AlsterResearch

Carl Zeiss Meditec AG

Germany | Health Care | MCap EUR 8,701m

18 December 2023

UPDATE

Meaningful and value-adding acquisition. Remains a HOLD.

HOLD (HOLD)

Target price	**EUR 102.00 (95.00)**
Current price	EUR 97.28
Up/downside	4.9%

ResearchHub

SCAN ME

What's it all about?

Carl Zeiss Meditec (CZM) plans to acquire 100% of the shares in Dutch Ophthalmic Research Center (International) B.V. from the French holding company Eurazeo SE. The acquisition further expands CZM's broad product offering in the field of ophthalmology and its range of digitally networked workflow solutions for a variety of diseases and disorders of the eye. The target company is expected to generate EUR 200m in sales and an EBIT of EUR 34m (eAR). The acquisition of the manufacturer of retinal surgery devices is a good strategic addition to CZM's product portfolio. We believe that the potential of this acquisition and the existing synergies are long-term growth drivers for the group. Hence, we anticipated half of the mentioned sales and earnings effects in 2023/24E and the full effect from 2024/25E onwards. Taking the updated assumptions into account, we derive at a new PT of EUR 102 (old: EUR 95) while the rating remains HOLD.

MAIN AUTHOR
Harald Hof
h.hof@alsterresearch.com
+49 40 309 293-58

Carl Zeiss Meditec AG

Germany | Health Care | MCap EUR 8,701m | EV EUR 8,950m

HOLD (HOLD)

Target price	**EUR 102.00 (95.00)**
Current price	EUR 97.28
Up/downside	4.9%

MAIN AUTHOR
Harald Hof
h.hof@alsterresearch.com
+49 40 309 293-58

Meaningful and value-adding acquisition. Remains a HOLD.

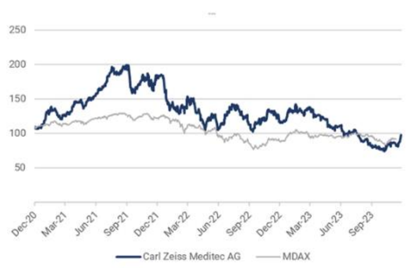
Important acquisition announced. Carl Zeiss Meditec (CZM) plans to acquire 100% of the shares in Dutch Ophthalmic Research Center (International) B.V. (D.O.R.C.) from the French holding company Eurazeo SE. The acquisition expands CZM's broad product offering in the field of ophthalmology and its range of digitally networked workflow solutions for a variety of diseases and disorders of the eye. These include retinal diseases, cataracts, glaucoma, and refractive errors. D.O.R.C. is a leading provider of retinal surgery devices and will make an important contribution to the long-term strategy and future success of CZM. With this acquisition, CZM expands its position in the vitreoretinal surgery (VR) segment and strengthens its position as one of the world's fastest growing manufacturers of medical devices for ophthalmology.

Purchase price almost EUR 1 bn. D.O.R.C. expects revenues of almost EUR 200m in FY 2023 and an operating profit (EBIT) in the mid double-digit million -euro range (eAR: EUR 34m; 17% margin; comparable to CZM margins). Without initial synergy effects, this new division is expected to make a positive contribution to CZM's EPS in its first full financial year by a single-digit percentage range (eAR: +4% from EUR 3.28 to EUR 3.41 in 24/25E). CZM intends to complete the acquisition as early as the first half of 2024 and to finance the purchase price of EUR 985m from existing net liquidity (EUR 585m). In addition, it is planned to issue a shareholder loan from Carl Zeiss AG in the amount of EUR 400m. All in all, CZM is paying an EV/EBIT multiple of 29x, which is only slightly above its own EV/EBIT valuation of 25.7x at the end of FY22/23, so the purchase price is considered fair.

Conclusion. The planned acquisition of the manufacturer of retinal surgery devices is a good strategic addition to the CZM's product portfolio. The initial low return on capital might raise questions at first glance, but we believe that the potential of this acquisition to the portfolio and the existing synergies are long-term growth drivers for the group. We anticipated half of the mentioned sales and earnings effects in 2023/24E and the full effect from 2024/25E onwards. Taking the updated assumptions into account, we derive at a new PT of EUR 102.00 (old: EUR 95.00) while the rating remains HOLD.

Carl Zeiss Meditec AG	2021	2022	2023	2024E	2025E	2026E
Sales	1,647	1,903	2,089	2,356	2,657	2,883
Growth yoy	23.3%	15.5%	9.8%	12.8%	12.7%	8.5%
EBITDA	461	497	452	500	589	695
EBIT	374	397	348	379	472	574
Net profit	236	294	290	248	305	376
Net debt (net cash)	191	212	241	610	435	187
Net debt/EBITDA	0.4x	0.4x	0.5x	1.2x	0.7x	0.3x
EPS reported	2.64	3.29	3.25	2.77	3.41	4.20
DPS	0.90	1.10	1.10	1.11	1.26	1.55
Dividend yield	0.9%	1.1%	1.1%	1.1%	1.3%	1.6%
Gross profit margin	58.7%	59.3%	57.7%	57.1%	58.0%	59.0%
EBITDA margin	28.0%	26.1%	21.7%	21.2%	22.2%	24.1%
EBIT margin	22.7%	20.9%	16.7%	16.1%	17.8%	19.9%
ROCE	19.0%	17.2%	14.0%	12.0%	14.1%	16.1%
EV/EBITDA	19.4x	18.0x	19.8x	18.9x	15.8x	13.0x
EV/EBIT	23.9x	22.5x	25.7x	24.9x	19.7x	15.8x
PER	36.8x	29.6x	30.0x	35.1x	28.5x	23.2x
FCF yield	4.2%	2.2%	2.9%	9.5%	4.6%	5.7%

Source: Company data, AlsterResearch



Source: Company data, AlsterResearch

High/low 52 weeks	142.75 / 72.60
Price/Book Ratio	4.0x

Ticker / Symbols

ISIN	DE0005313704
WKN	531370
Bloomberg	AFX:GR

Changes in estimates

		Sales	EBIT	EPS
2024E	old	2,256	363	2.79
	Δ	4.4%	4.4%	-0.7%
2025E	old	2,448	435	3.28
	Δ	8.5%	8.5%	3.8%
2026E	old	2,656	529	4.00
	Δ	8.5%	8.5%	5.0%

Key share data

Number of shares: (in m pcs)	89.44
Book value per share: (in EUR)	24.14
Ø trading volume: (12 months)	126,766

Major shareholders

Carl Zeiss Group	59.1%
Free Float	40.9%

Company description
Carl Zeiss Meditec AG is a Germany-based medical technology and device company. It offers complete solutions to diagnose and treat ophthalmic diseases, visualization solutions for microsurgery, and other technologies, such as intraoperative radiotherapy.

AlsterResearch

The following table displays the quarterly performance of **Carl Zeiss Meditec AG.**

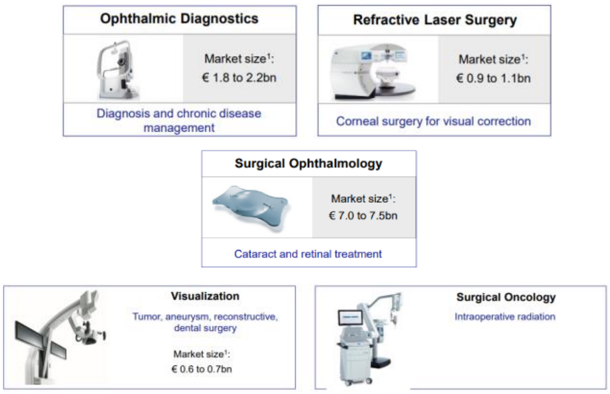
P&L data	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Sales	410.2	445.2	477.5	569.9	470.3	504.2	535.1	579.7
yoy growth in %	11.2%	11.7%	10.8%	27.1%	14.7%	13.3%	12.1%	1.7%
Gross profit	232.8	268.6	283.9	342.4	257.4	292.2	316.0	340.3
Gross margin in %	56.7%	60.3%	59.4%	60.1%	54.7%	57.9%	59.0%	58.7%
EBITDA	91.1	119.2	115.2	141.1	79.2	102.0	na	na
EBITDA margin in %	22.2%	26.8%	24.1%	24.8%	16.8%	20.2%	na%	na%
EBIT	74.4	103.0	98.6	121.0	60.3	83.6	101.0	103.1
EBIT margin in %	18.1%	23.1%	20.6%	21.2%	12.8%	16.6%	18.9%	17.8%
EBT	54.1	120.1	88.3	141.0	73.0	90.7	132.3	116.5
taxes paid	16.1	28.0	26.3	37.2	22.5	27.4	40.3	30.4
tax rate in %	29.7%	23.3%	29.8%	26.4%	30.8%	30.2%	30.5%	26.1%
net profit	37.9	90.7	62.5	102.7	51.0	62.0	92.2	85.2
yoy growth in %	-18.1%	67.1%	-23.4%	89.9%	34.5%	-31.7%	47.4%	-17.1%
EPS	**0.42**	**1.01**	**0.70**	**1.14**	**0.57**	**0.69**	**1.03**	**0.96**

Source: Company data; AlsterResearch

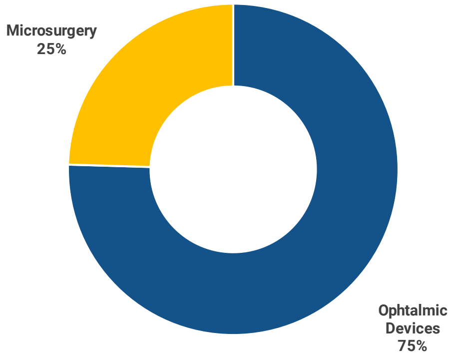
AlsterResearch

Investment case in six charts

Products



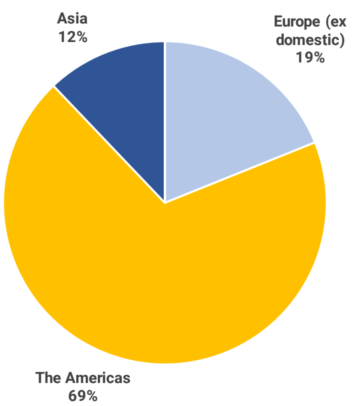
Segmental Split



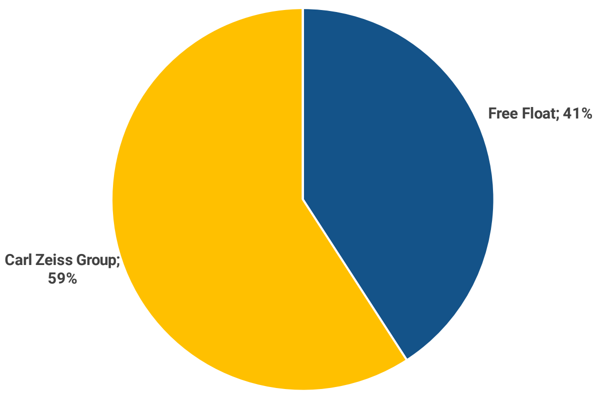
Comprehensive Portfolio

		ZEISS	Alcon	Johnson&Johnson	B+L	TOPCON	HAAG-STREIT
Diagnostics	Routine Diagnostics	+					+
	Retinal Imaging	+				+	+
	Perimetry	+					+
	Biometry	+	+			+	+
Surgical	Therap. Laser Surgery	+			+	+	
	Refr. Laser Surgery	+	+	+	+		
	Surgical Microscopy	+	+				+
	Phaco & IOLs	+	+	+	+		

Regional Sales



Major Shareholders



Source: Company data, AlsterResearch

SWOT analysis

Strengths

- World market leader in Ophthalmic Diagnostics, Refractive Laser and Microsurgery
- Technology leadership and strong brand
- Strong balance sheet (too strong?)

Weaknesses

- Goals of majority owner Carl Zeiss need not be aligned with minority shareholders
- Customer capex cycles

Opportunities

- Secular structural tailwinds (growing, ageing and more affluent population; higher incidence of myopia)
- External growth

Threats

- Well-funded, large competitors (Johnson & Johnson, Alcon)

Valuation

DCF Model

The DCF model results in a **fair value of EUR 102.01 per share**:

Top-line growth: We expect Carl Zeiss Meditec AG to grow revenues at a CAGR of 7.8% between 2024E and 2031E. The long-term growth rate is set at 2.0%.

ROCE. Returns on capital are developing from 12.0% in 2024E to 17.0% in 2031E.

WACC. Starting point is a historical equity beta of 0.90. Unlevering and correcting for mean reversion yields an asset beta of 0.90. Combined with a risk-free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 11.1%. With pre-tax cost of borrowing at 5.0%, a tax rate of 30% and target debt/equity of 1.0 this results in a long-term WACC of 7.3%.

DCF (EURm) (except per share data and beta)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Terminal value
NOPAT	264	323	393	437	470	503	541	573	
Depreciation & amortization	120	118	121	127	130	139	141	139	
Change in working capital	333	-53	-25	-34	-34	-34	-31	-28	
Chg. in long-term provisions	120	24	18	18	19	19	17	15	
Capex	-108	-122	-133	-143	-127	-129	-137	-151	
Cash flow	729	290	374	405	458	497	531	548	10,504
Present value	689	255	307	310	326	330	328	315	6,061
WACC	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.3%

DCF per share derived from	
Total present value	8,920
Mid-year adj. total present value	9,243
Net debt / cash at start of year	241
Financial assets	130
Provisions and off b/s debt	8
Equity value	9,124
No. of shares outstanding	89.4
Discounted cash flow / share	**102.01**
upside/(downside)	**4.9%**
Share price	**97.28**

DCF avg. growth and earnings assumptions	
Planning horizon avg. revenue growth (2024E-2031E)	7.8%
Terminal value growth (2031E - infinity)	2.0%
Terminal year ROCE	17.0%
Terminal year WACC	7.3%

Terminal WACC derived from	
Cost of borrowing (before taxes)	5.0%
Long-term tax rate	30%
Equity beta	0.90
Unlevered beta (industry or company)	0.90
Target debt / equity	1.0
Relevered beta	1.52
Risk-free rate	2.0%
Equity risk premium	6.0%
Cost of equity	11.1%

Sensitivity analysis DCF

Change in WACC (%-points)	Long term growth 1.0%	1.5%	2.0%	2.5%	3.0%
2.0%	68.7	71.4	74.4	77.9	82.0
1.0%	78.0	81.7	86.0	91.1	97.0
0.0%	90.3	95.6	102.0	109.7	119.1
-1.0%	107.3	115.4	125.5	138.1	154.6
-2.0%	132.2	145.7	163.1	186.8	220.6

Share of present value	
2024E-2027E	17.5%
2028E-2031E	14.6%
terminal value	67.9%

Source: AlsterResearch

AlsterResearch

FCF Yield Model

Due to the fact that companies rarely bear sufficient resemblance to peers in terms of geographical exposure, size or competitive strength and in order to adjust for the pitfalls of weak long-term visibility, an Adjusted Free Cash Flow analysis (Adjusted FCF) has been conducted.

The adjusted Free Cash Flow Yield results in a fair value between EUR 55.69 per share based on 2024E and EUR 105.56 per share on 2028E estimates.

The main driver of this model is the level of return available to a controlling investor, influenced by the cost of that investors' capital (opportunity costs) and the purchase price – in this case the enterprise value of the company. Here, the adjusted FCF yield is used as a proxy for the required return and is defined as EBITDA less minority interest, taxes and investments required to maintain existing assets (maintenance capex).

FCF yield in EURm	2024E	2025E	2026E	2027E	2028E
EBITDA	**500**	**589**	**695**	**765**	**817**
- Maintenance capex	0	0	0	0	0
- Minorities	2	2	3	3	4
- tax expenses	107	138	170	191	206
= Adjusted FCF	**391**	**449**	**522**	**571**	**607**
Actual Market Cap	**8,701**	**8,701**	**8,701**	**8,701**	**8,701**
+ Net debt (cash)	610	435	187	-66	-356
+ Pension provisions	141	159	173	187	201
+ Off b/s financing	0	0	0	0	0
- Financial assets	130	130	130	130	130
- Acc. dividend payments	98	198	310	449	605
EV Reconciliations	523	266	-80	-459	-891
= Actual EV'	**9,223**	**8,967**	**8,620**	**8,242**	**7,810**
Adjusted FCF yield	**4.2%**	**5.0%**	**6.1%**	**6.9%**	**7.8%**
base hurdle rate	7.0%	7.0%	7.0%	7.0%	7.0%
ESG adjustment	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
adjusted hurdle rate	7.1%	7.1%	7.1%	7.1%	7.1%
Fair EV	**5,503**	**6,322**	**7,348**	**8,039**	**8,550**
- *EV Reconciliations*	523	266	-80	-459	-891
Fair Market Cap	**4,981**	**6,055**	**7,429**	**8,497**	**9,441**
No. of shares (million)	89	89	89	89	89
Fair value per share in EUR	**55.69**	**67.70**	**83.06**	**95.01**	**105.56**
Premium (-) / discount (+)	**-42.8%**	**-30.4%**	**-14.6%**	**-2.3%**	**8.5%**

Sensitivity analysis fair value						
	5.1%	80	95	115	130	143
Adjusted hurdle rate	6.1%	66	79	97	110	121
	7.1%	**56**	**68**	**83**	**95**	**106**
	8.1%	48	59	73	84	94
	9.1%	42	52	65	75	85

Source: Company data; AlsterResearch

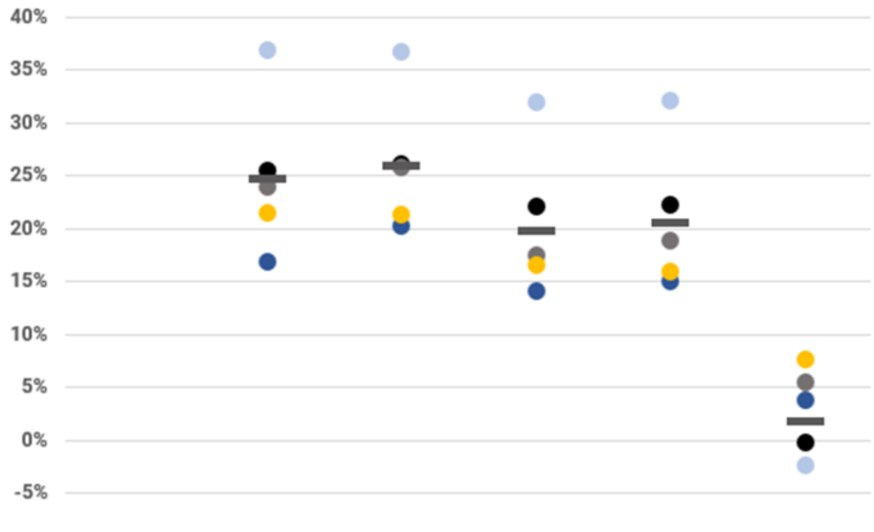
Simply put, the model assumes that investors require companies to generate a minimum return on the investor's purchase price. The required after-tax return equals the model's hurdle rate of 7.0%. Anything less suggests the stock is expensive; anything more suggests the stock is cheap. **ESG adjustments might be applicable. A high score indicates high awareness for environmental, social or governance issues and thus might lower the overall risk an investment in the company might carry. A low score on the contrary might increase the risk of an investment and might therefore trigger a higher required hurdle rate.**

AlsterResearch

Peer group analysis

A peer group or comparable company ("comps") analysis is a methodology that calculates a company's relative value — how much it should be worth based on how it compares to other similar companies. Given that **Carl Zeiss Meditec AG** differs quite significantly in terms of size, focus, financial health and growth trajectory, we regard our peer group analysis merely as a support for other valuation methods. The peer group of Carl Zeiss Meditec AG consists of the stocks displayed in the graphs below. As of 18 December 2023 the median market cap of the peer group was EUR 114,470m, compared to EUR 8,701m for Carl Zeiss Meditec AG. In the period under review, the peer group was more profitable than Carl Zeiss Meditec AG. The expectations for sales growth are lower for the peer group than for Carl Zeiss Meditec AG.

Peer Group – Key data



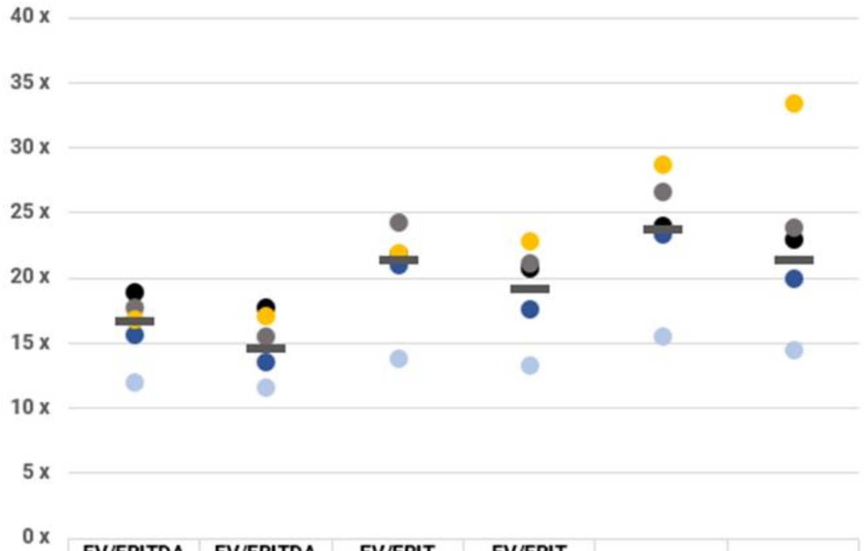
13-Dec-23	Market Cap (EURm)	EBITDA margin 2023	EBITDA margin 2024	EBIT margin 2023	EBIT margin 2024	Sales CAGR 2022-2025
● Abbott Laboratories	171.611	25,5%	26,2%	22,1%	22,4%	-0,2%
● Alcon AG	33.180	24,0%	25,9%	17,6%	19,0%	5,7%
● Siemens Healthineers AG	58.601	17,0%	20,4%	14,2%	15,2%	3,9%
● Johnson & Johnson	345.900	37,0%	36,9%	32,1%	32,2%	-2,3%
● Carl Zeiss Meditec AG	8.372	21,7%	21,4%	16,7%	16,1%	7,7%
– Peer Group Median	115.106	24,8%	26,0%	19,9%	20,7%	1,9%

Source: Sentieo, AlsterResearch

Comparable company analysis operates under the assumption that similar companies will have similar valuation multiples. We use the following multiples: EV/EBITDA 2023, EV/EBITDA 2024, EV/EBIT 2023, EV/EBIT 2024, P/E 2023 and P/E 2024.

Applying these to Carl Zeiss Meditec AG results in a range of fair values from EUR 60.19 to EUR 84.16.

Peer Group – Multiples and valuation



13-Dec-23	EV/EBITDA 2023	EV/EBITDA 2024	EV/EBIT 2023	EV/EBIT 2024	P/E 2023	P/E 2024
Abbott Laboratories	19,0x	17,8x	21,9x	20,8x	24,0x	23,0x
Alcon AG	17,8x	15,6x	24,3x	21,2x	26,7x	23,9x
Siemens Healthineers AG	15,7x	13,7x	21,0x	17,7x	23,5x	20,0x
Johnson & Johnson	12,0x	11,6x	13,8x	13,3x	15,6x	14,5x
Carl Zeiss Meditec AG	16,9x	17,2x	22,0x	22,9x	28,8x	33,5x
Peer Group Median	16,7x	14,6x	21,4x	19,3x	23,8x	21,5x
Fair Value (EUR)	81,91	76,34	80,66	75,46	77,17	60,04

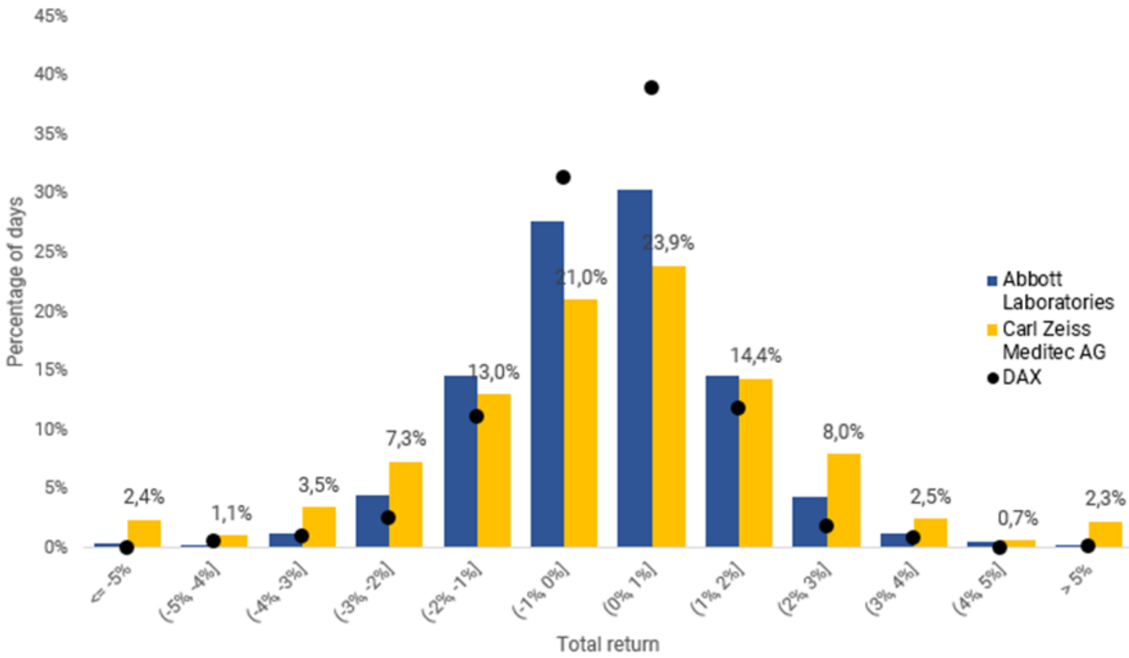
Source: Sentieo, AlsterResearch

AlsterResearch

Risk

The chart displays the **distribution of daily returns of Carl Zeiss Meditec AG** over the last 3 years, compared to the same distribution for Abbott Laboratories. We have also included the distribution for the index DAX. The distribution gives a better understanding of risk than measures like volatility, which assume that log returns are normally distributed. In reality, they are skewed (down moves are larger) and have fat tails (large moves occur more often than predicted). Also, volatility treats up and down moves the same, while investors are more worried about down moves. For Carl Zeiss Meditec AG, the worst day during the past 3 years was 09/05/2023 with a share price decline of -8.8%. The best day was 16/03/2022 when the share price increased by 9.3%.

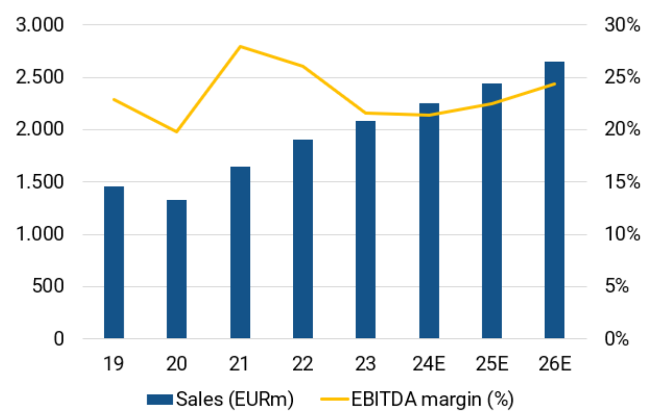
Risk – Daily Returns Distribution (trailing 3 years)



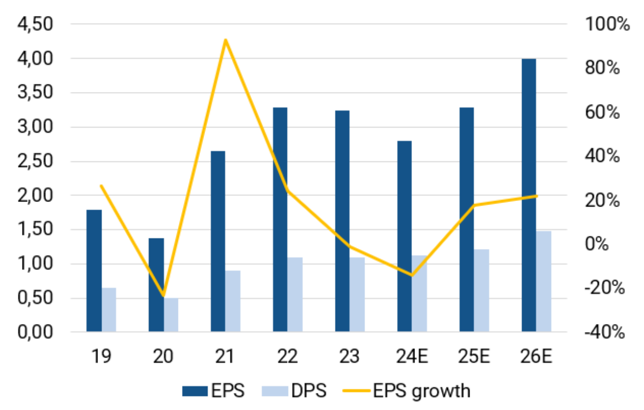
Source: Sentieo, AlsterResearch

Financials in six charts

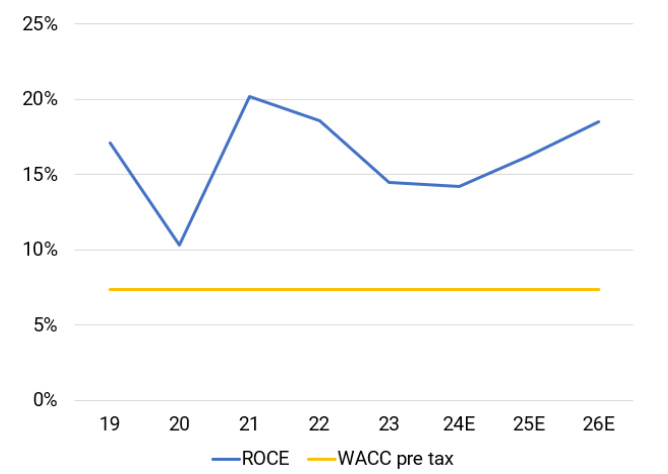
Sales vs. EBITDA margin development



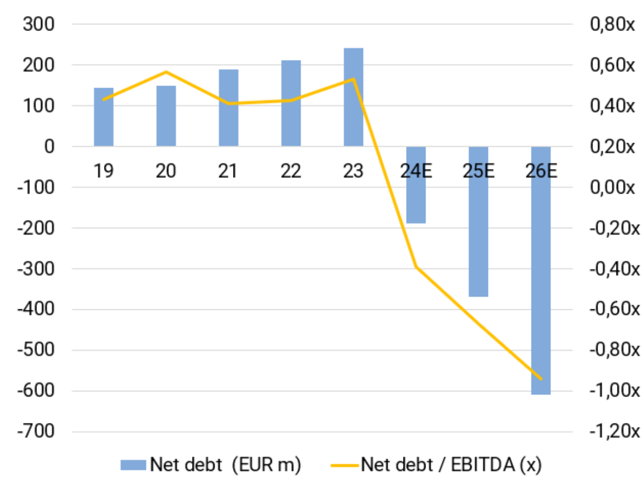
EPS, DPS in EUR & yoy EPS growth



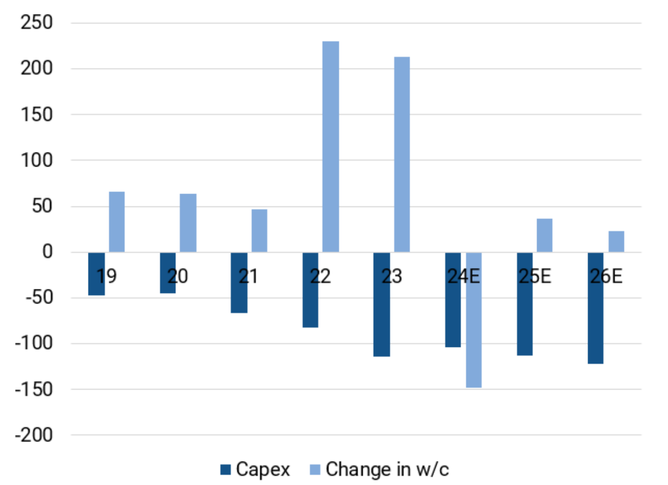
ROCE vs. WACC (pre tax)



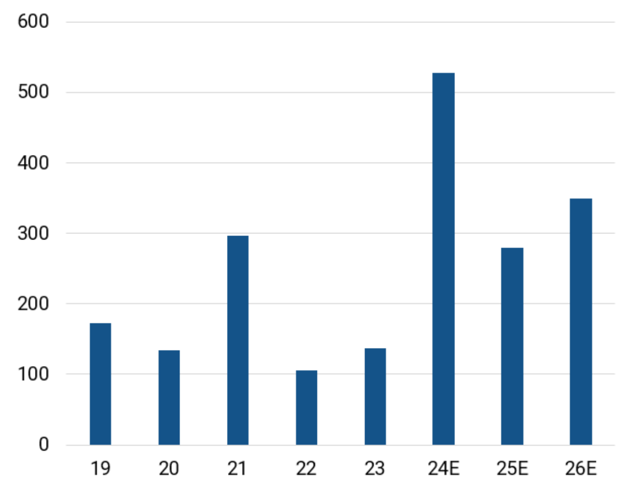
Net debt and net debt/EBITDA



Capex & chgn in w/c requirements in EURm



Free Cash Flow in EURm



Source: Company data; AlsterResearch

AlsterResearch

Financials

Profit and loss (EURm)	2021	2022	2023	2024E	2025E	2026E
Sales	**1,647**	**1,903**	**2,089**	**2,356**	**2,657**	**2,883**
Sales growth	23.3%	15.5%	9.8%	12.8%	12.7%	8.5%
Cost of sales	680	775	884	1,011	1,116	1,182
Gross profit	**967**	**1,128**	**1,206**	**1,346**	**1,541**	**1,701**
SG&A expenses	364	438	504	589	638	686
Research and development	232	291	349	377	412	441
Other operating expenses (income)	-2	1	4	0	20	0
EBITDA	**461**	**497**	**452**	**500**	**589**	**695**
Depreciation	62	70	74	79	77	78
EBITA	399	427	378	421	512	617
Amortisation of goodwill and intangible assets	26	30	30	42	41	44
EBIT	**374**	**397**	**348**	**379**	**472**	**574**
Financial result	-35	7	64	-22	-26	-25
Recurring pretax income from continuing operations	339	403	413	357	445	549
Extraordinary income/loss	0	0	0	0	0	0
Earnings before taxes	339	403	413	357	445	549
Taxes	102	108	121	107	138	170
Net income from continuing operations	238	296	292	250	307	379
Result from discontinued operations (net of tax)	0	0	0	0	0	0
Net income	**238**	**296**	**292**	**250**	**307**	**379**
Minority interest	-1	-2	-2	-2	-2	-3
Net profit (reported)	236	294	290	248	305	376
Average number of shares	89.44	89.44	89.44	89.44	89.44	89.44
EPS reported	**2.64**	**3.29**	**3.25**	**2.77**	**3.41**	**4.20**

Profit and loss (common size)	2021	2022	2023	2024E	2025E	2026E
Sales	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Cost of sales	41%	41%	42%	43%	42%	41%
Gross profit	**59%**	**59%**	**58%**	**57%**	**58%**	**59%**
SG&A expenses	22%	23%	24%	25%	24%	24%
Research and development	14%	15%	17%	16%	16%	15%
Other operating expenses (income)	-0%	0%	0%	0%	1%	0%
EBITDA	**28%**	**26%**	**22%**	**21%**	**22%**	**24%**
Depreciation	4%	4%	4%	3%	3%	3%
EBITA	24%	22%	18%	18%	19%	21%
Amortisation of goodwill and intangible assets	2%	2%	1%	2%	2%	2%
EBIT	**23%**	**21%**	**17%**	**16%**	**18%**	**20%**
Financial result	-2%	0%	3%	-1%	-1%	-1%
Recurring pretax income from continuing operations	21%	21%	20%	15%	17%	19%
Extraordinary income/loss	0%	0%	0%	0%	0%	0%
Earnings before taxes	21%	21%	20%	15%	17%	19%
Taxes	6%	6%	6%	5%	5%	6%
Net income from continuing operations	14%	16%	14%	11%	12%	13%
Result from discontinued operations (net of tax)	0%	0%	0%	0%	0%	0%
Net income	**14%**	**16%**	**14%**	**11%**	**12%**	**13%**
Minority interest	-0%	-0%	-0%	-0%	-0%	-0%
Net profit (reported)	**14%**	**15%**	**14%**	**11%**	**11%**	**13%**

Source: Company data; AlsterResearch

AlsterResearch

Balance sheet (EURm)	2021	2022	2023	2024E	2025E	2026E
Intangible assets (exl. Goodwill)	**154**	**240**	**259**	**256**	**257**	**260**
Goodwill	329	430	416	1,401	1,401	1,401
Property, plant and equipment	200	236	316	308	310	319
Financial assets	110	125	130	130	130	130
FIXED ASSETS	**792**	**1,031**	**1,121**	**2,094**	**2,099**	**2,110**
Inventories	286	383	520	471	520	550
Accounts receivable	321	414	421	336	378	411
Other current assets	974	952	920	720	720	720
Liquid assets	7	8	11	30	155	343
Deferred taxes	0	0	0	0	0	0
Deferred charges and prepaid expenses	16	35	40	24	27	29
CURRENT ASSETS	**1,604**	**1,792**	**1,912**	**1,580**	**1,800**	**2,052**
TOTAL ASSETS	**2,396**	**2,823**	**3,033**	**3,674**	**3,898**	**4,162**
SHAREHOLDERS EQUITY	**1,659**	**2,015**	**2,159**	**2,311**	**2,519**	**2,785**
MINORITY INTEREST	18	15	13	13	13	13
Long-term debt	178	198	230	630	580	530
Provisions for pensions and similar obligations	54	8	8	141	159	173
Other provisions	38	47	61	47	53	58
Non-current liabilities	**270**	**253**	**298**	**818**	**792**	**761**
short-term liabilities to banks	20	22	22	10	10	0
Accounts payable	145	189	240	194	199	210
Advance payments received on orders	32	40	0	0	0	0
Other liabilities (incl. from lease and rental contracts)	98	113	108	108	122	133
Deferred taxes	15	22	35	35	35	35
Deferred income	138	154	157	184	207	225
Current liabilities	**448**	**539**	**562**	**531**	**573**	**603**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**2,396**	**2,823**	**3,033**	**3,674**	**3,898**	**4,162**

Balance sheet (common size)	2021	2022	2023	2024E	2025E	2026E
Intangible assets (excl. Goodwill)	**6%**	**9%**	**9%**	**7%**	**7%**	**6%**
Goodwill	14%	15%	14%	38%	36%	34%
Property, plant and equipment	8%	8%	10%	8%	8%	8%
Financial assets	5%	4%	4%	4%	3%	3%
FIXED ASSETS	**33%**	**37%**	**37%**	**57%**	**54%**	**51%**
Inventories	12%	14%	17%	13%	13%	13%
Accounts receivable	13%	15%	14%	9%	10%	10%
Other current assets	41%	34%	30%	20%	18%	17%
Liquid assets	0%	0%	0%	1%	4%	8%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred charges and prepaid expenses	1%	1%	1%	1%	1%	1%
CURRENT ASSETS	**67%**	**63%**	**63%**	**43%**	**46%**	**49%**
TOTAL ASSETS	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
SHAREHOLDERS EQUITY	**69%**	**71%**	**71%**	**63%**	**65%**	**67%**
MINORITY INTEREST	1%	1%	0%	0%	0%	0%
Long-term debt	7%	7%	8%	17%	15%	13%
Provisions for pensions and similar obligations	2%	0%	0%	4%	4%	4%
Other provisions	2%	2%	2%	1%	1%	1%
Non-current liabilities	**11%**	**9%**	**10%**	**22%**	**20%**	**18%**
short-term liabilities to banks	1%	1%	1%	0%	0%	0%
Accounts payable	6%	7%	8%	5%	5%	5%
Advance payments received on orders	1%	1%	0%	0%	0%	0%
Other liabilities (incl. from lease and rental contracts)	4%	4%	4%	3%	3%	3%
Deferred taxes	1%	1%	1%	1%	1%	1%
Deferred income	6%	5%	5%	5%	5%	5%
Current liabilities	**19%**	**19%**	**19%**	**14%**	**15%**	**14%**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Company data; AlsterResearch

Cash flow statement (EURm)	2021	2022	2023	2024E	2025E	2026E
Net profit/loss	238	296	292	250	307	379
Depreciation of fixed assets (incl. leases)	62	70	74	79	77	78
Amortisation of goodwill	0	0	0	0	0	0
Amortisation of intangible assets	0	0	0	42	41	44
Others	110	52	98	120	24	18
Cash flow from operations before changes in w/c	409	418	465	490	449	518
Increase/decrease in inventory	0	-75	-153	49	-49	-31
Increase/decrease in accounts receivable	-62	-74	-21	86	-43	-32
Increase/decrease in accounts payable	53	34	47	-46	5	12
Increase/decrease in other w/c positions	-37	-114	-87	244	34	26
Increase/decrease in working capital	-47	-230	-214	333	-53	-25
Cash flow from operating activities	**363**	**188**	**251**	**823**	**397**	**493**
CAPEX	-66	-82	-114	-108	-122	-133
Payments for acquisitions	-12	-61	-11	-985	0	0
Financial investments	-2	50	13	0	0	0
Income from asset disposals	5	0	0	0	0	0
Cash flow from investing activities	**-75**	**-93**	**-111**	**-1,093**	**-122**	**-133**
Cash flow before financing	287	95	140	-270	274	360
Increase/decrease in debt position	-17	-22	-23	388	-50	-60
Purchase of own shares	0	0	0	0	0	0
Capital measures	0	0	0	0	0	0
Dividends paid	-45	-80	-98	-98	-99	-113
Others	-224	8	-14	0	0	0
Effects of exchange rate changes on cash	-0	-1	-2	0	0	0
Cash flow from financing activities	**-286**	**-95**	**-137**	**290**	**-149**	**-173**
Increase/decrease in liquid assets	1	0	3	20	125	187
Liquid assets at end of period	**7**	**8**	**11**	**30**	**155**	**343**

Source: Company data; AlsterResearch

Regional sales split (EURm)	2021	2022	2023	2024E	2025E	2026E
Domestic	939	1,156	1,265	1,427	1,609	1,746
Europe (ex domestic)	130	132	156	176	198	215
The Americas	477	513	568	641	723	784
Asia	101	103	100	112	127	138
Rest of World	0	0	0	0	0	0
Total sales	**1,647**	**1,903**	**2,089**	**2,356**	**2,657**	**2,883**

Regional sales split (common size)	2021	2022	2023	2024E	2025E	2026E
Domestic	57.0%	60.7%	60.6%	60.6%	60.6%	60.6%
Europe (ex domestic)	7.9%	6.9%	7.5%	7.5%	7.5%	7.5%
The Americas	28.9%	26.9%	27.2%	27.2%	27.2%	27.2%
Asia	6.2%	5.4%	4.8%	4.8%	4.8%	4.8%
Rest of World	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total sales	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Company data; AlsterResearch

AlsterResearch

Ratios	2021	2022	2023	2024E	2025E	2026E
Per share data						
Earnings per share reported	2.64	3.29	3.25	2.77	3.41	4.20
Cash flow per share	4.05	2.10	2.80	9.20	4.43	5.51
Book value per share	18.55	22.53	24.14	25.84	28.17	31.14
Dividend per share	0.90	1.10	1.10	1.11	1.26	1.55
Valuation						
P/E	36.8x	29.6x	30.0x	35.1x	28.5x	23.2x
P/CF	24.0x	46.2x	34.7x	10.6x	21.9x	17.7x
P/BV	5.2x	4.3x	4.0x	3.8x	3.5x	3.1x
Dividend yield (%)	0.9%	1.1%	1.1%	1.1%	1.3%	1.6%
FCF yield (%)	4.2%	2.2%	2.9%	9.5%	4.6%	5.7%
EV/Sales	5.4x	4.7x	4.3x	4.0x	3.5x	3.1x
EV/EBITDA	19.4x	18.0x	19.8x	18.9x	15.8x	13.0x
EV/EBIT	23.9x	22.5x	25.7x	24.9x	19.7x	15.8x
Income statement (EURm)						
Sales	1,647	1,903	2,089	2,356	2,657	2,883
yoy chg in %	23.3%	15.5%	9.8%	12.8%	12.7%	8.5%
Gross profit	967	1,128	1,206	1,346	1,541	1,701
Gross margin in %	58.7%	59.3%	57.7%	57.1%	58.0%	59.0%
EBITDA	461	497	452	500	589	695
EBITDA margin in %	28.0%	26.1%	21.7%	21.2%	22.2%	24.1%
EBIT	374	397	348	379	472	574
EBIT margin in %	22.7%	20.9%	16.7%	16.1%	17.8%	19.9%
Net profit	236	294	290	248	305	376
Cash flow statement (EURm)						
CF from operations	363	188	251	823	397	493
Capex	-66	-82	-114	-108	-122	-133
Maintenance Capex	0	0	0	0	0	0
Free cash flow	297	106	137	715	274	360
Balance sheet (EURm)						
Intangible assets	482	670	675	1,656	1,658	1,660
Tangible assets	200	236	316	308	310	319
Shareholders' equity	1,659	2,015	2,159	2,311	2,519	2,785
Pension provisions	54	8	8	141	159	173
Liabilities and provisions	290	275	320	828	802	761
Net financial debt	191	212	241	610	435	187
w/c requirements	430	568	702	613	699	751
Ratios						
ROE	14.3%	14.7%	13.5%	10.8%	12.2%	13.6%
ROCE	19.0%	17.2%	14.0%	12.0%	14.1%	16.1%
Net gearing	11.5%	10.5%	11.2%	26.4%	17.3%	6.7%
Net debt / EBITDA	0.4x	0.4x	0.5x	1.2x	0.7x	0.3x

Source: Company data; AlsterResearch

Conflicts of interest

Disclosures regarding research publications of SRH AlsterResearch AG pursuant to section 85 of the German Securities Trading Act (WpHG) and distributed in the UK under an EEA branch passport, subject to the FCA requirements on research recommendation disclosures It is essential that any research recommendation is fairly presented and discloses interests of indicates relevant conflicts of interest. Pursuant to section 85 of the German Securities Trading Act (WpHG) a research report has to point out possible conflicts of interest in connection with the analyzed company. Further to this, under the FCA's rules on research recommendations, any conflicts of interest in connection with the recommendation must be disclosed. A conflict of interest is presumed to exist in particular if SRH AlsterResearch AG

(1) or its affiliate(s) (either in its own right or as part of a consortium) within the past twelve months, acquired the financial instruments of the analyzed company,

(2) has entered into an agreement on the production of the research report with the analyzed company,

(3) or its affiliate(s) has, within the past twelve months, been party to an agreement on the provision of investment banking services with the analyzed company or have received services or a promise of services under the term of such an agreement,

(4) or its affiliate(s) holds a) 5% or more of the share capital of the analyzed company, or b) the analyzed company holds 5% or more of the share capital of SRH AlsterResearch AG or its affiliate(s),

(5) or its affiliate(s) holds a net long (a) or a net short (b) position of 0.5% of the outstanding share capital of the analyzed company or derivatives thereof,

(6) or its affiliate(s) is a market maker or liquidity provider in the financial instruments of the issuer,

(7) or the analyst has any other significant financial interests relating to the analyzed company such as, for example, exercising mandates in the interest of the analyzed company or a significant conflict of interest with respect to the issuer,

(8) The research report has been made available to the company prior to its publication. Thereafter, only factual changes have been made to the report.

Conflicts of interest that existed at the time when this research report was published:

Company	Disclosure
Carl Zeiss Meditec AG	

Important disclosures

1. General Information/Liabilities This research report has been produced for the information purposes of institutional investors only, and is not in any way a personal recommendation, offer or solicitation to buy or sell the financial instruments mentioned herein. The document is confidential and is made available by SRH AlsterResearch AG, exclusively to selected recipients [in DE, GB, FR, CH, US, UK, Scandinavia, and Benelux or, in individual cases, also in other countries]. A distribution to private investors in the sense of the German Securities Trading Act (WpHG) is excluded. It is not allowed to pass the research report on to persons other than the intended recipient without the permission of SRH AlsterResearch AG. Reproduction of this document, in whole or in part, is not permitted without prior permission SRH AlsterResearch AG. All rights reserved. Under no circumstances shall SRH AlsterResearch AG, any of its employees involved in the preparation, have any liability for possible errors or incompleteness of the information included in this research report – neither in relation to indirect or direct nor consequential damages. Liability for damages arising either directly or as a consequence of the use of information, opinions and estimates is also excluded. Past performance of a financial instrument is not necessarily indicative of future performance.

2. Responsibilities This research report was prepared by the research analyst named on the front page (the "Producer"). The Producer is solely responsible for the views and estimates expressed in this report. The report has been prepared independently. The content of the research report was not influenced by the issuer of the analyzed financial instrument at any time. It may be possible that parts of the research report were handed out to the issuer for information purposes prior to the publication without any major amendments being made thereafter.

3. Organizational Requirements SRH AlsterResearch AG took internal organizational and regulative precautions to avoid or accordingly disclose possible conflicts of interest in connection with the preparation and distribution of the research report. All members of AlsterResearch AG involved in the preparation of the research report are subject to internal compliance regulations. No part of the Producer's compensation is directly or indirectly related to the preparation of this financial analysis. In case a research analyst or a closely related person is confronted with a conflict of interest, the research analyst is restricted from covering this company.

4. Information Concerning the Methods of Valuation/Update The determination of the fair value per share, i.e. the price target, and the resultant rating is done on the basis of the adjusted free cash flow (adj. FCF) method and on the basis of the discounted cash flow – DCF model. Furthermore, a peer group comparison is made. The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate. The operating cash flow is calculated as EBITDA less maintenance capex and taxes. Within the framework of the DCF approach, the future free cash flows are calculated initially on the basis of a fictitious capital structure of 100% equity, i.e. interest and repayments on debt capital are not factored in initially. The adjustment towards the actual capital structure is done by discounting the calculated free cash flows with the weighted average cost of capital (WACC), which takes into account both the cost of equity capital and the cost of debt. After discounting, the calculated total enterprise value is reduced by the interest-bearing debt capital in order to arrive at the equity value. Detailed information on the valuation principles and methods used and the underlying assumptions can be found at https://www.alsterresearch.com.

SRH AlsterResearch AG uses the following three-step rating system for the analyzed companies:

- **Speculative (Spec.) BUY:** Sustainable upside potential of more than 25% within 12 months, above average risk
- **BUY**: Sustainable upside potential of more than 10% within 12 months
- **SELL**: Sustainable downside potential of more than 10% within 12 months.
- **HOLD**: Upside/downside potential is limited. No immediate catalyst visible.

NB: The ratings of SRH AlsterResearch AG are not based on a performance that is expected to be "relative" to the market.

The decision on the choice of the financial instruments analyzed in this document was solely made by SRH AlsterResearch AG. The opinions and estimates in this research report are subject to change without notice. It is within the discretion of SRH AlsterResearch AG whether and when it publishes an update to this research report, but in general updates are created on a regular basis, after 6 months at the latest. A sensitivity analysis is included and published in company's initial studies.

5. Date and time of first publication of this financial analysis
18-Dec-23 11:49:16

6. Risk information

- Stock exchange investments and investments in companies (shares) are always speculative and involve the risk of total loss.
- This is particularly true in respect of investments in companies which are not established and/or small and have no established business or corporate assets.
- Share prices may fluctuate significantly. This is particularly true for shares with low liquidity (market breadth). Even small orders can have a significant impact on the share price.
- In the case of shares in narrow markets, it may also happen that there is no or very little actual trading there and that published prices are not based on actual trading but have only been provided by a stockbroker.
- In such markets a shareholder cannot expect to find a buyer for his shares at all and/or at reasonable prices. In such narrow markets there is a very high possibility of manipulating prices and in such markets there are often considerable price fluctuations.
- An investment in shares with low liquidity and low market capitalization is therefore highly speculative and represents a very high risk.
- There is no regulated market for unlisted shares and securities and a sale is not possible or only possible on an individual basis.

7. Major Sources of Information Part of the information required for this research report was made available by the issuer of the financial instrument. Furthermore, this report is based on publicly available sources (such as, for example, Bloomberg, Reuters, VWD-Trader and the relevant daily press) believed to be reliable. SRH AlsterResearch AG has checked the information for plausibility but not for accuracy or completeness.

8. Competent Supervisory Authority SRH AlsterResearch AG are under supervision of the BaFin – German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), Graurheindorfer Straße 108, 53117 Bonn and Marie-Curie-Straße 24 – 28, 60439 Frankfurt a.M. This document is distributed in the UK under a MiFID EEA branch passport and in compliance with the applicable FCA requirements.

9. Specific Comments for Recipients Outside of Germany This research report is subject to the law of the Federal Republic of Germany. The distribution of this information to other states in particular to the USA, Canada, Australia and Japan may be restricted or prohibited by the laws applicable within this state.

10. Miscellaneous According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published free of charge under https://www.alsterresearch.com.

AlsterResearch

Contacts

SRH AlsterResearch AG
Mittelweg 142
20148 Hamburg

Tel: +49 40 309 293-52
E-Mail: info@alsterresearch.com

Research

HARALD HOF
Senior Analyst
Tel: +49 40 309 293-53
E-Mail: h.hof@alsterresearch.com

LEON MÜHLENBRUCH
Analyst
Tel: +49 40 309 293-57
E-Mail: l.muehlenbruch@alsterresearch.com

LEVENT YILMAZ
Senior Analyst
Tel: +49 40 309 293-68
E-Mail: l.yilmaz@alsterresearch.com

THOMAS WISSLER
Senior Analyst
Tel: +49 40 309 293-58
E-Mail: t.wissler@alsterresearch.com

DR. OLIVER WOJAHN, CFA
Senior Analyst
Tel: +49 40 309 293-55
E-Mail: o.wojahn@alsterresearch.com

ALEXANDER ZIENKOWICZ
Senior Analyst
Tel: +49 40 309 293-56
E-Mail: a.zienkowicz@alsterresearch.com

Team Assistant

HANNAH GABERT
Team Assistant
Tel: +49 40 309 293-52
E-Mail: h.gabert@alsterresearch.com

Sales

MARKUS KÖNIG-WEISS
Head of Sales
Tel: +49 40 309 293-52
E-Mail: mkw@alsterresearch.com

mwb fairtrade Wertpapierhandelsbank AG
Rottenbucher Straße 28
82166 Gräfelfing

Tel: +49 89 85852-0
Fax: +49 89 85852-505
E-Mail: info@mwbfairtrade.com

Equity Capital Markets / Trading

KAI JORDAN
Member of the Board
Tel: +49 40 36 0995-22
E-Mail: kjordan@mwbfairtrade.com

ALEXANDER DEUSS
Head of Institutional Sales
Tel: +49 40 36 0995- 22
E-Mail: adeuss@mwbfairtrade.com

SASCHA GUENON
Head of Designated Sponsoring
Tel: +49 40 360 995 - 23
E-Mail: sguenon@mwbfairtrade.com

Our research can be found under

ResearchHub

RESEARCH HUB	www.research-hub.de
BLOOMBERG	www.bloomberg.com
FACTSET	www.factset.com
THOMSON REUTERS / REFINITIV	www.refinitiv.com
CAPITALIQ	www.capitaliq.com