# Interim Report 9 Months 2023/24

## Interim Report of the Carl Zeiss Meditec Group – 9 months 2023/24

- **Revenue down slightly in first nine months of fiscal year 2023/24**
- **EBIT declines to €162.7m; EBIT margin at 10.9% (prior year: 16.2%) due to fall in revenue and a significantly weaker product mix as a result of a lower proportion of consumables and delayed implementation of volume-based procurement of IOLs in China**
- **Further cost-cutting measures introduced in Sales & Marketing and Research & Development as well as medium-term transformation initiatives**

### Business development within the Group

- The Carl Zeiss Meditec Group generated revenue of €1,486.5m in the first nine months of fiscal year 2023/24, a slight decrease of -1.5% compared with the year-ago period (prior year: €1,509.6m). Currency effects had a negative effect, with currency-adjusted growth amounting to +0.1%. Excluding the first-time consolidation of DORC[1] on 3 April 2024, there was a negative sales trend of -5.0%.

- The restrictive investment climate that continues to be observed in North America, particularly in light of high financing costs, led to declining revenue in the devices business. Orders for refractive consumables are down compared with the prior year due to a subdued start to the summer season in China at the beginning of the peak season. Equipment deliveries declined slightly in both strategic business units compared with the prior year.

[1] D.O.R.C. Topco BV = DORC

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

| | 9 months 2023/24 | 9 months 2022/23 | Change |
|---|---|---|---|
| Unless otherwise stated | €m | €m | in % |
| **Revenue** | **1,486.5** | **1,509.6** | **-1.5** |
| **of which DORC revenue** | **52.7** | **-** | **-** |
| Gross margin | 53.7% | 57.3% | -3.6 pts |
| **EBIT** | **162.7** | **244.9** | **-33.6** |
| **of which DORC EBIT** | **3.9** | **-** | **-** |
| EBIT margin | 10.9% | 16.2% | -5.3 pts |
| **Adjusted EBIT[2]** | **161.0** | **252.9** | **-36.4** |
| Adjusted EBIT in % of revenue | 11.2% | 16.8% | -5.6 pts |
| EPS (in €) | 1.32 | 2.29 | -42.4 |

## Business development by strategic business unit (SBU)

- Revenue in the Ophthalmology strategic business unit was down by a slight -0.8% after the first nine months of fiscal year 2023/24, to €1,143.0m (prior year: €1,152.3m). Adjusted for currency effects and due to the first-time consolidation of DORC BV, the strategic business unit's revenue increased by a slight +0.7% compared with the prior year. The EBIT margin decreased significantly year-on-year. This was particularly impacted by the reduction in inventories of surgical consumables in the Chinese sales channel, which was completed in March 2024. Due to the continued investment reluctance of various customer groups, especially in North America, the devices business continued to lag behind the prior year.

- The Microsurgery SBU posted a revenue of €343.5m, a decrease of -3.9% (adjusted for currency effects: -1.9%) compared with the same period of the prior year. The decline in revenue is largely attributable to the ongoing investment reluctance of various customers groups, especially in North America, and the resulting weak neurosurgery business. The EBIT margin remained below the prior year.

[2] 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 | | | |
|---|---|---|---|---|---|---|---|---|
| | **9 months 2023/24** | 9 months 2022/23 | | Change | **9 months 2023/24** | 9 months 2022/23 | | Change |
| Unless otherwise stated | €m | €m | in % | in % (const. Fx) | €m | €m | in % | in % (const. Fx) |
| **Revenue** | **1,143.0** | **1,152.3** | **-0.8** | **+0.7** | **343.5** | **357.3** | **-3.9** | **-1.9** |
| Share of consolidated revenue | 76.9% | 76.3% | +0.6 pts | | 23.1% | 23.7% | -0.6 pts | |
| **EBIT** | **96.7** | **161.3** | **-40.1** | | **66.0** | **83.6** | **-21.1** | |
| EBIT margin | 8.5% | 14.0% | -5.5 pts | | 19.2% | 23.4% | -4.2 pts | |

## Business development by region

- Revenue in the Americas region was down by -13.0% after the first nine months of fiscal year 2023/24, to €356.9m (prior year: €410.3m; adjusted for currency effects: -11.9%).

- Revenue in the EMEA[3] region increased in the first nine months of the current fiscal year to €432.2m (prior year: €372.3m). This corresponds to growth of +16.1% (adjusted for currency effects: +19.1%). Good revenue contributions were generated in particular by the core markets France, Italy and Spain.

- Revenue in the APAC[4] region declined to €697.5m (prior year: €727.0m), a decrease of -4.1% (adjusted for currency effects: -3.0%). The Chinese market reported a subdued start to the peak season for refractive laser surgery after the normalization of consumables inventories by March 2024. The markets of Japan and South Korea also exhibited a weaker trend. India and Australia, however, contributed to growth.

[3] Europe/Middle East/Africa
[4] Asia/Pacific

Table 3: Business development by region

| Unless otherwise stated | EMEA 9 months 2023/24 €m | 9 months 2022/23 €m | Change in % | Change in % (const. Fx) | Americas 9 months 2023/24 €m | 9 months 2022/23 €m | Change in % | Change in % (const. Fx) |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | **432.2** | **372.3** | **+16.1** | **+19.1** | **356.9** | **410.3** | **-13.0** | **-11.9** |
| Share of consolidated revenue | 29.1% | 24.7% | +4.4 pts | | 24.0% | 27.2% | -3.2 pts | |

| Unless otherwise stated | APAC 9 months 2023/24 €m | 9 months 2022/23 €m | Change in % | Change in % (const. Fx) |
|---|---|---|---|---|
| **Revenue** | **697.5** | **727.0** | **-4.1** | **-3.0** |
| Share of consolidated revenue | 46.9% | 48.1% | -1.2 pts | |

## Development of earnings

- Earnings before interest and taxes (EBIT) decreased significantly to €162.7m after the first nine months of fiscal year 2023/24 (prior year: €244.9m). The EBIT margin decreased significantly to 10.9% (prior year: 16.2%). The decline is mainly attributable to the weak revenue and a significantly less favorable product mix due to the reduction of consumables inventories in the Chinese sales channel by March 2024, as well as delayed implementation of volume-based procurement of IOLs in China. Strict cost control resulted in flat development of operating expenses in Sales & Marketing and Research & Development. Further measures were introduced to contain the rise in operating costs. Adjusted for special effects, the EBIT margin was 11.2% (prior year: 16.8%). The one-time settlement payment in February 2024 from the settlement of a legal dispute with Topcon, the DORC integration costs, the initial EBIT contribution from DORC, as well as write-downs from the purchase price allocation of past acquisitions, were adjusted here.

- The financial result amounted to €8.7m (prior year: €51.2m). A significantly lower result from currency hedges and higher interest expenses compared with the prior year contributed to this decline. Earnings per share (EPS) were €1.32 (previous year: €2.29).

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

| | **9 months 2023/24** | 9 months 2022/23 | Change |
|---|---|---|---|
| Unless otherwise stated | €m | €m | in % |
| **EBIT** | **162.7** | **244.9** | **-33.6** |
| ./. Write-down on PPA[5] | -7.5 | -8.0 | -6.5 |
| ./. Other special effects | +18.2 | - | - |
| ./. DORC reported EBIT | +3.9 | - | - |
| ./. DORC integration costs | -12.9 | - | - |
| **Adjusted EBIT** | **161.0** | **252.9** | **-36.4** |
| Adjusted EBIT in % of revenue | 11.2% | 16.8% | -5.6 pts |

## Financial position

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

| | **9 months 2023/24** | 9 months 2022/23 |
|---|---|---|
| | €m | €m |
| Cash flows from operating activities | 57.4 | 103.4 |
| Cash flows from investing activities[6] | -356.1 | 18.6 |
| Cash flows from financing activities | 324.1 | -93.4 |

[5] There were write-downs on intangible assets arising from the purchase price allocations (PPA) of around €7.5m (prior year: €8.0m) mainly in connection with the acquisitions of Aaren Scientific, Inc. in fiscal year 2013/14, IanTECH, Inc. in fiscal year 2018/19, and Katalyst Surgical LLC and Kogent Surgical LLC in fiscal year 2022/23.

[6] 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 operating activities declined to €57.4m in the reporting period (prior year: €103.4m). A lower earnings performance and higher tax payments had a negative impact here, in spite of the favorable development of net working capital.

- Cash flows from investing activities amounted to €-356.1m (prior year: €18.6m). The decline is mainly due to the acquisition of DORC and investments in property, plant and equipment and intangible assets. Conversely, the reduction in receivables from the Group treasury had a positive effect.

- Cash flows from financing activities amounted to €324,1m in the reporting period (prior year: €-93,4m). The change is largely due to the assumption of the Group loan as part of the acquisition of DORC and the increase in treasury payables to the Group treasury of the ZEISS Group; this is offset by the dividend payment and payments for share buyback.

- On 30 June 2024, net cash amounted to €-23.9m (30 September 2023: €863.9m), financed by the Group treasury. Net debt amounts to €-424.1m (30 September 2023: €863.8m). The equity ratio was 60.8% (30 September 2023: 71.6%).

## Report on forecast changes

- The forecast for fiscal year 2023/24 as a whole is revenue of around €2,000m, plus a contribution from the acquisition of DORC in the amount of €100m.

- Adjusted EBIT, which has been adjusted for the Topcon settlement payment of €18.2m, the DORC integration costs of €12.9m, the initial EBIT contribution of DORC in the amount of €3.9m and write-downs on PPA amounting to €7.5m, is expected to be within the range of around €225m to €275m.

- Further measures to cut costs in the short to medium term in Sales & Marketing and Research & Development have been introduced. The aim is to make savings in the low to mid-double-digit millions of euros range in fiscal year 2024/25, before inclusion of the DORC acquisition. Medium-term transformation initiatives to optimize processes and increase productivity in the areas of operations, commercial and innovation are currently being implemented.

- In the medium term, the Company expects the EBIT margin to recover and move towards 20%, with an increasing share of consumables and underpinned by the commenced transformation initiatives.

**Contact for investors and press**

Sebastian Frericks
Head of 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.de/presse**

**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 | 9 months 2023/24 €m | 9 months 2022/23 €m |
|---|---|---|
| **Revenue** | **1,486.5** | **1,509.6** |
| Cost of sales | -688.0 | -644.1 |
| **Gross profit** | **798.5** | **865.5** |
| Selling and marketing expenses | -318.6 | -305.8 |
| General and administrative expenses | -77.1 | -59.1 |
| Research and development expenses | -258.4 | -255.6 |
| Other operating result | 18.2 | - |
| **Earnings before interest and taxes (EBIT)** | **162.7** | **244.9** |
| Earnings of investments carried at equity | -2.4 | -0.8 |
| Interest income | 18.3 | 15.9 |
| Interest expenses | -20.0 | -12.1 |
| Net interest from defined benefit pension plans | 0.8 | 0.8 |
| Foreign currency gains/(losses), net | 10.1 | 47.8 |
| Other financial result | 2.0 | -0.4 |
| **Earnings before income taxes (EBT)** | **171.4** | **296.1** |
| Income taxes | -54.1 | -90.2 |
| **Consolidated profit** | **117.3** | **205.9** |
| Attributable to: | | |
| Shareholders of the parent company | 118.0 | 205.2 |
| Non-controlling interests | -0.8 | 0.7 |
| **Profit/(loss) per share attributable to the shareholders of the parent company in the fiscal year (EPS) (in €)** | | |
| Basic/diluted | 1.32 | 2.29 |