, engineering. Envisioned close partnership of industry and science.
- Areas of business for foundation company Carl Zeiss AG defined as optics, fine mechanics and optoelectronics.
- Commitment to sustainability: safeguarding the future by responsible management, fulfilling special responsibility toward employees and society.
- Carl Zeiss Meditec AG formally created in 2002 through merger of ZEISS Ophthalmic business with listed laser technology maker Asclepion Meditec AG (AFX) and strengthened by acquisition of Carl Zeiss' Surgical business in 2006.

# OPT - ZEISS Ophthalmic Surgical solutions cover a patient's entire ocular lifecycle



# Upcoming Events 2023/24







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Seeing beyond