Interim Report 9 Months 2022/23

Interim Report of the Carl Zeiss Meditec Group - 9 months 2022/23

- **Double-digit percentage revenue growth after nine months 2022/23**
- **Growth contribution from both strategic business units, OPT[1] and MCS[2]**
- **Order backlog remains high**
- **EBIT of €244.9m (prior year: €275.9m) with EBIT margin of 16.2% (prior year: 20.7%)**

Business development within the Group

- In the first nine months of fiscal year 2022/23, the Carl Zeiss Meditec Group generated revenue of €1,509.6m. This corresponds to an increase of +13.3% compared with the year-ago period (prior year: €1,332.9m). Currency effects had a positive effect, with currency-adjusted growth amounting to +12.9%.

- Both strategic business units (SBUs), Ophthalmology and Microsurgery, increased their revenue significantly. The delivery of equipment, among other things, progressed during the reporting period.

- Revenue in all reporting regions increased significantly after nine months of the current fiscal year. The EMEA[3] and Americas regions performed well with double-digit percentage growth. The APAC[4] region also generated the revenue increase, boosted, among other things, by the strong growth contributions from India and Southeast Asia.

---

1 Ophthalmology

2 Microsurgery

Table 1: Summary of key ratios in the consolidated income statement

Unless otherwise stated	9 Months 2022/23 €m	9 Months 2021/22 €m	Change in %
Revenue	**1,509.6**	**1,332.9**	**+13.3**
Gross margin	57.3%	58.9%	-1.6 pts
EBIT	**244.9**	**275.9**	**-11.2**
EBIT margin	16.2%	20.7%	-4.5 pts
Adjusted EBIT[3]	**252.9**	**282.0**	**-10.3**
Adjusted EBIT in % of revenue	16.8%	21.2%	-4.4 pts
EPS (€)	2.29	2.14	+7.3

Business development by strategic business unit (SBU)

- The Ophthalmology SBU increased its revenue by 12.2% in the first nine months of fiscal year 2022/23, to €1,152.3m (prior year: €1,027.2m). Adjusted for currency effects, the SBU achieved growth of 11.8%. The equipment business made a significant contribution to growth. EBIT margin fell notably short of the high prior-year figure. The decline is attributable to a less favorable product mix, which is due, among other things, to the continued long delivery times of refractive laser systems. In addition, the planned large investments in Sales & Marketing and Research & Development had an adverse effect.

- Revenue in the Microsurgery SBU increased by 16.9% (adjusted for currency effects: +16.5%) to €357.3m (prior year: €305.7m). Progress in equipment deliveries over the course of the reporting period contributed significantly to this. Compared with the prior year, the EBIT margin largely remained at a constant level.

[3] The reconciliation to the adjusted EBIT can be found on page 5 / Table 4. The term "adjusted EBIT" is not defined in the International Financial Reporting Standards (IFRSs). There is no comparability with similarly designated key figures of other companies. Adjusted figures do not serve as a substitute for IFRS figures and are not more meaningful than IFRS figures.

Table 2: Business development by SBU

	Ophthalmology				Microsurgery			
	9 Months 2022/23	9 months 2021/22		Change	**9 Months 2022/23**	9 months 2021/22		Change
Unless otherwise stated	€m	€m	in %	in % (const. Fx)	€m	€m	in %	in % (const. Fx)
Revenue	**1,152.3**	**1,027.2**	**+12.2**	**+11.8**	**357.3**	**305.7**	**+16.9**	**+16.5**
Share of consolidated revenue	76.3%	77.1%	-0.8 pts		23.7%	22.9%	+0.8 pts	
EBIT	**161.3**	**205.1**	**-21.3**		**83.6**	**70.8**	**+18.1**	
EBIT margin	14.0%	20.0%	-6.0 pts		23.4%	23.2%	+0.2 pts	

Business development by region

- Revenue in the Americas region increased after the first nine months of the current fiscal year, by 24.2% to €410.3m (prior year: €330.4m; adjusted for currency effects: +19.5%). Strong contributions to growth come from the US and the Latin American markets, primarily due to the reduction of the existing order backlog.

- The EMEA region reached revenue of €372.3m in the reporting period (prior year: €334.2m), corresponding to an increase of 11.4% (adjusted for currency effects: +13.0%). The countries of Southern Europe and France, in particular, contributed to growth. Orders received in the core European markets remained largely constant.

- Revenue in the APAC region increased by 8.8% to €727.0m (prior year: €668.3m). After adjustment for currency effects, this corresponds to growth of +9.5%. While India and Southeast Asia, in particular, made good contributions to growth, the Japanese and South Korean markets declined slightly. The Chinese market, however, increasingly recovered in the course of the third quarter, following the weak start to the year due to the pandemic.

Table 3: Business development by region

	EMEA				Americas			
	9 Months 2022/23	9 months 2021/22	Change		9 Months 2022/23	9 months 2021/22	Change	
Unless otherwise stated	€m	€m	in %	in % (const. Fx)	€m	€m	in %	in % (const. Fx)
Revenue	**372.3**	**334.2**	**+11.4**	**+13.0**	**410.3**	**330.4**	**+24.22**	**+19.5**
Share of consolidated revenue	24.7%	25.1%	-0.4 pts		27.2%	24.8%	+2.4 pts	

	APAC			
	9 Months 2022/23	9 months 2021/22	Change	
Unless otherwise stated	€m	€m	in %	in % (const. Fx)
Revenue	**727.0**	**668.3**	**+8.8**	**+9.5**
Share of consolidated revenue	48.1%	50.1%	-2.0 pts	

Development of earnings

- Earnings before interest and taxes (EBIT) amounted to €244.9m after the first nine months of fiscal year 2022/23 (prior year: €275.9m). At 16.2%, the EBIT margin remained well below the prior-year level (prior year: 20.7%). The decline is attributable to a less favorable product mix, which is due, among other things, to the continued long delivery times of refractive laser systems. In addition, scheduled large investments in Sales & Marketing and Research & Development had an adverse effect. Adjusted for special effects, the EBIT margin was 16.8% (prior year: 21.2%).

- The financial result amounted to €51.2m, compared with €-13.3m in the prior year. The main positive factors here were exchange rate gains from currency hedging transactions and an increase in net interest income. As a result, earnings per share (EPS) rose to €2.29 (prior year: €2.14).

Table 4: Reconciliation of the non-IFRS key ratio adjusted result

Unless otherwise stated	**9 Months 2022/23** €m	9 Months 2021/22 €m	Change in %
EBIT	**244.9**	**275.9**	**-11.2**
./. Acquisition-related special effects[4]	-8.0	-6.1	+31.1
Adjusted EBIT	**252.9**	**282.0**	**-10.3**
Adjusted EBIT in % of revenue	16.8%	21.2%	-4.4 pts.

Financial position

Table 5: Summary of key ratios in the statement of cash flows

	9 Months 2022/23 €m	9 Months 2021/22 €m
Cash flows from operating activities	103.4	88.7
Cash flows from investing activities	-97.7	-118.5
Cash flows from financing activities	22.8	33.3

- Cash flows from operating activities amounted to €103.4m after nine months of fiscal year 2022/23 (prior year: €88.7m). The higher cash inflow resulted, among other things, from a lower increase in trade receivables compared with the prior year, and tax repayments. This was offset by an increase in inventories to build up safety stocks for key components.

- Cash flows from investing activities amounted to €-97.7m (prior year: €-118.5m). This decline primarily results from the higher purchase price payments incurred in the prior year for the acquisitions of Preceyes as well as Kogent and Katalyst. Investments in property, plant and equipment increased as planned within the scope of capacity expansions for consumables.

- Cash flows from financing activities amounted to €22.8m in the period under review compared with €33.3m in the prior year. The change is mainly attributable to a higher dividend payment.

[4] There were write-downs on intangible assets arising from the purchase price allocations (PPA) of around €8.0m (prior year: €6.1m), mainly in connection with the acquisitions of Aaren Scientific, Inc. in fiscal year 2013/14 and IanTECH, Inc. in fiscal year 2018/19 and Katalyst Surgical LLC and Kogent Surgical LLC in fiscal year 2021/22.

- On 30 June 2023, net cash amounted to €767.4m (30 September 2022: €885.6m). The equity ratio was 71.8% (30 June 2022: 72.1%).

Report on forecast changes

The company's outlook for fiscal year 2022/23 is further substantiated:

- Revenue is expected to amount to approximately €2.1b, which corresponds to growth of around 10% compared with the prior year.

- The EBIT margin for fiscal year 2022/23 as a whole is expected to be at the lower end of the previously forecast range of 17-20%.

- The strategic stockpiling of consumables for refractive laser surgery in the Chinese distribution channel, which was set up on a one-off basis in the second half of fiscal year 2021/22 to ensure security of supply in the event of renewed regional COVID-19 lockdowns, is to be largely destocked at the beginning of fiscal year 2023/24 according to current Company planning. This planned stock reduction shall have a significant temporary impact on revenue and earnings in the first six months of fiscal year 2023/24. A small portion of the stock reduction is expected to take place in the fourth quarter of fiscal year 2022/23, which has already begun. Overall, the negative effect of the stock reduction on revenue and earnings is expected to be in the mid-double-digit million range.

- In the medium term, the EBIT margin is expected to stabilize and return to the level of 20%. However, the duration of this recovery is currently not precisely predictable and will be to a large extent influenced by the timing and amount of strategic investments in Research & Development and Sales & Marketing.

Contact for investors and press

Sebastian Frericks
Director Group Finance & Investor Relations Carl Zeiss Meditec AG

Phone: +49 (0)3641 220-116
Email: investors.meditec@zeiss.com
press.meditec@zeiss.com

www.zeiss.com/press

Brief profile
Carl Zeiss Meditec AG (ISIN: DE 0005313704), which is listed on the MDAX and TecDAX of the German stock exchange, is one of the world's leading medical technology companies. The Company supplies innovative technologies and application-oriented solutions designed to help doctors improve the quality of life of their patients. The Company offers complete solutions, including implants and consumables, to diagnose and treat eye diseases. The Company creates innovative visualization solutions in the field of microsurgery. With approximately 4,224 employees worldwide, the Group generated revenue of €1,902.8m in fiscal year 2021/22 (to 30 September).

The Group's head office is located in Jena, Germany, and it has subsidiaries in Germany and abroad; more than 50 percent of its employees are based in the USA, Japan, Spain and France. The Center for Application and Research (CARIn) in Bangalore, India and the Carl Zeiss Innovations Center for Research and Development in Shanghai, China, strengthen the Company's presence in these rapidly developing economies. Around 41 percent of Carl Zeiss Meditec AG's shares are in free float. The remaining approx. 59 percent are held by Carl Zeiss AG, one of the world's leading groups in the optical and optoelectronic industries.

For further information visit: www.zeiss.com/med

Income statement

Unless otherwise stated	9 Months 2022/23 €m	9 Months 2021/22 €m
Revenue	**1,509.6**	**1,332.9**
Cost of sales	-644.1	-547.6
Gross profit	**865.5**	**785.2**
Selling and marketing expenses	-305.8	-253.4
General and administrative expenses	-59.1	-51.4
Research and development expenses	-255.6	-204.2
Other operating result	0.0	-0.3
Earnings before interest and taxes (EBIT)	**244.9**	**275.9**
Interest income	15.9	6.7
Interest expenses	-12.1	-6.0
Net interest from defined benefit pension plans	0.8	-0.3
Foreign currency gains/(losses), net	47.8	-42.5
Other financial result	-1.2	28.7
Earnings before income taxes (EBT)	**296.1**	**262.5**
Income taxes	-90.2	-70.4
Consolidated profit	**205.9**	**192.1**
Attributable to:		
Shareholders of the parent company	205.2	191.2
Non-controlling interests	0.7	0.9
Profit/(loss) per share attributable to the shareholders of the parent company in the fiscal year (EPS) (in €)		
Basic/diluted	2.29	2.14