Carl Zeiss Meditec Group

Dr. Markus Weber, President and CEO
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Agenda

Strong revenue growth in 9M 2022/23 with continued high order backlog
Ongoing strategic investment leads to reduced EBIT

Revenue

€ 1,509.6 million

+13.3%

- FX-adj. revenue growth of +12.9%
- Positive revenue trend in both SBUs and all regions despite continuing supply chain constraints and macroeconomic challenges
- Open orders of € 537m still at elevated levels

EBIT

€ 244.9 million

-11.2%

- EBIT margin at 16.2% (PY 20.7%)
- Sequential gross margin improvement from Q1 through Q3 mainly due to recovery in consumables business, Q3 gross profit and EBIT above PY's level
- Higher OpEx mainly arising from strategic investments in S&M and R&D for growth and innovation initiatives
- Adj. EBIT margin at 16.8% (PY 21.2%)

EPS

€ 2.29

+7.3%

- Higher earnings per share due to positive contribution from interest income, FX hedging

Agenda

Ophthalmology
Topline growth primarily driven by accelerating deliveries of devices

Revenue

€ 1,152.3 million

+12.2%

- FX-adj. revenue growth of +11.8%
- Delivery of devices accelerated towards end of period – VISUMAX lead times still elevated
- Refractive treatment packs below PY's high levels (inventory build in China in H2 21/22)

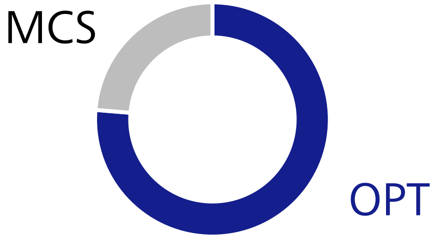
EBIT margin

14.0%

-6.0 pps

- EBIT margin decline affected by:
  - Weaker product mix due to slower consumables growth and supply constraints in refractive business
  - Continued high level of strategic investment in research & development and sales & marketing

Revenue Split



76.3%

of total revenue

Microsurgery
Strong profitable growth despite continued supply chain strains

Revenue

€ 357.3 million

+16.9%

- FX-adj. revenue growth of +16.5%
- Still elevated order backlog

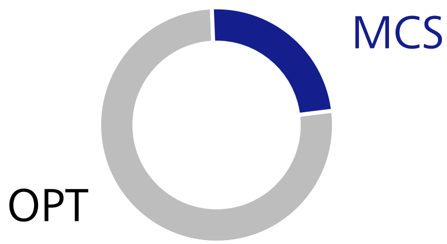
EBIT margin

23.4%

+0.2 pps

- Gross margin improvement due to positive pricing effect
- EBIT margin slightly higher despite continued high strategic investments in research & development

Revenue Split

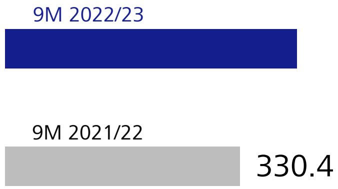


23.7%

of total revenue

Revenue growth across all regions
Strongest growth momentum in Americas

27.2%
Americas

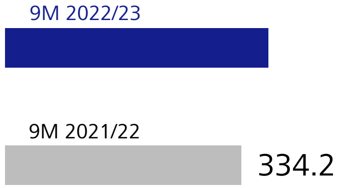


€ 410.3 million
+24.2%

Americas

- FX-adj. revenue increase of +19.5%
- Strong growth across almost all countries, in US particularly driven by conversion of order backlog

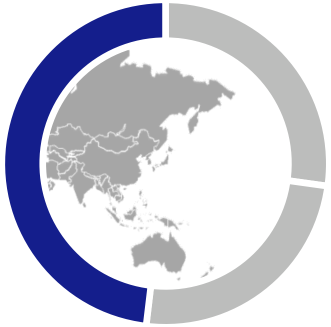
24.7%
EMEA



€ 372.3 million
+11.4%

EMEA

- FX-adj. revenue trend of +13.0%
- Good contribution from core markets in particular FR, ES, IT, solid growth in Southern EU and Middle East



48.1%
APAC

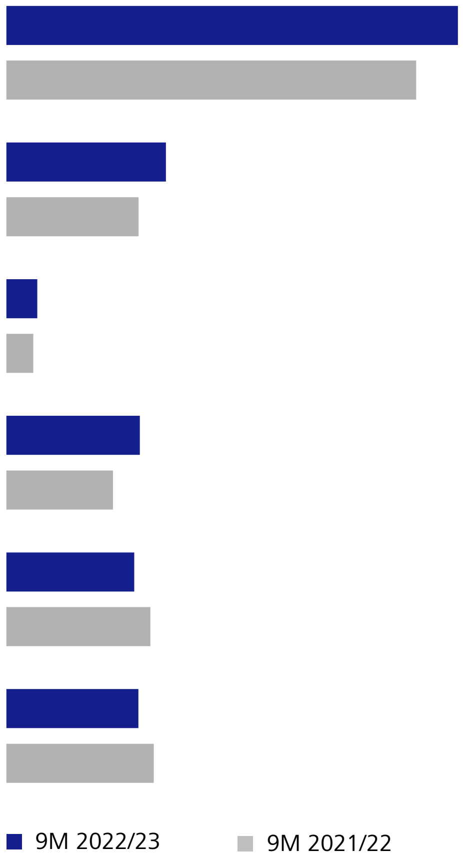
€ 727.0 million
+8.8%

APAC

- FX-adj. revenue growth of +9.5%
- Strong performance in India and Southeast Asia
- Recovery of the consumables business in China, as well topline growth despite high basis last year

P&L analysis – High level of investment continues to weigh on margins
OpEx ratios trending higher y/y

Income Statement



		in € million	in % of sales
Gross profit	9M 2022/23	865.5	57.3
	9M 2021/22	785.2	58.9
Selling & marketing expenses	9M 2022/23	305.8	20.3
	9M 2021/22	253.4	19.0
General admin. expenses	9M 2022/23	59.1	3.9
	9M 2021/22	51.4	3.9
R&D expenses	9M 2022/23	255.6	16.9
	9M 2021/22	204.2	15.3
EBIT	9M 2022/23	244.9	16.2
	9M 2021/22	275.9	20.7
Adj. EBIT	9M 2022/23	252.9	16.8
	9M 2021/22	282.0	21.2

- Gross margin improved sequentially (though still lower y/y) based on less share of recurring revenue and only partial effectiveness of price adjustment due to large order backlog
- Rise in sales & marketing expenses due to growth initiatives, in particular Refractive and Surgical Ophthalmology, higher travel and advertising expenses
- Research & development expenses continue on a high level driven by strategic investments such as digitalization and workflows

Adjusted EBIT margin amounted to 16.8%

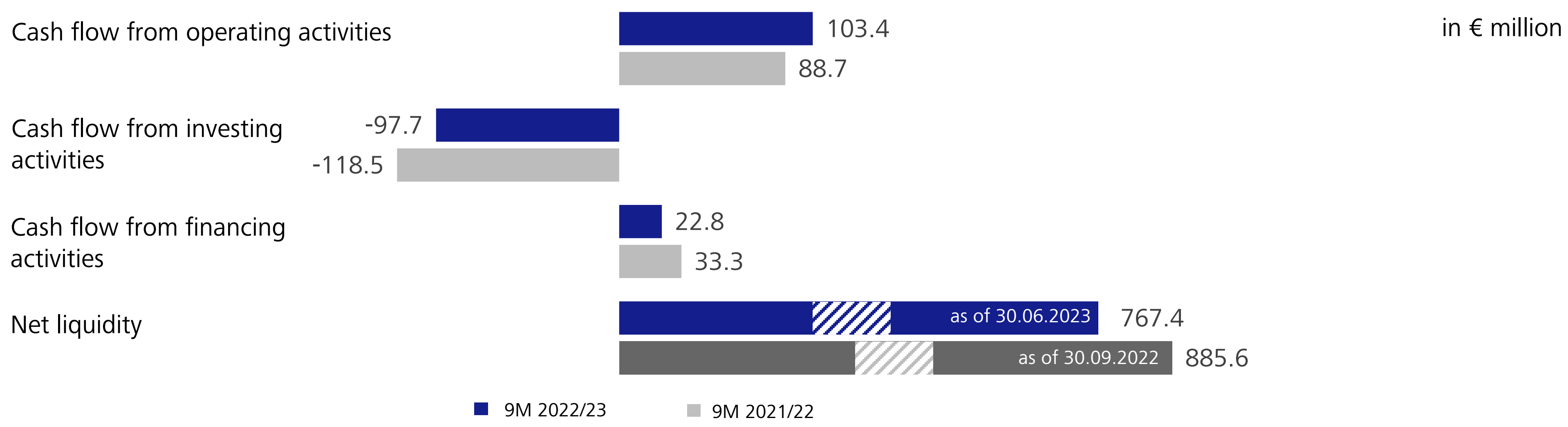
Adjusted EBIT margin

	9M 2022/23 € million	9M 2021/22 € million	Change to PY %
EBIT	**244.9**	275.9	-11.2
./. Acquisition-related special items	**-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 pps.

- Acquisition related special items are amortizations on intangible assets arising from the purchase price allocations (PPA) of around €8.0m (PY: €6.1m), mainly in connection with the acquisitions of Aaren Scientific, Inc. in 2013/14, IanTECH, Inc. in 2018/19 as well as Katalyst Surgical LLC and Kogent Surgical LLC in 2021/22.

Slight improvement in operating cashflow due to better result and interest income, despite build-up of additional safety stocks

Cash flow statement



- **Operating cash flow** improved mainly contributed by better result and interest income, despite further build-up of safety stocks amid tense supply chains
- **Investing cash flow** primarily driving expansion of production capacity for consumables
- **Net liquidity** continued being on a high level of € 767.4 million

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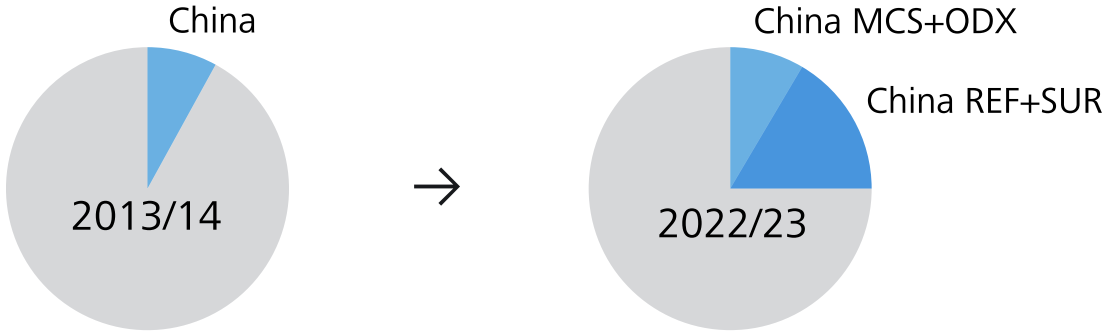
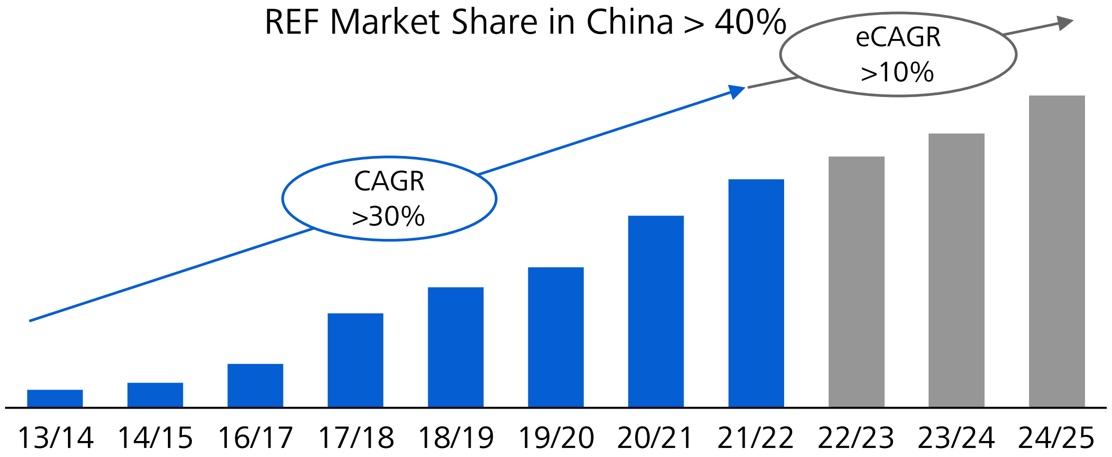
Strong growth in Chinese market has been led by Refractive & Surgical

Destocking of REF consumables & nationwide VBP may present some headwinds for FY 23/24

China as % of group revenue



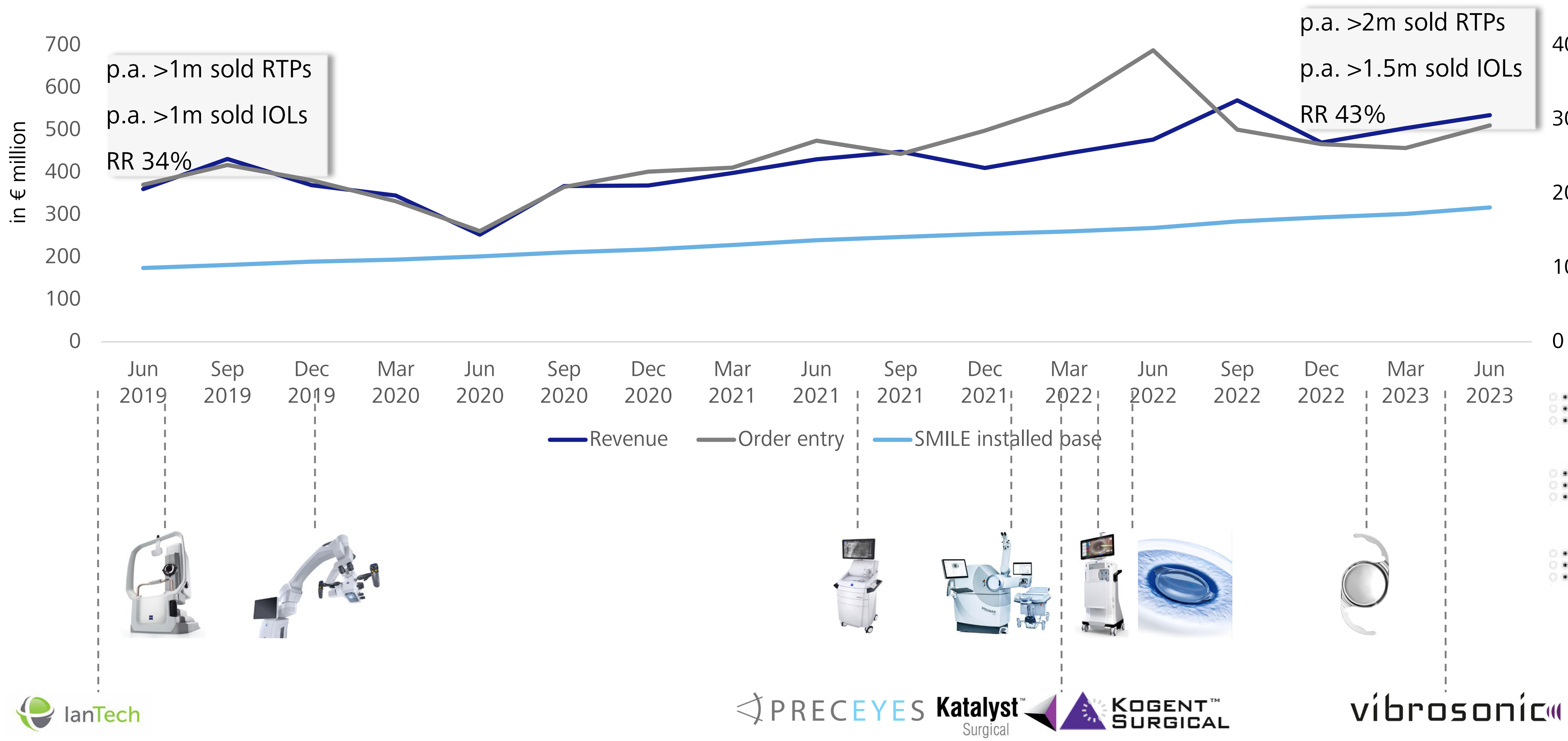
China REF Revenue Growth



- Over last ten years, China's contribution to our business has grown from 8% to around 25%
- Approx. 2/3 of China's revenue is contributed by refractive and surgical business, generating above-average profitability
- ZEISS enjoys significant brand strength in China and leading shares of installed base with private ophthalmic hospitals
- Refractive market share has risen to > 40%
- Leading market position in multifocal IOLs
- As disclosed in December 2022, refractive consumables in the sales channel (outside of Carl Zeiss Meditec scope of consolidation) have been increased by a mid-double-digit million EUR amount to ensure deliverability during lockdowns
- Unwinding these extra stocks will cause a temporary headwind to earnings, likely concentrated in the first half of FY 2023/24
- Introduction of nationwide volume-based procurement for IOLs will likely lead to price erosion and cause some earnings pressure next fiscal year. Ramp-up of local production will support our business and help to protect margins in the mid-term.
- Long-term drivers for China remain excellent due to high rate of myopia and significant market expansion potential in cataract
- We continue to expect above-average growth over next few years for our surgical franchise in China

Strategic positioning significantly enhanced since the pre-pandemic period

Strong growth in consumables businesses, launched significant new products, completed several acquisitions



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Outlook for the remainder of FY 2022/23 and for the planned reduction of high consumables inventories in China specified

- Revenue expected to be approximately €2.1 billion in FY 2022/23 (growth of approximately 10% y/y)
- Supply chains have slowly stabilized in the reporting period, but delivery times of key products still remain high, delaying price realization and the capture of full consumables potential
- Strategic investments in research & development as well as sales & marketing continuing
- Reduction of high consumables inventories in the refractive laser business in the Chinese distribution channel is expected to start in Q4 2022/23. The complete destocking will result in a total expected negative temporary effect of approx. mid-double-digit million € on revenue and earnings, which is mainly expected in H1 2023/24 and will significantly burden the earnings on a one-time basis. A minor proportionate effect is already expected to be attributable to Q4 2022/23
- EBIT margin for FY 2022/23 is likely to be at the lower end of the previous forecast of 17-20%
- In the medium term, EBIT margin should stabilize and return to the 20% threshold previously forecast. However, the duration of this recovery is currently not precisely predictable and will be significantly influenced by the timing and amount of strategic investments in research & development and sales & marketing
- The impact of regulatory changes on the EBIT margin, for example through new pricing regulations in the IOL business in China, which are expected to come into force in the course of the next FY, cannot yet be precisely quantified

Seeing beyond