## Interim Report 3 Months 2023/24

# Interim Report of the Carl Zeiss Meditec Group - 3 months 2023/24

- **Slight growth at start of fiscal year 2023/24**
- **Further normalization in order backlog to €315m**
- **EBIT declines to €43.5m; EBIT margin at 9.2% due to a weaker product mix as a result of the planned stock reduction in refractive surgery in China**
- **Forecast for fiscal year 2023/24 unchanged**

## Business development within the Group

- The Carl Zeiss Meditec Group generated revenue of €475.0m in the first three months of fiscal year 2023/24. This corresponds to a slight increase of +1.0% compared with the year-ago period (prior year: €470.3m). Currency effects had a negative effect, with currency-adjusted growth amounting to +3.3%.

- Due to the planned reduction of stocks of consumables for refractive surgery in the Chinese distribution channel, growth slowed as expected at the start of the fiscal year. There was a significant increase in device deliveries across both strategic business units (SBUs).

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

| Unless otherwise stated | 3 months 2023/24 €m | 3 months 2022/23 €m | Change in % |
|---|---|---|---|
| **Revenue** | **475.0** | **470.3** | **+1.0%** |
| Gross margin | 53.2% | 54.7% | -1.5 pts |
| **EBIT** | **43.5** | **60.3** | **-27.8%** |
| EBIT margin | 9.2% | 12.8% | -3.6 pts |
| **Adjusted EBIT**[1] | **46.0** | **63.1** | **-27.1%** |
| Adjusted EBIT in % of revenue | 9.7% | 13.4% | -3.7 pts |
| EPS (in €) | 0.42 | 0.57 | -26.7% |

## Business development by strategic business unit (SBU)

- Revenue in the Ophthalmology strategic business unit was down by a slight -2.0% after the first three months of fiscal year 2023/24, to €351.1m (prior year: €358.2m). Adjusted for currency effects, revenue of the strategic business unit remained around the prior year's level. The EBIT margin declined significantly compared with the prior year. An adverse effect was caused in particular by the reduction of stocks of surgical consumables in the Chinese distribution channel announced at the end of the last fiscal year. Negative exchange rate trends also had a dampening effect.

- Revenue in the Microsurgery SBU increased by 10.6% (adjusted for currency effects: +13.7%) to €123.9m, compared with €112.0m in the same period of the prior year. This revenue growth is mainly attributable to increased device deliveries, while the order backlog continued to normalize. The EBIT margin increased due to the strong development of revenue and positive pricing effects on gross profit.

[1] The reconciliation to the adjusted EBIT can be found in Table 4 on page 5. 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 | | | |
|---|---|---|---|---|---|---|---|---|
| | **3 months 2023/24** | 3 months 2022/23 | | Change | **3 months 2023/24** | 3 months 2022/23 | | Change |
| Unless otherwise stated | €m | €m | in % | in % (const. Fx) | €m | €m | in % | in % (const. Fx) |
| **Revenue** | **351.1** | **358.2** | **-2.0%** | **0.0%** | **123.9** | **112.0** | **+10.6%** | **+13.7%** |
| Share of consolidated revenue | 73.9% | 76.2% | -2.3 pts | | 26.1% | 23.8% | +2.3 pts | |
| **EBIT** | **11.4** | **36.1** | **-68.5%** | | **32.1** | **24.1** | **+33.1%** | |
| EBIT margin | 3.2% | 10.1% | -6.9 pts | | 25.9% | 21.5% | +4.4 pts | |

## Business development by region

- Revenue in the Americas region was down by -19.9% after the first three months of fiscal year 2023/24, to €112.1m (prior year: €139.9m; adjusted for currency effects: -16.6%). Latin America made a positive contribution with double-digit percentage growth, while the U.S. recorded a decline.
- Revenue in the EMEA[2] region amounted to €156.5m after the first three months of the current fiscal year (prior year: €122.1m), and therefore rose by 28.2% (adjusted for currency effects: +30.9%). Good revenue contributions were generated by the core markets France, Italy and Spain.
- The APAC[3] region maintained a steady performance, reporting revenue of €206.4m compared with €208.2m in the prior year (-0.9%; adjusted for currency effects: +0.4%). India and Southeast Asia, in particular, made the largest contributions to growth. The Chinese market, however, experienced a downward trend, due to the destocking of consumables for refractive surgery.

[2] Europe, Middle East, Africa
[3] Asia/Pacific

Table 3: Business development by region

| Unless otherwise stated | EMEA 3 months 2023/24 €m | EMEA 3 months 2022/23 €m | EMEA Change in % | EMEA Change in % (const. Fx) | Americas 3 months 2023/24 €m | Americas 3 months 2022/23 €m | Americas Change in % | Americas Change in % (const. Fx) |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | **156.5** | **122.1** | **28.2%** | **+30.9%** | **112.1** | **139.9** | **-19.9%** | **-16.6%** |
| Share of consolidated revenue | 32.9% | 25.9% | +7.0 pts | | 23.6% | 29.8% | -6.2 pts | |

| Unless otherwise stated | APAC 3 months 2023/24 €m | APAC 3 months 2022/23 €m | APAC Change in % | APAC Change in % (const. Fx) |
|---|---|---|---|---|
| **Revenue** | **206.4** | **208.2** | **-0.9%** | **+0.4%** |
| Share of consolidated revenue | 43.5% | 44.3% | -0.8 pts | |

## Development of earnings

- Earnings before interest and taxes (EBIT) decreased to €43.5m after the first three months of fiscal year 2023/24 (prior year: €60.3m). The EBIT margin decreased significantly to 9.2% (prior year: 12.8%). This decline is mainly attributable to a weaker product mix due to the reduction of stocks of consumables for refractive surgery in China and the higher relative proportion of devices in the product mix. Unfavorable currency developments and continued high operating costs in sales and marketing and research and development put further pressure on earnings. Additional measures have been initiated to contain the rise in operating costs. Adjusted for special effects, the EBIT margin was 9.7% (prior year: 13.4%).

- The financial result amounted to €+11.2m, compared with €+12.8m in the prior year. Higher interest income made a positive contribution to this development. The opposite effect arose from the lower results from currency hedges compared with the prior fiscal year. Earnings per share (EPS) were €0.42 (previous year: €0.57).

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

| Unless otherwise stated | 3 months 2023/24 €m | 3 months 2022/23 €m | Change in % |
|---|---|---|---|
| **EBIT** | **43.5** | **60.3** | **-27.8%** |
| ./. Acquisition-related special effects[4] | -2.5 | -2.8 | -10.7% |
| **Adjusted EBIT** | **46.0** | **63.1** | **-27.1%** |
| Adjusted EBIT in % of revenue | 9.7% | 13.4% | -3.7 pts. |

## Financial position

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

| | 3 months 2023/24 €m | 3 months 2022/23 €m |
|---|---|---|
| Cash flows from operating activities | 1.0 | 18.2 |
| Cash flows from investing activities[5] | -0.4 | 5.0 |
| Cash flow from financing activities | 2.7 | -6.9 |

- Cash flows from operating activities decreased to €1.0m in the reporting period (prior year: €18.2m). The reduction in receivables compared with the year-ago period had a positive effect. This is offset by lower operating results and continued elevated inventory levels.
- Cash flows from investing activities amounted to €-0.4m (prior year: €5.0m). The decline is mainly attributable to the usual investments in property, plant and equipment and intangible assets. Conversely, the reduction in receivables from the Group treasury had a positive effect.

[4] There were write-downs on intangible assets arising from the purchase price allocations (PPA) of around €2.5m (prior year: €2.8m), 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 2022/23.

[5] Reclassification of cash flows from change in “treasury receivables” (see also Annual Report 2022/23 section 29 “Notes to the statement of cash flows”)

- Cash flows from financing activities amounted to €2.7m in the period under review (prior year: €-6.9m). The change is mainly due to the increase in treasury payables to the Group treasury of the ZEISS Group compared with the same period of the prior year.

- On 31 December 2023, net cash amounted to €817.0m (30 September 2023: €863.9m). The equity ratio was 73.8% (30 September 2023: 71.6%).

## Report on forecast changes

- The Company's outlook for fiscal year 2023/24 remains unchanged. The Company expects further market growth in spite of geopolitical risks and the increasingly challenging macroeconomic environment. Revenue is expected to be at least in line with the anticipated market growth for the industry in fiscal year 2023/24.

- The Company expects a gradual recovery of the EBIT margin over the further course of the fiscal year. EBIT is expected to be around the prior year's level.

- In the medium term, the Company expects to be able to stabilize its EBIT margin sustainably at a level above 20%. The growing proportion of recurring revenue offers further upward potential. Conversely, there is a continued high demand for strategic investments in research and development and sales and marketing.

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**Brief profile**
Carl Zeiss Meditec AG (ISIN: DE0005313704), 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. It provides complete packages of solutions for the diagnosis and treatment of eye diseases, including implants and consumables. The Company creates innovative visualization solutions in the field of microsurgery. With approximately 4,823 employees worldwide, the Group generated revenue of €2,089.3m in fiscal year 2022/23 (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.de/med

## Income statement

| Unless otherwise stated | 3 months 2023/24 €m | 3 months 2022/23 €m |
|---|---|---|
| **Revenue** | **475.0** | **470.3** |
| Cost of sales | -222.5 | -212.9 |
| **Gross profit** | **252.5** | **257.4** |
| Selling and marketing expenses | -101.2 | -97.7 |
| General and administrative expenses | -20.0 | -18.4 |
| Research and development expenses | -87.8 | -81.0 |
| Other operating result | - | - |
| **Earnings before interest and taxes (EBIT)** | **43.5** | **60.3** |
| Result from equity-accounted investments | -0,7 | - |
| Interest income | 9.0 | 3.0 |
| Interest expenses | -3.9 | -2.9 |
| Net interest from defined benefit pension plans | 0.3 | 1.4 |
| Foreign currency gains/(losses), net | 6.8 | 11.6 |
| Other financial result | -0.2 | -0.3 |
| **Earnings before income taxes (EBT)** | **54.7** | **73.0** |
| Income taxes | -18.0 | -22.5 |
| **Consolidated profit** | **36.8** | **50.6** |
| Attributable to: | | |
| Shareholders of the parent company | 37.4 | 51.0 |
| Non-controlling interests | -0.6 | -0.5 |
| **Profit/(loss) per share attributable to the shareholders of the parent company in the fiscal year (EPS) (in €)** | | |
| Basic/diluted | 0.42 | 0.57 |