mwb research

Carl Zeiss Meditec AG

Germany | Health Care | MCap EUR 5,903m

26 June 2024

UPDATE

Attractive buying opportunity post-profit warning. Upgrade to BUY.

BUY (HOLD)

Target price	**EUR 80.00** (80.00)
Current price	EUR 66.00
Up/downside	21.2%

ResearchHub

SCAN ME

What's it all about?

Carl Zeiss Meditec (CZM) recently lowered its FY 23/24 outlook due to weak demand and cautious customer investments, leading to a significant share price decline. However, CZM's leading market positions, brand strength, and robust R&D pipeline present a strong investment case. The global healthcare demand is expected to grow, potentially boosting CZM's sales and profitability. The company's financial resilience and increasing recurring revenue support its ability to recover from short-term disruptions. With cost reduction measures and a forecasted return to growth in FY 24/25, CZM's long-term prospects remain solid. We confirm our price target of EUR 80.00 and upgraded our rating from HOLD to BUY, highlighting the current low share price as an attractive entry point for investors.

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

Carl Zeiss Meditec AG

Germany | Health Care | MCap EUR 5,903m | EV EUR 6,152m

BUY (HOLD)

Target price	**EUR 80.00** (80.00)
Current price	EUR 66.00
Up/downside	21.2%

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

Attractive buying opportunity post-profit warning. Up to BUY.

Hangover mood will pass. Carl Zeiss Meditec (CZM) had to lower its FY 23/24 outlook due to ongoing weak demand and the cautious investment policy of customers. However, investing in CZM can be seen as a strategic opportunity, especially in light of the recent share price decline following the profit warning. We have identified compelling reasons why investors could benefit from investing at current levels:

Leading market position: CZM holds leading positions in key medical technology markets, being ranked #1 in microsurgery and #2 in ophthalmology. This strong market position indicates a robust competitive advantage and market influence.

Brand strength: CZM is a well-established name in medical technology, particularly known for its high-quality optical systems and medical devices. This strong awareness can facilitate a swift recovery and continued growth in its sector.

Innovative product pipeline: CZM consistently invests in research and development, leading to a robust pipeline of innovative products that can drive future growth and help gaining market share. In addition, this commitment to R&D has resulted in technology leadership across its portfolio, with significant advancements in digital solutions and integrated medical ecosystems.

Growing healthcare demand: With global aging populations and increasing focus on healthcare advancement, the demand for medical technology products is expected to grow by +7-8% p.a. (mwb est.), potentially boosting CZM sales and profitability even stronger, proved by a sales CAGR 2013-23 of +8.7%, an EBIT CAGR 2013-23 of +10.1% and an EPS CAGR 2013-23 of 11.1%.

Financial resilience: Despite the recent downturn, CZM has historically demonstrated strong financial resilience and profitability, with revenue peaking at c. EUR 2.1bn in 2022/23. This is indicative of CZM's ability to manage both growth and mergers, and to recover from short-term disruptions. Also, CZM showed a growing share of recurring revenue, which reached a record level of around 46% in 21/22, supporting the future resilience of the business model.

Carl Zeiss Meditec AG	2021	2022	2023	2024E	2025E	2026E
Sales	1,647	1,903	2,089	1,995	2,105	2,242
Growth yoy	23.3%	15.5%	9.8%	-4.5%	5.5%	6.5%
EBITDA	461	497	452	324	465	556
EBIT	374	397	348	219	343	437
Net profit	236	294	290	140	214	280
Net debt (net cash)	191	212	242	826	555	328
Net debt/EBITDA	0.4x	0.4x	0.5x	2.5x	1.2x	0.6x
EPS reported	2.64	3.29	3.25	1.57	2.39	3.13
DPS	0.90	1.10	1.10	0.63	0.89	1.16
Dividend yield	1.4%	1.7%	1.7%	1.0%	1.3%	1.8%
Gross profit margin	58.7%	59.3%	57.7%	53.0%	56.0%	59.0%
EBITDA margin	28.0%	26.1%	21.7%	16.3%	22.1%	24.8%
EBIT margin	22.7%	20.9%	16.7%	11.0%	16.3%	19.5%
ROCE	19.0%	17.2%	14.0%	6.9%	10.4%	12.7%
EV/EBITDA	13.3x	12.3x	13.6x	21.1x	14.2x	11.4x
EV/EBIT	16.5x	15.4x	17.7x	31.2x	19.2x	14.6x
PER	25.0x	20.1x	20.3x	42.0x	27.6x	21.1x
FCF yield	6.1%	3.2%	4.2%	10.3%	7.2%	6.9%

Source: Company data, mwb research

Source: Company data, mwb research

High/low 52 weeks	123.75 / 62.30
Price/Book Ratio	2.7x

Ticker / Symbols

ISIN	DE0005313704
WKN	531370
Bloomberg	AFX:GR

Changes in estimates

		Sales	EBIT	EPS
2024E	old	1,995	219	1.57
	Δ	0.0%	0.0%	0.0%
2025E	old	2,105	343	2.39
	Δ	0.0%	0.0%	0.0%
2026E	old	2,242	437	3.13
	Δ	0.0%	0.0%	0.0%

Key share data

Number of shares: (in m pcs)	89.44
Book value per share: (in EUR)	24.14
Ø trading vol.: (12 months)	165,260

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.

Next news flow: Q3 figures. CZM plans to reduce costs mainly in the fields of sales and marketing as well as R&D, to lift EBIT-margin. Further details will be announced with the Q3 results (due August 6). In the long-term and for the FY24/25, management expects a return to growth (at market rates) and to improve an EBIT margin of over 20% - which would be in line with other med-tech peers.

Conclusion. The sharp decline in the share price post-profit warning suggests that the market may have reacted overly pessimistically, overlooking the company's long-term growth prospects and underlying value. As a result, we believe that the new valuation level is arguably too low and does not reflect the company's solid fundamentals, strong product portfolio and potential for recovery. For long-term investors, the current low share price represents an attractive entry point with potential for appreciation as the company overcomes its challenges and capitalizes on industry growth opportunities. Following the profit warning, we had lowered our estimates. Now, we keep our estimates unchanged. With a decent upside of c. 20% we upgrade the stock from HOLD to BUY with unchanged PT of EUR 80.00.

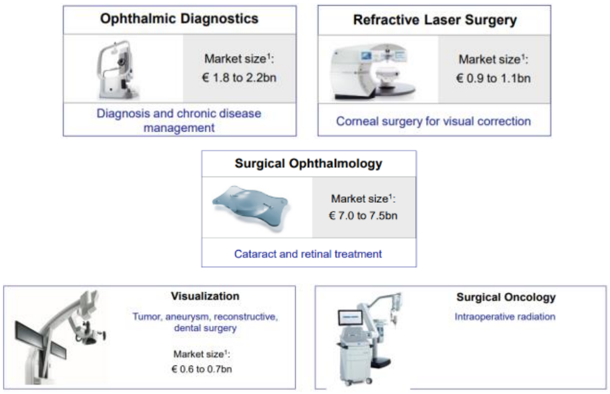
The following table displays the quarterly performance of **Carl Zeiss Meditec AG.**

P&L data	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Sales	477.5	569.9	470.3	504.2	535.1	579.7	475.0	472.1
yoy growth in %	10.8%	27.1%	14.7%	13.3%	12.1%	1.7%	1.0%	-6.4%
Gross profit	283.9	342.4	257.4	292.2	316.0	340.3	252.5	252.5
Gross margin in %	59.4%	60.1%	54.7%	57.9%	59.0%	58.7%	53.2%	53.5%
EBITDA	115.2	141.1	79.2	102.0	na	na	na	na
EBITDA margin in %	24.1%	24.8%	16.8%	20.2%	na%	na%	na%	na%
EBIT	98.6	121.0	60.3	83.6	101.0	103.1	43.5	64.7
EBIT margin in %	20.6%	21.2%	12.8%	16.6%	18.9%	17.8%	9.2%	13.7%
EBT	88.3	141.0	73.0	90.7	132.3	116.5	54.7	67.3
taxes paid	26.3	37.2	22.5	27.4	40.3	30.4	18.0	20.2
tax rate in %	29.8%	26.4%	30.8%	30.2%	30.5%	26.1%	32.9%	30.0%
net profit	62.5	102.7	51.0	62.0	92.2	85.2	36.8	46.5
yoy growth in %	-23.4%	89.9%	34.5%	-31.7%	47.4%	-17.1%	-27.9%	-25.0%
EPS	**0.70**	**1.14**	**0.57**	**0.69**	**1.03**	**0.96**	**0.42**	**0.52**

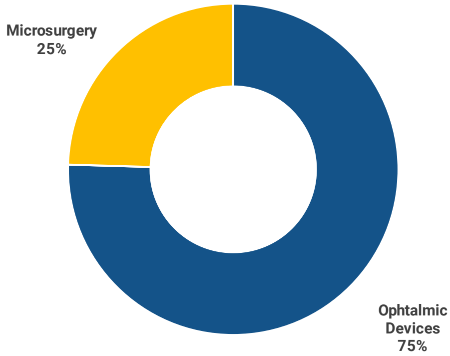
Source: Company data; mwb research

Investment case in six charts

Products



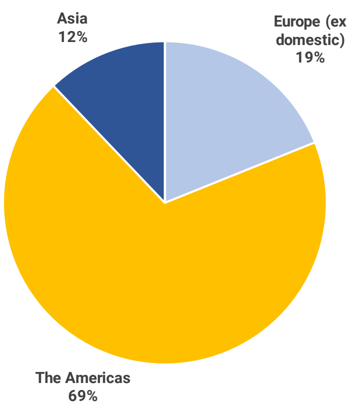
Segmental Split



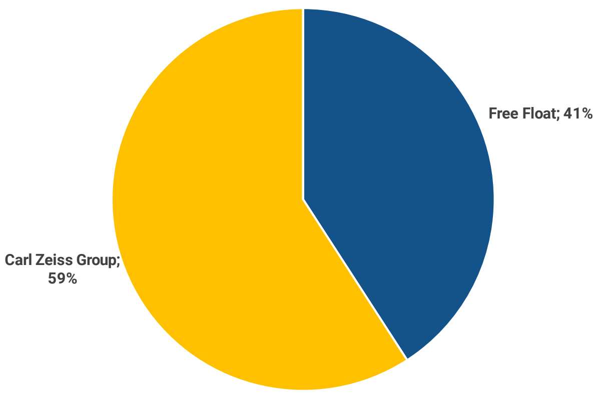
Comprehensive Portfolio

		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; mwb research

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)

mwb research

Valuation

DCF Model

The DCF model results in a **fair value of EUR 82.38 per share**:

Top-line growth: We expect Carl Zeiss Meditec AG to grow revenues at a CAGR of 5.9% between 2024E and 2031E. The long-term growth rate is set at 2.0%.

ROCE. Returns on capital are developing from 6.9% in 2024E to 14.4% in 2031E.

WACC. Starting point is a historical equity beta of 0.93. Unleverering and correcting for mean reversion yields an asset beta of 0.89. Combined with a risk-free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 7.8%. With pre-tax cost of borrowing at 5.0%, a tax rate of 30% and target debt/equity of 0.1 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	153	235	299	315	337	358	415	431	
Depreciation & amortization	105	122	119	118	117	112	108	114	
Change in working capital	273	77	-2	-26	-25	-23	-4	-16	
Chg. in long-term provisions	91	9	11	13	13	12	11	9	
Capex	-112	-97	-103	-110	-98	-98	-103	-113	
Cash flow	510	346	324	309	345	361	427	426	8,124
Present value	501	316	276	245	255	249	274	255	4,855
WACC	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%

DCF per share derived from	
Total present value	7,227
Mid-year adj. total present value	7,487
Net debt / cash at start of year	242
Financial assets	130
Provisions and off b/s debt	8
Equity value	7,368
No. of shares outstanding	89.4
Discounted cash flow / share	**82.38**
upside/(downside)	**24.8%**
Share price	**66.00**

DCF avg. growth and earnings assumptions	
Planning horizon avg. revenue growth (2024E-2031E)	5.9%
Terminal value growth (2031E - infinity)	2.0%
Terminal year ROCE	14.4%
Terminal year WACC	7.3%

Terminal WACC derived from	
Cost of borrowing (before taxes)	5.0%
Long-term tax rate	30%
Equity beta	0.93
Unlevered beta (industry or company)	0.89
Target debt / equity	0.1
Relevered beta	0.97
Risk-free rate	2.0%
Equity risk premium	6.0%
Cost of equity	7.8%

Sensitivity analysis DCF

Change in WACC (%-points)	Long term growth 1.0%	1.5%	2.0%	2.5%	3.0%
2.0%	56.2	58.4	60.9	63.7	67.0
1.0%	63.5	66.5	69.9	74.0	78.8
0.0%	73.0	77.3	82.4	88.5	96.0
-1.0%	86.2	92.7	100.6	110.6	123.6
-2.0%	105.5	116.0	129.7	148.3	174.7

Share of present value	
2024E-2027E	18.5%
2028E-2031E	14.3%
terminal value	67.2%

Source: mwb research

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 33.33 per share based on 2024E and EUR 78.39 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	**324**	**465**	**556**	**579**	**609**
- Maintenance capex	0	0	0	0	0
- Minorities	1	2	2	2	3
- tax expenses	61	97	127	134	145
= Adjusted FCF	**263**	**366**	**427**	**442**	**462**
Actual Market Cap	**5,903**	**5,903**	**5,903**	**5,903**	**5,903**
+ Net debt (cash)	826	555	328	138	-82
+ Pension provisions	120	126	135	144	154
+ Off b/s financing	0	0	0	0	0
- Financial assets	130	130	130	130	130
- Acc. dividend payments	98	155	234	337	447
EV Reconciliations	717	397	98	-185	-505
= Actual EV'	**6,620**	**6,300**	**6,002**	**5,718**	**5,398**
Adjusted FCF yield	**4.0%**	**5.8%**	**7.1%**	**7.7%**	**8.6%**
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	**3,698**	**5,156**	**6,014**	**6,222**	**6,506**
- *EV Reconciliations*	717	397	98	-185	-505
Fair Market Cap	**2,981**	**4,759**	**5,916**	**6,407**	**7,011**
No. of shares (million)	89	89	89	89	89
Fair value per share in EUR	**33.33**	**53.21**	**66.14**	**71.64**	**78.39**
Premium (-) / discount (+)	**-49.5%**	**-19.4%**	**0.2%**	**8.5%**	**18.8%**

Sensitivity analysis fair value						
	5.1%	50	76	93	99	107
	6.1%	40	63	77	83	90
Adjusted hurdle rate	**7.1%**	**33**	**53**	**66**	**72**	**78**
	8.1%	28	46	58	63	69
	9.1%	24	41	51	56	62

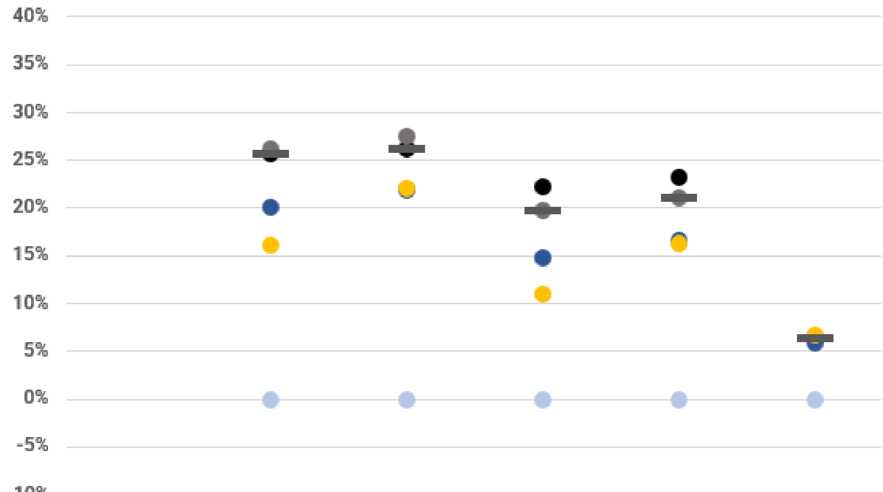
Source: Company data; mwb research

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.**

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 26 June 2024 the median market cap of the peer group was EUR 115,344m, compared to EUR 5,903m 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



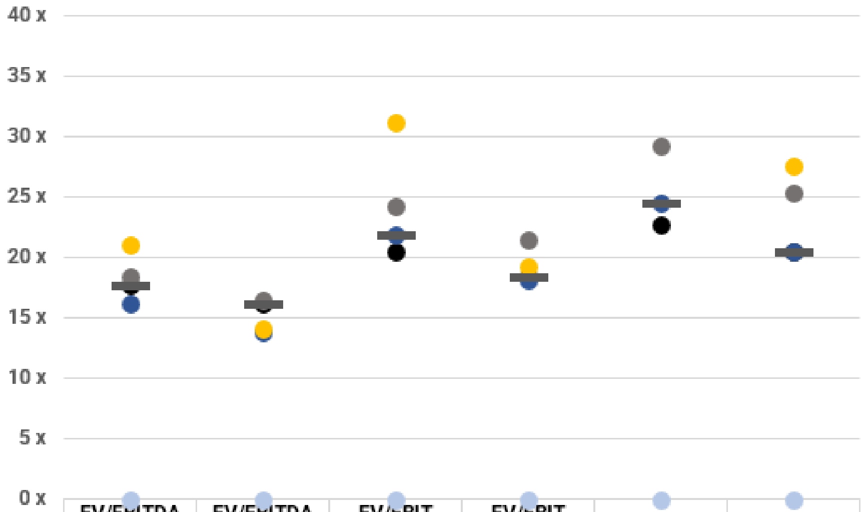
26-Jun-24	Market Cap (EURm)	EBITDA margin 2024	EBITDA margin 2025	EBIT margin 2024	EBIT margin 2025	Sales CAGR 2023-2026
● Abbott Laboratories	170.689	25,8%	26,3%	22,4%	23,2%	6,4%
● Alcon AG	41.279	26,3%	27,6%	19,9%	21,1%	6,4%
● Siemens Healthineers AG	60.000	20,2%	22,0%	14,9%	16,7%	6,0%
● Johnson & Johnson	330.076	0,0%	0,0%	0,0%	0,0%	0,0%
● Carl Zeiss Meditec AG	5.903	16,3%	22,1%	11,0%	16,3%	6,8%
– Peer Group Median	115.344	25,8%	26,3%	19,9%	21,1%	6,4%

Source: AlphaSense, mwb research

Comparable company analysis operates under the assumption that similar companies will have similar valuation multiples. We use the following multiples: EV/EBITDA 2024, EV/EBITDA 2025, EV/EBIT 2024, EV/EBIT 2025, P/E 2024 and P/E 2025.

Applying these to Carl Zeiss Meditec AG results in a range of fair values from EUR 38.48 to EUR 73.78.

Peer Group – Multiples and valuation



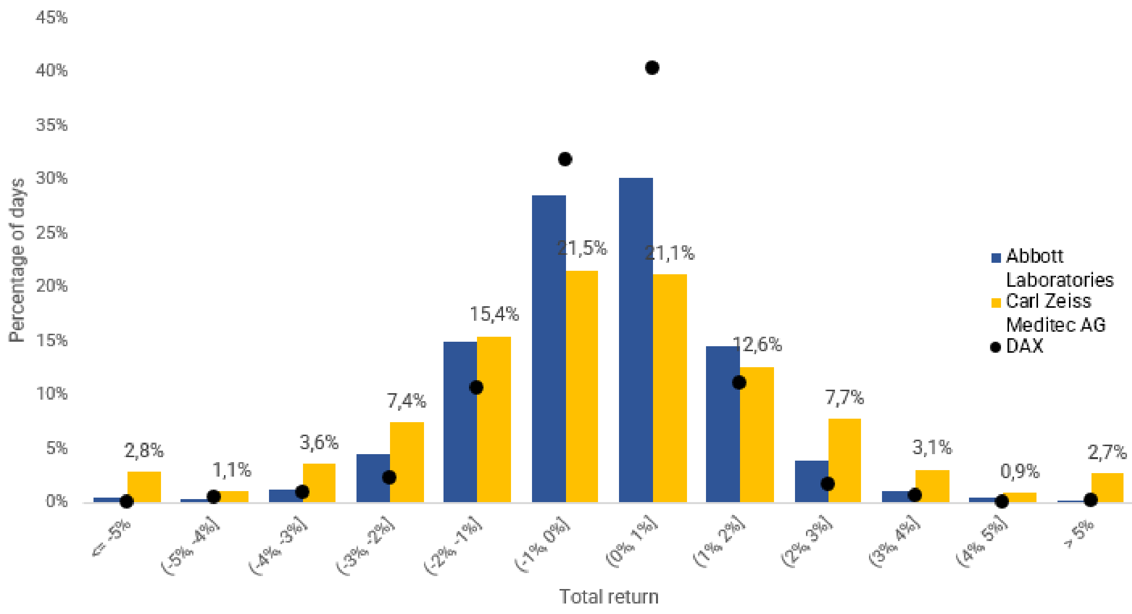
26-Jun-24	EV/EBITDA 2024	EV/EBITDA 2025	EV/EBIT 2024	EV/EBIT 2025	P/E 2024	P/E 2025
Abbott Laboratories	17,8x	16,2x	20,5x	18,4x	22,8x	20,5x
Alcon AG	18,4x	16,5x	24,3x	21,5x	29,2x	25,4x
Siemens Healthineers AG	16,1x	13,8x	21,8x	18,2x	24,5x	20,5x
Johnson & Johnson	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x
Carl Zeiss Meditec AG	21,1x	14,2x	31,2x	19,2x	42,0x	27,6x
Peer Group Median	17,8x	16,2x	21,8x	18,4x	24,5x	20,5x
Fair Value (EUR)	53,91	73,78	42,99	59,94	38,48	49,14

Source: AlphaSense, mwb research

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%.

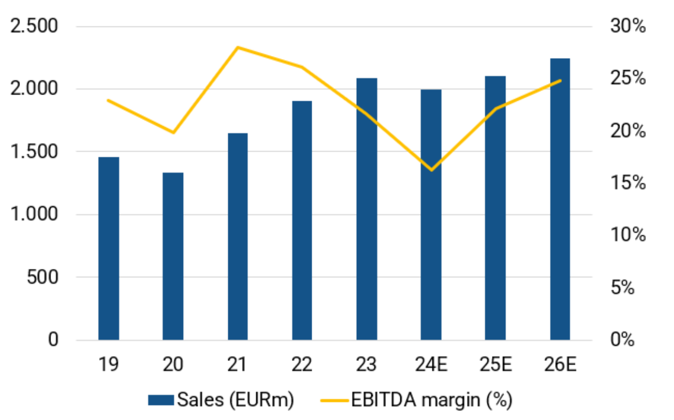
Risk – Daily Returns Distribution (trailing 3 years)



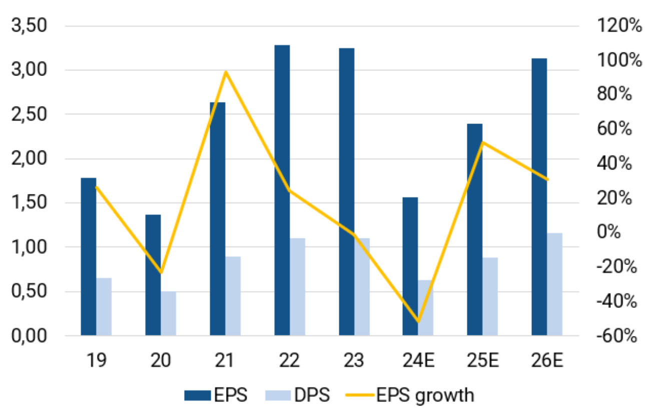
Source: AlphaSense, mwb research

Financials in six charts

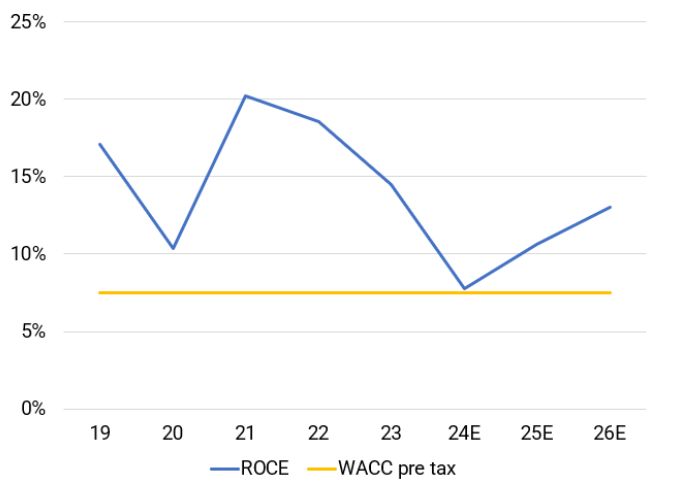
Sales vs. EBITDA margin development



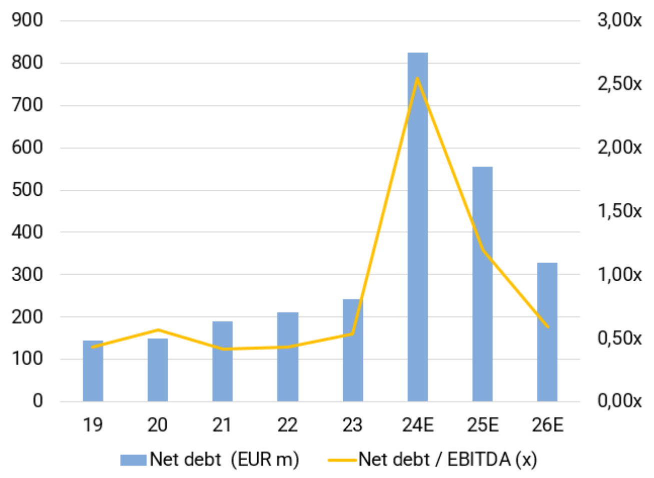
EPS, DPS in EUR & yoy EPS growth



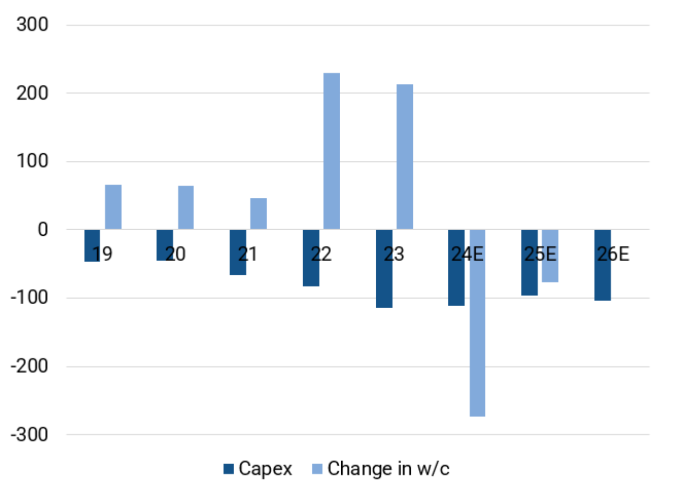
ROCE vs. WACC (pre tax)



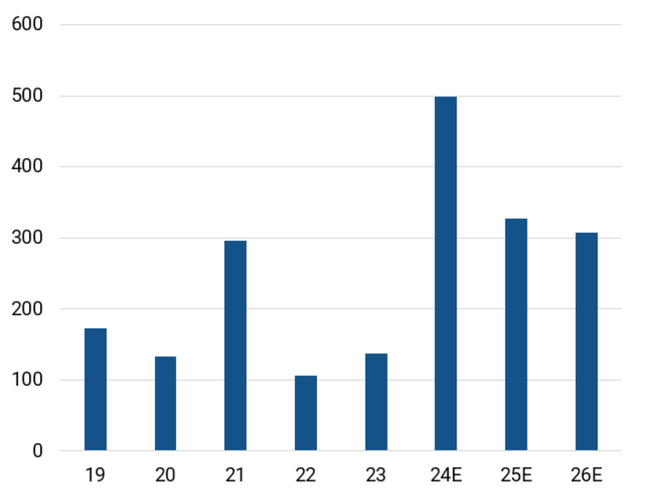
Net debt and net debt/EBITDA



Capex & chgn in w/c requirements in EURm



Free Cash Flow in EURm



Source: Company data; mwb research

mwb research

Financials

Profit and loss (EURm)	2021	2022	2023	2024E	2025E	2026E
Sales	**1,647**	**1,903**	**2,089**	**1,995**	**2,105**	**2,242**
Sales growth	23.3%	15.5%	9.8%	-4.5%	5.5%	6.5%
Cost of sales	680	775	884	938	926	919
Gross profit	**967**	**1,128**	**1,206**	**1,057**	**1,179**	**1,323**
SG&A expenses	364	438	504	499	505	538
Research and development	232	291	349	339	326	347
Other operating expenses (income)	-2	1	4	0	4	0
EBITDA	**461**	**497**	**452**	**324**	**465**	**556**
Depreciation	62	70	74	79	79	75
EBITA	399	427	378	245	386	481
Amortisation of goodwill and intangible assets	26	30	30	26	42	44
EBIT	**374**	**397**	**348**	**219**	**343**	**437**
Financial result	-35	7	64	-17	-30	-29
Recurring pretax income from continuing operations	339	403	413	202	313	409
Extraordinary income/loss	0	0	0	0	0	0
Earnings before taxes	339	403	413	202	313	409
Taxes	102	108	121	61	97	127
Net income from continuing operations	238	296	292	142	216	282
Result from discontinued operations (net of tax)	0	0	0	0	0	0
Net income	**238**	**296**	**292**	**142**	**216**	**282**
Minority interest	-1	-2	-2	-1	-2	-2
Net profit (reported)	236	294	290	140	214	280
Average number of shares	89.44	89.44	89.44	89.44	89.44	89.44
EPS reported	**2.64**	**3.29**	**3.25**	**1.57**	**2.39**	**3.13**

Profit and loss (common size)	2021	2022	2023	2024E	2025E	2026E
Sales	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Cost of sales	41%	41%	42%	47%	44%	41%
Gross profit	**59%**	**59%**	**58%**	**53%**	**56%**	**59%**
SG&A expenses	22%	23%	24%	25%	24%	24%
Research and development	14%	15%	17%	17%	16%	16%
Other operating expenses (income)	-0%	0%	0%	0%	0%	0%
EBITDA	**28%**	**26%**	**22%**	**16%**	**22%**	**25%**
Depreciation	4%	4%	4%	4%	4%	3%
EBITA	24%	22%	18%	12%	18%	21%
Amortisation of goodwill and intangible assets	2%	2%	1%	1%	2%	2%
EBIT	**23%**	**21%**	**17%**	**11%**	**16%**	**20%**
Financial result	-2%	0%	3%	-1%	-1%	-1%
Recurring pretax income from continuing operations	21%	21%	20%	10%	15%	18%
Extraordinary income/loss	0%	0%	0%	0%	0%	0%
Earnings before taxes	21%	21%	20%	10%	15%	18%
Taxes	6%	6%	6%	3%	5%	6%
Net income from continuing operations	14%	16%	14%	7%	10%	13%
Result from discontinued operations (net of tax)	0%	0%	0%	0%	0%	0%
Net income	**14%**	**16%**	**14%**	**7%**	**10%**	**13%**
Minority interest	-0%	-0%	-0%	-0%	-0%	-0%
Net profit (reported)	**14%**	**15%**	**14%**	**7%**	**10%**	**12%**

Source: Company data; mwb research

Balance sheet (EURm)	2021	2022	2023	2024E	2025E	2026E
Intangible assets (exl. Goodwill)	**154**	**240**	**259**	**265**	**257**	**249**
Goodwill	329	430	416	1,401	1,401	1,401
Property, plant and equipment	200	236	316	317	301	293
Financial assets	110	125	130	130	130	130
FIXED ASSETS	**792**	**1,031**	**1,121**	**2,113**	**2,088**	**2,073**
Inventories	286	383	520	527	431	428
Accounts receivable	321	414	421	284	300	319
Other current assets	974	952	920	720	720	720
Liquid assets	7	8	10	-24	185	352
Deferred taxes	0	0	0	0	0	0
Deferred charges and prepaid expenses	16	35	40	20	21	22
CURRENT ASSETS	**1,604**	**1,792**	**1,912**	**1,527**	**1,657**	**1,842**
TOTAL ASSETS	**2,396**	**2,823**	**3,033**	**3,640**	**3,745**	**3,914**
SHAREHOLDERS EQUITY	**1,659**	**2,015**	**2,159**	**2,203**	**2,362**	**2,565**
MINORITY INTEREST	18	15	13	13	13	13
Long-term debt	178	198	230	780	730	680
Provisions for pensions and similar obligations	54	8	8	120	126	135
Other provisions	38	47	61	40	42	45
Non-current liabilities	**270**	**253**	**298**	**940**	**898**	**859**
short-term liabilities to banks	20	22	22	22	10	0
Accounts payable	145	189	240	180	165	164
Advance payments received on orders	32	40	0	0	0	0
Other liabilities (incl. from lease and rental contracts)	98	113	108	92	97	103
Deferred taxes	15	22	35	35	35	35
Deferred income	138	154	157	156	164	175
Current liabilities	**448**	**539**	**562**	**484**	**471**	**477**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**2,396**	**2,823**	**3,033**	**3,640**	**3,745**	**3,914**

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%	37%	36%
Property, plant and equipment	8%	8%	10%	9%	8%	7%
Financial assets	5%	4%	4%	4%	3%	3%
FIXED ASSETS	**33%**	**37%**	**37%**	**58%**	**56%**	**53%**
Inventories	12%	14%	17%	14%	12%	11%
Accounts receivable	13%	15%	14%	8%	8%	8%
Other current assets	41%	34%	30%	20%	19%	18%
Liquid assets	0%	0%	0%	-1%	5%	9%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred charges and prepaid expenses	1%	1%	1%	1%	1%	1%
CURRENT ASSETS	**67%**	**63%**	**63%**	**42%**	**44%**	**47%**
TOTAL ASSETS	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
SHAREHOLDERS EQUITY	**69%**	**71%**	**71%**	**61%**	**63%**	**66%**
MINORITY INTEREST	1%	1%	0%	0%	0%	0%
Long-term debt	7%	7%	8%	21%	19%	17%
Provisions for pensions and similar obligations	2%	0%	0%	3%	3%	3%
Other provisions	2%	2%	2%	1%	1%	1%
Non-current liabilities	**11%**	**9%**	**10%**	**26%**	**24%**	**22%**
short-term liabilities to banks	1%	1%	1%	1%	0%	0%
Accounts payable	6%	7%	8%	5%	4%	4%
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%	4%	4%	4%
Current liabilities	**19%**	**19%**	**19%**	**13%**	**13%**	**12%**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Company data; mwb research

Cash flow statement (EURm)	2021	2022	2023	2024E	2025E	2026E
Net profit/loss	238	296	292	142	216	282
Depreciation of fixed assets (incl. leases)	62	70	74	79	79	75
Amortisation of goodwill	0	0	0	0	0	0
Amortisation of intangible assets	0	0	0	26	42	44
Others	110	52	98	91	9	11
Cash flow from operations before changes in w/c	409	418	465	338	346	412
Increase/decrease in inventory	0	-75	-153	-6	95	3
Increase/decrease in accounts receivable	-62	-74	-21	137	-16	-19
Increase/decrease in accounts payable	53	34	47	-60	-15	-1
Increase/decrease in other w/c positions	-37	-114	-87	202	13	16
Increase/decrease in working capital	-47	-230	-214	273	77	-2
Cash flow from operating activities	**363**	**188**	**251**	**611**	**424**	**410**
CAPEX	-66	-82	-114	-112	-97	-103
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**	**-1,097**	**-97**	**-103**
Cash flow before financing	287	95	140	-486	327	307
Increase/decrease in debt position	-17	-22	-23	550	-62	-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	-56	-79
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**	**452**	**-118**	**-139**
Increase/decrease in liquid assets	1	0	3	-34	209	167
Liquid assets at end of period	**7**	**8**	**11**	**-24**	**185**	**352**

Source: Company data; mwb research

Regional sales split (EURm)	2021	2022	2023	2024E	2025E	2026E
Domestic	939	1,156	1,265	1,209	1,275	1,358
Europe (ex domestic)	130	132	156	149	157	167
The Americas	477	513	568	543	573	610
Asia	101	103	100	95	100	107
Rest of World	0	0	0	0	0	0
Total sales	**1,647**	**1,903**	**2,089**	**1,995**	**2,105**	**2,242**

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; mwb research

Ratios	2021	2022	2023	2024E	2025E	2026E
Per share data						
Earnings per share reported	2.64	3.29	3.25	1.57	2.39	3.13
Cash flow per share	4.05	2.10	2.80	6.83	4.74	4.58
Book value per share	18.55	22.53	24.14	24.63	26.41	28.68
Dividend per share	0.90	1.10	1.10	0.63	0.89	1.16
Valuation						
P/E	25.0x	20.1x	20.3x	42.0x	27.6x	21.1x
P/CF	16.3x	31.4x	23.5x	9.7x	13.9x	14.4x
P/BV	3.6x	2.9x	2.7x	2.7x	2.5x	2.3x
Dividend yield (%)	1.4%	1.7%	1.7%	1.0%	1.3%	1.8%
FCF yield (%)	6.1%	3.2%	4.2%	10.3%	7.2%	6.9%
EV/Sales	3.7x	3.2x	2.9x	3.4x	3.1x	2.8x
EV/EBITDA	13.3x	12.3x	13.6x	21.1x	14.2x	11.4x
EV/EBIT	16.5x	15.4x	17.7x	31.2x	19.2x	14.6x
Income statement (EURm)						
Sales	1,647	1,903	2,089	1,995	2,105	2,242
yoy chg in %	23.3%	15.5%	9.8%	-4.5%	5.5%	6.5%
Gross profit	967	1,128	1,206	1,057	1,179	1,323
Gross margin in %	58.7%	59.3%	57.7%	53.0%	56.0%	59.0%
EBITDA	461	497	452	324	465	556
EBITDA margin in %	28.0%	26.1%	21.7%	16.3%	22.1%	24.8%
EBIT	374	397	348	219	343	437
EBIT margin in %	22.7%	20.9%	16.7%	11.0%	16.3%	19.5%
Net profit	236	294	290	140	214	280
Cash flow statement (EURm)						
CF from operations	363	188	251	611	424	410
Capex	-66	-82	-114	-112	-97	-103
Maintenance Capex	0	0	0	0	0	0
Free cash flow	297	106	137	499	327	307
Balance sheet (EURm)						
Intangible assets	482	670	675	1,666	1,657	1,650
Tangible assets	200	236	316	317	301	293
Shareholders' equity	1,659	2,015	2,159	2,203	2,362	2,565
Pension provisions	54	8	8	120	126	135
Liabilities and provisions	290	275	320	961	908	859
Net financial debt	191	212	242	826	555	328
w/c requirements	430	568	702	631	566	584
Ratios						
ROE	14.3%	14.7%	13.5%	6.4%	9.1%	11.0%
ROCE	19.0%	17.2%	14.0%	6.9%	10.4%	12.7%
Net gearing	11.5%	10.5%	11.2%	37.5%	23.5%	12.8%
Net debt / EBITDA	0.4x	0.4x	0.5x	2.5x	1.2x	0.6x

Source: Company data; mwb research

Conflicts of interest

Disclosures regarding research publications of mwb research 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 mwb research 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 mwb research 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 mwb research 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 mwb research AG. Reproduction of this document, in whole or in part, is not permitted without prior permission mwb research AG. All rights reserved. Under no circumstances shall mwb research 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 mwb research 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 mwb research 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.mwb.-research.com.

mwb research 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 mwb research 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 mwb research AG. The opinions and estimates in this research report are subject to change without notice. It is within the discretion of mwb research 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
26-Jun-24 09:48:05

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. mwb research AG has checked the information for plausibility but not for accuracy or completeness.

8. Competent Supervisory Authority mwb research 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.mwb.-research.com.

Contacts

mwb research AG
Mittelweg 142
20148 Hamburg
Germany

Tel.: +49 40 309 293-52
Email.: contact@mwb-research.com
Website: www.mwb-research.com
Research: www.research-hub.de

Research

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

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

ABED JARAD
Junior Analyst
Tel: +49 40 309 293-54
E-Mail: a.jarad@mwb-research.com

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

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

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

Sales

HOLGER NASS
Head of Sales
Tel: +49 40 309 293-52
E-Mail: h.nass@mwb-research.com

Team Assistant

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

mwb fairtrade
Wertpapierhandelsbank AG
Rottenbucher Straße 28
82166 Gräfelfing

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

Sales / Designated Sponsoring /Corporate Finance

ALEXANDER DEUSS
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

JAN NEYNABER
Institutional Sales
Tel: +49 69 1387-1255
E-Mail: jneynaber@mwbfairtrade.com

DIRK WEYERHÄUSER
Corporate Finance
Tel: +49 69 1387-1250
E-Mail: dweyerhaeuser@mwbfairtrade.com

Locations

HAMBURG (Research)
Mittelweg 142
20148 Hamburg
+49 40 309 293-52

HAMBURG (Corporates & Markets)
Kleine Johannisstraße 4
20457 Hamburg
+49 40 360 995-0

FRANKFURT A.M.
Unterlindau 29
60323 Frankfurt am Main
+49 40 360 995-22

MUNICH
Rottenbucher Str. 28
82166 Gräfelfing
+49 89-85852-0

BERLIN
Kurfürstendamm 151
10709 Berlin

HANNOVER
An der Börse 2
30159 Hannover

Our research can be found at

ResearchHub	www.research-hub.de
Bloomberg	www.bloomberg.com
FactSet	www.factset.com
Thomson Reuters / Refinitiv	www.refinitiv.com
CapitalIQ	www.capitaliq.com

ResearchHub