Quarterly Statement 9 Months 2020/21

Quarterly Statement of the Carl Zeiss Meditec Group - 9 months 2020/21

- **Revenue growth up significantly after nine months 2020/21**
- **OPT[1] benefits from strong growth in recurring revenue; equipment business also improves**
- **MCS[2] sees accelerated revenue recovery in third quarter**
- **All regions record high currency-adjusted growth rates**
- **Operating result of €282.8m and increase in EBIT margin to 23.6%**
- **Management raises targets for fiscal year 2020/21**

Business development within the Group

- The Carl Zeiss Meditec Group increased its revenue to €1,198.2m in the first nine months of fiscal year 2020/21 (prior year: €967.9m), thus achieving revenue growth of +23.8%. Currency effects had a positive effect with currency-adjusted growth amounting to +27.6%.

- The strategic business unit Ophthalmic Devices, in particular – bolstered by strong growth in recurring revenue – contributed to the positive development of business. The Microsurgery strategic business unit also returned to stronger growth in the third quarter following a further accelerated recovery of sales.

- All regions contributed to revenue growth after the first nine months of the current fiscal year. The APAC[3] region recorded the highest increase in revenue, supported by the good contributions to revenue from China and South Korea. The EMEA[4] and Americas regions also achieved high growth rates.

[1] Ophthalmic Devices
[2] Microsurgery
3 Asia/Pacific
4 Europe/Middle East/Africa

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

	9 months 2020/21	9 months 2019/20	Change
Unless otherwise stated	€m	€m	in %
Revenue	**1,198.2**	**967.9**	**+23.8**
Gross margin	58.4%	55.3%	+3.1% pts.
EBIT	**282.8**	**111.9**	**+152.8**
EBIT margin	23.6%	11.6%	+12.0% pts.
Adjusted EBIT[5]	**286.0**	**116.9**	**+144.7**
Adjusted EBIT in % of revenue	23.9%	12.1%	+11.8% pts.
EPS	2.04	0.77	+163.4

Business development by strategic business unit

- The strategic business unit Ophthalmic Devices increased its revenue by 30.2% in the first nine months of fiscal year 2020/21, to €923.4m (prior year: €709.1m). Adjusted for currency effects, the SBU achieved growth of 33.9%. In particular the business with recurring revenue made a significant contribution to this growth. The equipment business also continued to recover. The development of the EBIT margin to 24.5% was markedly positive due to the significantly lower selling and marketing expenses and a more favorable product mix with a high proportion of recurring revenue in the reporting period, compared with the prior year.

- The recovery of sales in the Microsurgery strategic business unit continued at an accelerated pace, particularly in the third quarter. Revenue climbed to €274.8m, compared with €258.7m in the same period of the prior year, an increase of 6.2% (adjusted for currency effects: +10.4%). The EBIT margin was down after the first nine months compared with the same period of the prior year, due in particular to higher research and development (R&D) expenses but remained high at 20.7%.

[5] 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

	Ophthalmic Devices				Microsurgery			
	9 months 2020/21	9 Months 2019/20		Change	9 months 2020/21	9 Months 2019/20		Change
Unless otherwise stated	€m	€m	in %	in % (const. Fx)	€m	€m	in %	in % (const. Fx)
Revenue	**923.4**	**709.1**	**+30.2**	**+33.9**	**274.8**	**258.7**	**+6.2**	**+10.4**
Share of consolidated revenue	77.1%	73.3%	+3.8% pts.		22.9%	26.7%	-3.8% pts.	
EBIT	**226.0**	**49.1**	**+360.6**		**56.8**	**62.8**	**-9.6**	
EBIT margin	24.5%	6.9%	+17.6% pts.		20.7%	24.3%	-3.6% pts.	

Business development by region

- Revenue in the Americas region amounted to €305.9m after the first nine months of fiscal year 2020/21 (prior year: €272.3m), an increase of +12.3%. Adjusted for currency effects, revenue in this region increased by 21.0%, due in particular to the further acceleration of business in the US.

- The EMEA region also achieved a double-digit increase in revenue of +18.0% (adjusted for currency effects: 19.8%), to €317.3m (prior year: €268.8m). The core markets Germany, France and the countries of Southern Europe, especially, and the UK, achieved a solid performance.

- The APAC region grew by a significant +34.7% (adjusted for currency effects 36.7%), with revenue increasing from €426.8m to €575.0m. In particular China and South Korea made good contributions to growth. Southeast Asia also performed well, while Japan remained at around the prior year's level. Overall, the APAC region increased its share of consolidated revenue to 48.0%.

Table 3: Business development by region

Unless otherwise stated	EMEA 9 months 2020/21 €m	EMEA 9 months 2019/20 €m	EMEA Change in %	EMEA Change in % (const. Fx)	Americas 9 months 2020/21 €m	Americas 9 months 2019/20 €m	Americas Change in %	Americas Change in % (const. Fx)
Revenue	**317.3**	**268.8**	**+18.0**	**+19.8**	**305.9**	**272.3**	**+12.3**	**+21.0**
Share of consolidated revenue	26.5%	27.8%	-1.3% pts.		25.5%	28.1%	-2.6% pts.	

Unless otherwise stated	APAC 9 months 2020/21 €m	APAC 9 months 2019/20 €m	APAC Change in %	APAC Change in % (const. Fx)
Revenue	**575.0**	**426.8**	**+34.7**	**+36.7**
Share of consolidated revenue	48.0%	44.1%	+3.9% pts.	

Development of earnings

- The Carl Zeiss Meditec Group generated earnings before interest and taxes (EBIT) of €282.8m after nine months 2020/21 (prior year: €111.9m). The strong revenue growth as well as a favorable product mix with a high proportion of recurring revenue contributed to a positive margin trend. In addition, the persistently low selling and marketing expenses due to the COVID-19 pandemic benefited the development of earnings compared with the prior year. The EBIT margin rose to 23.6% (prior year: 11.6%). Adjusted for special effects, the EBIT margin was 23.9% (prior year: 12.1%).

- The financial result amounted to €-20.8m, compared with €-9.9m in the prior year. This result is mainly attributable to higher negative currency effects at the end of the reporting period compared with the prior year.

- Earnings per share (EPS) increased primarily as a result of the positive EBIT trend, to €2.04 (prior year: €0.77).

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

	9 months 2020/21	9 months 2019/20	Change
Unless otherwise stated	€m	€m	in %
EBIT	**282.8**	**111.9**	**+152.8**
./. Acquisition-related special effects[6]	-5.6	-4.9	**-14.8**
./. Other special effects[7]	2.4	-	-
Adjusted EBIT	**286.0**	**116.9**	**+144.9**
Adjusted EBIT in % of revenue	23.9%	12.1%	+11.8% pts.

Financial position

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

	9 months 2020/21	9 months 2019/20
	€m	€m
Cash flows from operating activities	228.5	63.1
Cash flows from investing activities	-43.8	-32.3
Cash flows from financing activities	-175.4	-42.2

- Cash flows from operating activities for the reporting period amounted to €228.5m (prior year: €63.1m), primarily due to the good earnings trend. An increase in trade payables also had a positive effect. An increase in trade receivables after nine months of fiscal year 2020/21 had a counteracting effect.

[6] There were write-downs on intangible assets arising from the purchase price allocations (PPA) of around €5.6m (prior year: €4.9m), mainly in connection with the acquisitions of Aaren Scientific, Inc. in fiscal year 2013/14 and IanTECH, Inc. in fiscal year 2018/19.

[7] EBIT in the period under review includes one-time proceeds from the sale of a property amounting to around €2.4m.

- Cash flows from investing activities amounted to €-43.8m (prior year: €-32.3m). This figure includes a cash outflow of €8.5m due to the acquisition of IanTECH, Inc. as a result of the achievement of certain regulatory targets, as well as additional investments, including an investment in the expansion of the production capacity in Guangzhou, China. A one-time positive effect resulted from the proceeds from the sale of a property, in the amount of €8.4m.

- Cash flows from financing activities amounted to €-175.4m in the period under review (prior year: €-42.2m). The higher cash outflow is mainly attributable to the dividend payment following the Annual General Meeting on 27 May 2021. Due to the postponement of the Annual General Meeting in 2020, the dividend was not paid out to the shareholders of Carl Zeiss Meditec AG until the fourth quarter of the prior fiscal year. Furthermore, due to the strong operating cash flow, significant funds were deposited in the cash pool of the Group treasury (treasury receivables).

- On 30 June 2021, net cash amounted to €833.9m (30 June 2020: €696.8m). The equity ratio was 70.3% (30 June 2020: 72.5%).

Report on forecast changes

- Due to the positive development of business, the Company has raised its targets for the current fiscal year 2020/21. Revenue is expected to exceed the previous target of around €1.6bn (prior year: €1,335.5bn).

- The EBIT margin is expected to significantly exceed the previous target of around 20% in fiscal year 2020/21 (prior year: 13.3%), bolstered to a great extent by the currently low selling and marketing expenses.

Contact for investors and press

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Brief profile

Carl Zeiss Meditec AG (ISIN: DE 0005313704), which is listed on the TecDAX and MDax 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 3,290 employees worldwide, the Group generated revenue of €1,335.5m in fiscal year 2019/20 (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, France and Turkey. 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

	9 months 2020/21	9 months 2019/20
Unless otherwise stated	€m	€m
Revenue	**1,198.2**	**967.9**
Cost of sales	-498.8	-432.5
Gross profit	**699.4**	**535.4**
Selling and marketing expenses	-210.2	-222.4
General administrative expenses	-42.3	-42.5
Research and development expenses	-166.5	-158.6
Other operating result	2.4	-
Earnings before interest, taxes, depreciation and amortization (EBITDA)	327.6	156.3
Depreciation and amortization	-44.8	-44.4
Earnings before interest and taxes (EBIT)	**282.8**	**111.9**
Interest income	1.3	1.2
Interest expenses	-5.4	-8.3
Net interest from defined benefit pension plans	-0.6	-0.5
Foreign currency gains/(losses), net	-16.2	-2.2
Other financial result	0.1	0.0
Earnings before income taxes (EBT)	**262.0**	**102.0**
Income taxes	-79.3	-33.4
Consolidated profit	**182.7**	**68.6**
Attributable to:		
Shareholders of the parent company	182.2	69.2
Non-controlling interests	0.5	-0.6
Profit/(loss) per share attributable to the shareholders of the parent company in the fiscal year (EPS) (in €)		
Basic/diluted	2.04	0.77