Carl Zeiss Meditec AG

Small/Mid-Cap: Med. Tech/Services

BERENBERG
PARTNERSHIP SINCE 1590

Not the best of starts but plenty to play for

- We update our forecasts to reflect a weaker-than-expected set of Q1 profitability figures last week, as well as the recent small acquisition of Turkish distributer Optronik. The net effect of these changes is a 2-3% reduction to our 2014 and 2015 forecasts, but negligible changes thereafter.
- **2014 remains a tricky year:** We believe that 2014 will be another a tricky year for Zeiss, affected by steep currency headwinds (particularly from the Japanese yen), a slowdown in its largest and most profitable business (Microsurgery), as well as some continued pricing pressure in its core Ophthalmic systems business. All considered, earnings are likely to be flat over the course of the year – which never bodes well for a highly rated share.
- **Margin target may prompt management to tackle costs:** Zeiss remains committed to delivering a 15% margin target in 2015, implying some decent low-teens growth in operating profit next year on our estimates. To help realise these targets, management is looking into specific programmes to optimise cost of goods and opex. It remains unclear how far-reaching these measures could be, and indeed whether management is minded to let any gains flow through to the bottom line – or simply to reinvest. Clearly further detail is required but the business has scope, in our view (less than 10% of manufacturing output is in low-cost countries on our estimates).
- **New product launches important, but Zeiss has a great track record:** Zeiss remains a high-quality business, with market-leading positions in structurally growing markets (mainly ophthalmology). While competition has intensified in some of its business areas, most notably Alcon's foray into the Surgical Microscopy market, we expect Zeiss to maintain its technological prowess with new product innovations this year. We will assess the potential of these products on a case-by-case basis, with increased disclosure over the course of the year.
- **Valuation:** We maintain our Hold recommendation and look for more opportune times to enter the stock. Our price target of €25 per share remains, and is based on the shares trading on a cash-adjusted P/E of c17x 2015E (c19x 2014), supported by our DCF valuation of €27 per share.

Y/E 30.09., EURm	2012	2013E	2014E	2015E	2016E	2017E
Sales	862	906	936	998	1,065	1,126
EBITDA	141	153	154	173	188	202
EBIT	123	134	134	151	165	177
Net profit	72	94	90	102	113	123
Y/E net debt (net cash)	-346	-334	-303	-356	-419	-489
EPS (recurring)	0.88	1.15	1.10	1.26	1.40	1.51
CPS	1.13	0.79	1.12	1.42	1.55	1.71
DPS	0.40	0.45	0.51	0.50	0.56	0.60
Gross margin	53.5%	53.8%	53.1%	53.7%	54.1%	54.3%
EBIT margin	14.3%	14.8%	14.3%	15.2%	15.5%	15.7%
Dividend yield	1.8%	2.0%	2.3%	2.3%	2.5%	2.7%
ROCE	16.4%	17.3%	16.0%	16.8%	16.9%	16.7%
EV/sales	1.7	1.6	1.6	1.5	1.4	1.3
EV/EBITDA	10.5	9.7	9.6	8.5	7.8	7.3
EV/EBIT	12.0	11.0	11.0	9.7	8.9	8.3
P/E	25.2	19.3	20.2	17.7	15.9	14.7
Cash flow RoEV	6.2%	4.4%	6.2%	7.8%	8.6%	9.4%

Source: Company data, Berenberg

Hold

Current price	Price target
EUR 22.24	EUR 25.00

17/02/2014 XETRA Close

Market cap	EUR 1,808m
Reuters	AFXG.DE
Bloomberg	AFX GY

Changes made in this note

Rating	**Hold** (no change)
Price target	**EUR 25.00** (no change)

Chg	2013E old	Δ%	2014E old	Δ%	2015E old	Δ%
Sales	906	-	937	-0.1	998	-0.1
EBIT	134	-	136	-1.8	152	-0.2
EPS	1.15	-	1.13	-2.6	1.28	-1.7

Source: Berenberg estimates

Share data

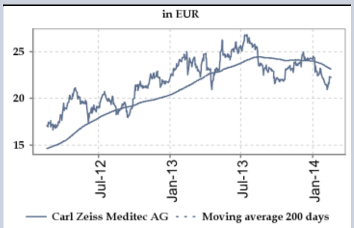
Shares outstanding (m)	81
Enterprise value (EURm)	1,474
Daily trading volume	55,000

Performance data

High 52 weeks (EUR)		27
Low 52 weeks (EUR)		21
Relative performance to	SXXP	MDAX
1 month	-0.3 %	-1.0 %
3 months	-7.9 %	-10.7 %
12 months	-24.7 %	-32.0 %

Key data

Price/book value	1.7
Net gearing	-29.0%
CAGR sales 2012-2017	5.5%
CAGR EPS 2012-2017	11.3%



Business activities:
Ophthalmologic medical technology

Non-institutional shareholders:
Carl Zeiss AG 65%

18 February 2014

Scott Bardo
Analyst
+44 20 3207 7869
scott.bardo@berenberg.com

Graham Doyle
Analyst
+44 20 3465 2634
graham.doyle@berenberg.com

Forecasts changes

We update our forecasts for recent FX moves, weaker-than-expected Q1 2014 margin development, and fine-tuned hedging and tax rate assumptions. The net result of these changes is a 2-3% reduction in our 2014 and 2015 EPS forecasts but negligible changes thereafter.

Forecast changes summary

		2012/13 E	2013/14 E	2014/15 E	2015/16 E	2016/17 E
Net sales	New	906.4	936.2	997.5	1,065.0	1,126.3
	Old	906.4	936.8	998.2	1,065.8	1,127.1
	% difference	0.0%	-0.1%	-0.1%	-0.1%	-0.1%
Gross profit	New	487.8	496.8	535.3	575.8	611.2
	Old	487.8	499.5	537.2	577.8	613.4
	% difference	0.0%	-0.5%	-0.4%	-0.4%	-0.4%
EBIT	New	133.9	133.6	151.4	165.0	177.3
	Old	133.9	136.0	151.7	165.3	177.6
	% difference	0.0%	-1.8%	-0.2%	-0.2%	-0.2%
EBIT margin	New	14.8%	14.3%	15.2%	15.5%	15.7%
	Old	14.8%	14.5%	15.2%	15.5%	15.8%
	% difference	0bp	-25bp	-2bp	-2bp	-2bp
Atrributable Net Profit	New	93.5	89.6	102.2	113.5	122.9
	Old	93.5	92.0	103.9	113.7	123.2
	% difference	0.0%	-2.6%	-1.7%	-0.2%	-0.2%
EPS	New	1.15	1.10	1.26	1.40	1.51
	Old	1.15	1.13	1.28	1.40	1.51
	% difference	0.0%	-2.6%	-1.7%	-0.2%	-0.2%

Source: Berenberg estimates, Carl Zeiss Meditec

Valuation

Our price target of €25 is based on the shares trading on a cash-adjusted 2015 P/E of 17x. We acknowledge that this could be seen as a full multiple for our expected 10.3% EPS CAGR 2014E-18E. However, we believe it is warranted, owing to the company's solid structural defensive growth opportunities, impressive ROCE and ability to drive incremental and often underappreciated innovation.

On a DCF basis, we obtain a fair value of €27.1 per share, which lends support to our target valuation.

Summary DCF valuation

(€m)	2013A	2014E	2015E	2016E	2017E	2018E	2019E	2020E
EBIT	133.9	133.6	151.4	165.0	177.3	190.0	203.4	217.2
Tax	48.5	45.0	48.8	51.5	55.7	60.1	64.4	69.1
NOPAT	**85.4**	**88.6**	**102.7**	**113.5**	**121.5**	**129.9**	**139.0**	**148.1**
D&A	18.7	20.6	21.9	23.4	24.8	26.2	27.7	29.1
Working capital	-57.0	-27.3	-17.2	-19.5	-18.1	-19.6	-20.1	-19.6
Capex & Intangibles	-10.6	-19.6	-20.9	-22.3	-23.6	-25.0	-26.4	-27.8
Free cash flow	**36.5**	**62.2**	**86.5**	**95.1**	**104.6**	**111.5**	**120.2**	**129.9**
Discounted cash flows	**36.5**	**57.5**	**73.8**	**75.0**	**76.2**	**75.0**	**74.7**	**74.6**

Discounted TV	**1,392.8**
Sum of discounted cash flows	1,899.5
Enterprise value	**1,899.5**
Net Cash & Equiv	303.2
Market value	**2,202.7**
No. of shares	81.3
DCF Valuation	**€ 27.1**

Discount Rate	8.3%
Terminal growth rate	2.75%

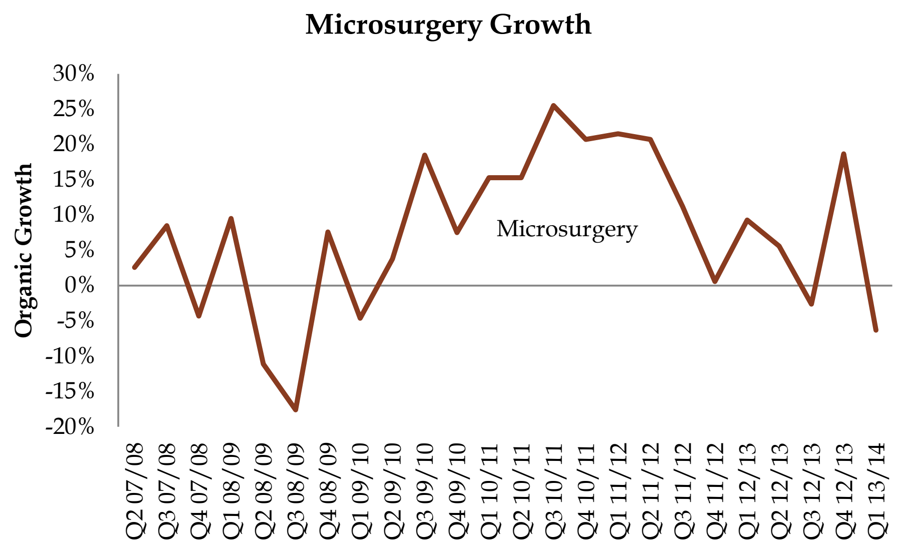
Source: Berenberg estimates, Carl Zeiss Meditec

Divisional growth summary

Microsurgery

Having enjoyed a period of strong double-digit growth between 2010 and 2012 (mainly fuelled by its leading Lumera and Pentero products), growth for the division slowed dramatically in 2013 and entered negative territory in Q3 2013. A strong rebound in Q4 2013 was accompanied by a sharp downtick in Q1 2014, implying that some orders may have been "pulled forward" into fiscal 2013. EBIT margins for Microsurgery in 2013 were high at 26.3% but margins contracted to 22.5% in Q1 2014, partly reflecting the lower top-line volume.

Microsurgery growth

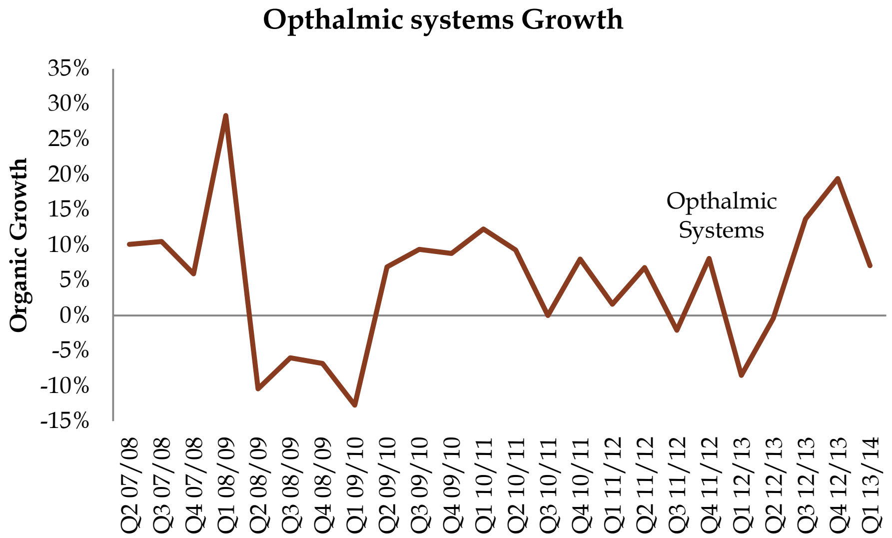


Source: Berenberg, Company reports

Ophthalmic Systems

Growth in Ophthalmic Systems was pretty poor in the first half of 2013, in large part owing to competition issues in its Optical Coherence Tomography segment – as well as some phasing and supply issues for its new product introductions. Growth encouragingly bounced back during Q3 2013 and Q4 2013; despite normalising somewhat in Q1 2014, the division still grew respectably on a low base of comparison from a year earlier. Ophthalmic Systems is a lower-margin business than Microsurgery, with normal margins for the business of 8-10% in our view. Zeiss is currently performing materially below these levels, partly affected by low volumes and higher R&D costs. For FY 2013 the division delivered a 3.8% margin, and in Q1 2014 it only achieved a meagre 1.2%. We are modelling for this division to return to an 8% margin over the coming few years.

Ophthalmic Systems growth



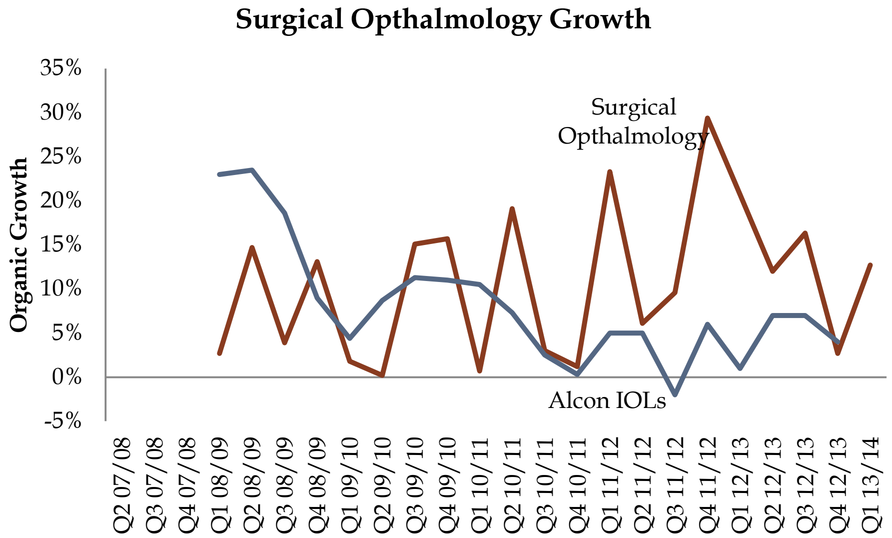
Source: Berenberg, Company reports

Surgical Ophthalmology

Surgical Ophthalmology is Zeiss's fast-growth intraocular lens business. The division continues to do very well with growth fuelled by its At LISA Tri lens range. Zeiss remains a relatively small player in the market (mainly focused on Europe) but continues to take share and outpace larger players in the market including Novartis' Alcon (see below). The recent EUR51.4m acquisition of Aaren Scientific strengthens the company's presence in the mid-tier segment but also provides Zeiss with a way to more aggressively enter the lucrative US market.

We see good opportunity for strong operational leverage as its lens business grows. We model for EBIT margins to move from the current 13.6% level to 16.3% by 2018.

Surgical Ophthalmology



Source: Berenberg, Company reports

Group orders on hand up c11%

We believe that Zeiss's orders-on-hand growth is a useful leading indicator for the upcoming quarterly growth trend of its capital business. In Q1 2014, orders on hand grew 10.9% yoy to EUR111.2m, which to us highlights the potential for a more favourable top-line growth profile for Zeiss in Q2 2014.

Surgical Ophthalmology

Source: Berenberg, Company reports

Financials

Divisional Sales

Sales development (€ m)	2012/2013A	2013/2014E	2014/2015E	2015/2016E	2016/2017E	2017/2018E	'13-'18E CAGR
Microsurgery	**394**	**390**	**402**	**418**	**435**	**452**	**2.8%**
Reported Growth	4.2%	-1.0%	3.0%	4.0%	4.0%	4.0%	
Organic growth	7.7%	2.7%	3.0%	4.0%	4.0%	4.0%	
FX impact	-3.5%	-3.7%	0.0%	0.0%	0.0%	0.0%	
Acquisition Growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
% of Total	43.5%	41.7%	40.3%	39.3%	38.6%	38.0%	
Ophthalmic Systems	**391**	**399**	**427**	**455**	**482**	**511**	**5.5%**
Reported Growth	4.0%	2.1%	7.0%	6.5%	6.0%	6.0%	
Organic growth	6.8%	5.0%	7.0%	6.5%	6.0%	6.0%	
FX impact	-2.8%	-2.9%	0.0%	0.0%	0.0%	0.0%	
Acquisition Growth	0.0%	1.0%	0.0%	0.0%	0.0%	0.0%	
% of Total	43.1%	42.6%	42.8%	42.7%	42.8%	42.9%	
Surgical Ophthalmology	**121**	**147**	**168**	**192**	**209**	**228**	**13.5%**
Reported Growth	12.6%	21.0%	14.8%	14.0%	9.0%	9.0%	
Organic growth	12.7%	14.0%	14.8%	14.0%	9.0%	9.0%	
FX impact	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	
Acquisition Growth	0.0%	7.0%	0.0%	0.0%	0.0%	0.0%	
% of Total	13.4%	15.7%	16.9%	18.0%	18.6%	19.2%	
Total Sales	**906**	**936**	**998**	**1,065**	**1,126**	**1,191**	**5.6%**
Reported growth	5.2%	3.3%	6.6%	6.8%	5.8%	5.8%	

Source: Berenberg estimates, Company reports

P&L

Income statement (€ m)	2011/2012A	2012/2013A	2013/2014E	2014/2015E	2015/2016E	2016/2017E	2017/2018E	'13-'18E CAGR
Net sales	**862**	**906**	**936**	**998**	**1,065**	**1,126**	**1,191**	**5.6%**
growth	*13.6%*	*5.2%*	*3.3%*	*6.6%*	*6.8%*	*5.8%*	*5.8%*	
Cost of goods sold	401	419	439	462	489	515	544	5.4%
Gross profit	**461**	**488**	**497**	**535**	**576**	**611**	**648**	**5.8%**
Margin	*53.5%*	*53.8%*	*53.1%*	*53.7%*	*54.1%*	*54.3%*	*54.4%*	
Selling expenses	204	214	219	228	242	255	269	4.6%
Administrative expenses	41	42	44	48	52	55	58	6.6%
Research and development costs	93	97	100	108	117	124	131	6.1%
Other Operating Income/ Expense	0.0	0.0	0.0	-0.2	-0.9	-0.3	-0.4	
Operating profit	**123**	**134**	**134**	**151**	**165**	**177**	**190**	**7.3%**
Margin	*14.3%*	*14.8%*	*14.3%*	*15.2%*	*15.5%*	*15.7%*	*15.9%*	
EBITDA	**141**	**153**	**154**	**173**	**188**	**202**	**216**	**7.2%**
Margin	*16.3%*	*16.8%*	*16.5%*	*17.4%*	*17.7%*	*17.9%*	*18.1%*	
Net Financial	-7	14	7	6	7	9	10	
Profit after financial items	116	148	141	157	172	186	200	6.3%
Tax on profit for the year	40	48	45	49	52	56	60	4.4%
Net profit for the year	76	99	96	109	120	130	140	7.2%
Minority interest	5	6	6	6	7	7	8	6.2%
Attributable Net Profit	**72**	**94**	**90**	**102**	**113**	**123**	**133**	**7.3%**
Weighted average no. shares	81	81	81	81	81	81	81	
Weighted average no. shares (diluted)	81	81	81	81	81	81	81	
EPS	**0.88**	**1.15**	**1.10**	**1.26**	**1.40**	**1.51**	**1.63**	**7.3%**
EPS (diluted)	**0.88**	**1.15**	**1.10**	**1.26**	**1.40**	**1.51**	**1.63**	**7.3%**
Growth	*7.4%*	*30.1%*	*-4.2%*	*14.1%*	*11.1%*	*8.3%*	*7.9%*	

Source: Berenberg estimates, Company reports

P&L ratio's	2011/2012A	2012/2013A	2013/2014E	2014/2015E	2015/2016E	2016/2017E	2017/2018E
COGS	**401**	**419**	**439**	**462**	**489**	**515**	**544**
% Sales	*46.5%*	*46.2%*	*46.9%*	*46.3%*	*45.9%*	*45.7%*	*45.6%*
Selling Expenses	**204**	**214**	**219**	**228**	**242**	**255**	**269**
(as a %age of sales)	*23.7%*	*23.6%*	*23.4%*	*22.9%*	*22.8%*	*22.7%*	*22.6%*
Administrative Expenses	**41**	**42**	**44**	**48**	**52**	**55**	**58**
(as a %age of sales)	*4.8%*	*4.7%*	*4.7%*	*4.8%*	*4.9%*	*4.9%*	*4.9%*
Research and development costs	**93**	**97**	**100**	**108**	**117**	**124**	**131**
(as a %age of sales)	*10.8%*	*10.7%*	*10.7%*	*10.8%*	*11.0%*	*11.0%*	*11.0%*
Income tax expense	**40**	**48**	**45**	**49**	**52**	**56**	**60**
Income tax rate	*34.2%*	*32.8%*	*32.0%*	*31.0%*	*30.0%*	*30.0%*	*30.0%*
Dividends	**33**	**37**	**41**	**41**	**45**	**49**	**53**
Dividend per share	**0.40**	**0.45**	**0.51**	**0.50**	**0.56**	**0.60**	**0.65**
Dividend payout ratio	*45.2%*	*39.1%*	*46.0%*	*40.0%*	*40.0%*	*40.0%*	*40.0%*

Source: Berenberg estimates, Company reports

Balance sheet

Balance sheet (€ m)	2011/2012A	2012/2013A	2013/2014E	2014/2015E	2015/2016E	2016/2017E	2017/2018E
Inventories	143	148	176	185	196	206	217
Trade receivables	137	150	156	166	177	188	199
Accounts receivable from related parties	43	63	63	63	63	63	63
Treasury receivables	241	352	352	352	352	352	352
Tax refund claims	2	0	0	0	0	0	0
Other current assets	133	15	15	15	15	15	15
Securities	0	0	0	0	0	0	0
Cash and cash equivalents	10	6	-24	29	92	162	237
Total current assets	**709**	**735**	**738**	**811**	**896**	**987**	**1,084**
Goodwill	122	121	121	121	121	121	121
Other intangible assets	21	13	48	37	25	13	-1
Property, plant and equipment	48	54	81	89	98	107	116
Investments accounted for using the equity method	0	0	0	0	0	0	0
Investments	0	0	0	0	0	0	0
Deferred tax assets	47	44	44	44	44	44	44
Noncurrent trade receivables	4	5	5	5	5	5	5
Other noncurrent assets	11	7	7	7	7	7	7
Total noncurrent assets	**254**	**245**	**307**	**304**	**301**	**298**	**294**
Total Assets	**963**	**981**	**1,046**	**1,115**	**1,197**	**1,284**	**1,378**
Current provisions	30	36	36	36	36	36	36
Current accrued liabilities	65	60	60	60	60	60	60
Current financial liabilities	6	3	3	3	3	3	3
Current portion of noncurrent financial liabilities	6	1	1	1	1	1	1
Current portion of noncurrent leasing liabilities	2	2	2	2	2	2	2
Trade payables	37	36	42	44	47	49	52
Current income tax liabilities	11	12	12	12	12	12	12
Accounts payable to related parties	14	20	20	20	20	20	20
Treasury payables	15	7	7	7	7	7	7
Other current liabilities	29	32	32	32	32	32	32
Total current liabilities	**214**	**207**	**213**	**215**	**218**	**221**	**223**
Provisions for pensions and similar commitments	13	11	11	11	11	11	11
Other noncurrent provisions	13	4	4	4	4	4	4
Noncurrent financial liabilities	2	2	2	2	2	2	2
Noncurrent leasing liabilities	14	12	12	12	12	12	12
Other noncurrent liabilities	8	8	8	8	8	8	8
Deferred tax liabilities	3	2	2	2	2	2	2
Total noncurrent liabilities	**53**	**38**	**38**	**38**	**38**	**38**	**38**
Share capital	81	81	81	81	81	81	81
Capital reserve	314	314	314	314	314	314	314
Retained earnings	261	322	375	436	509	586	670
Gains and losses recognized directly in equity	-1	-19	-19	-19	-19	-19	-19
Equity before non-controlling interest	655	698	751	812	885	962	1,046
Non-controlling interest	41	36	42	49	56	63	70
Total shareholders' equity	**696**	**735**	**794**	**861**	**941**	**1,025**	**1,116**
Total Shareholders' Equity And Liabilities	**963**	**981**	**1,046**	**1,115**	**1,197**	**1,284**	**1,378**

Source: Berenberg estimates, Company reports

Balance sheet Ratios	2011/2012A	2012/2013A	2013/2014E	2014/2015E	2015/2016E	2016/2017E	2017/2018E
Net debt/ (cash)	-346	-334	-303	-356	-419	-489	-565
Net Debt (cash) / EBITDA	-2.5x	-2.2x	-2.0x	-2.1x	-2.2x	-2.4x	-2.6x
Net Debt: Equity.	-0.5x	-0.5x	-0.4x	-0.4x	-0.4x	-0.5x	-0.5x
Net Working Capital	259	176	204	221	240	258	278
% Sales	30.0%	19.5%	21.8%	22.1%	22.6%	22.9%	23.3%
Working Capital Turnover	3.3x	5.1x	4.6x	4.5x	4.4x	4.4x	4.3x
Working Capital Days	110	71	79	81	82	84	85
Trade Receivables	137	151	156	166	177	188	199
Trade Receivables turnover	6.3x	6.0x	6.0x	6.0x	6.0x	6.0x	6.0x
Trade Receivable days	58	61	61	61	61	61	61
Inventories	143	178	176	185	196	206	217
Inventory turnover	2.8x	2.4x	2.5x	2.5x	2.5x	2.5x	2.5x
Inventory days	130	155	146	146	146	146	146
Trade payables	37	39	42	44	47	49	52
Payables turnover	10.8x	10.8x	10.5x	10.5x	10.5x	10.5x	10.5x
Payables days	34	34	35	35	35	35	35
Cash cycle	155	182	172	172	172	172	172
Net Assets (Fixed assets + NWC)	513	421	511	525	541	556	572
RONA (EBIT)	24.0%	31.8%	26.1%	28.8%	30.5%	31.9%	33.2%
Capital Employed	749	773	832	900	979	1,064	1,155
ROCE (EBIT)	16.4%	17.3%	16.0%	16.8%	16.9%	16.7%	16.5%
ROE (Net)	10.3%	12.7%	11.3%	11.9%	12.1%	12.0%	11.9%

Source: Berenberg estimates, Company reports

Cash flow statement

Cash flow statement (€ m)	2011/2012A	2012/2013A	2013/2014E	2014/2015E	2015/2016E	2016/2017E	2017/2018E
Net Income	76	99	96	109	120	130	140
Income tax expenses	40	48	45	49	52	56	60
Interest income/ expenses	3	5	-2	0	2	4	5
Results from investments accounted for using the equ	0	0	0	0	0	0	0
Depreciation and amortization	18	19	21	22	23	25	26
Gains/losses on disposal of fixed assets/financial asse	1	0	2	2	2	2	2
Impairment of financial assets	0	0	0	0	0	0	0
Result from sale of pharma business	0	0	0	0	0	0	0
Interest received	2	3	-3	-5	-7	-9	-11
Interest paid	-2	-2	5	5	5	5	6
Income tax reimbursement	1	3	0	0	0	0	0
Income taxes paid	-38	-46	-45	-49	-52	-56	-60
Changes in working capital:	0	0	0	0	0	0	0
-Trade receivables	-2	-46	-6	-10	-11	-10	-11
-Inventories	-6	-20	-27	-9	-11	-10	-11
-Other assets	-11	0	0	0	0	0	0
-Trade payables	7	9	6	2	3	2	3
-Provisions and financial liabilities	2	-12	0	0	0	0	0
-Other liabilities	1	5	0	0	0	0	0
Total Adjustments	16	-35	-5	7	6	9	9
Cash flow from operating activities	**92**	**65**	**91**	**115**	**126**	**139**	**149**
Investment in property, plant and equipment	-15	-10	-19	-20	-21	-23	-24
Investment in intangible assets	-1	-1	-1	-1	-1	-1	-1
Investment in plan assets pension fund	0	0	0	0	0	0	0
Proceeds from fixed assets	1	0	0	0	0	0	0
Repayment of loans	-10	-20	0	0	0	0	0
Sale of pharma business	0	0	0	0	0	0	0
Acquisition of companies/businesses, net of cash acq	-13	-2	-65	0	0	0	0
Reduction of the share capital of investments account	0	0	0	0	0	0	0
Cash flow from investing activities	**-37**	**-32**	**-85**	**-21**	**-22**	**-24**	**-25**
Repayments of short-term debt	0	0	0	0	0	0	0
Repayments of noncurrent financial liabilities	0	-7	0	0	0	0	0
Repayments of noncurrent loans from related parties	0	0	0	0	0	0	0
(Increase)/decrease in treasury receivables	-225	14	0	0	0	0	0
Increase/(decrease) in treasury payables	9	-8	0	0	0	0	0
Change of leasing liabilities	-2	-2	0	0	0	0	0
Dividend payments to shareholders of Carl Zeiss Mec	-24	-33	-37	-41	-41	-45	-49
Acquisition of non-controlling interests	0	0	0	0	0	0	0
Cash flow from financing activities	**-243**	**-34**	**-37**	**-41**	**-41**	**-45**	**-49**
Effect of exchange rate fluctuation on cash and cash e	3	-1	0	0	0	0	0
Net increase/(decrease) in cash and cash equivalents	-185	-2	-31	53	63	70	75
Cash and cash equivalents, beginning of reporting per	195	10	6	-24	29	92	162
Cash and cash equivalents at year-end	**9.5**	**6.3**	**-24.2**	**29.0**	**92.2**	**162.3**	**237.4**

Source: Berenberg estimates, Company reports

Cash Conversion (CFO/EBITDA)	**65.4%**	**42.4%**	**58.9%**	**66.5%**	**67.0%**	**68.8%**	**69.0%**

Source: Berenberg estimates, Company reports

Contacts: Investment Banking

EQUITY RESEARCH

E-mail: firstname.lastname@berenberg.com; Internet www.berenberg.com

AEROSPACE & DEFENCE	
Andrew Gollan	+44 20 3207 7891
AUTOMOTIVES	
Adam Hull	+44 20 3465 2749
Paul Kratz	+44 20 3465 2678
BANKS	
Nick Anderson	+44 20 3207 7838
James Chappell	+44 20 3207 7844
Andrew Lowe	+44 20 3465 2743
Eoin Mullany	+44 20 3207 7854
Eleni Papoula	+44 20 3465 2741
Michelle Wilson	+44 20 3465 2663
BEVERAGES	
Philip Morrisey	+44 20 3207 7892
Josh Puddle	+44 20 3207 7881
BUSINESS SERVICES, LEISURE & TRANSPORT	
Najet El Kassir	+44 20 3207 7836
Stuart Gordon	+44 20 3207 7858
Simon Mezzanotte	+44 20 3207 7917
Matthew O'Keeffe	+44 20 3207 7895
Arash Roshan Zamir	+44 20 3465 2636
CAPITAL GOODS	
Benjamin Glaeser	+44 20 3207 7918
William Mackie	+44 20 3207 7837
Margaret Paxton	+44 20 3207 7934
Alexander Virgo	+44 20 3207 7856
Felix Wienen	+44 20 3207 7915
CHEMICALS	
John Klein	+44 20 3207 7930
Evgenia Molotova	+44 20 3465 2664
Jaideep Pandya	+44 20 3207 7890
CONSTRUCTION	
Chris Moore	+44 20 3465 2737
Robert Muir	+44 20 3207 7860
Michael Watts	+44 20 3207 7928
DIVERSIFIED FINANCIALS	
Pras Jeyanandhan	+44 20 3207 7899
Ben Slingsby	+44 20 3465 2626
FOOD MANUFACTURING	
Fintan Ryan	+44 20 3465 2748
James Targett	+44 20 3207 7873
FOOD RETAIL	
Andrew Steele	+44 20 3207 7926
GENERAL RETAIL & LUXURY GOODS	
Bassel Choughari	+44 20 3465 2675
John Guy	+44 20 3465 2674
Bethany Hocking	+44 20 3207 7925
Zuzanna Pusz	+44 20 3207 7812
HEALTHCARE	
Scott Bardo	+44 20 3207 7869
Alistair Campbell	+44 20 3207 7876
Charles Cooper	+44 20 3465 2637
Graham Doyle	+44 20 3465 2634
Tom Jones	+44 20 3207 7877
Louise Pearson	+44 20 3465 2747
HOUSEHOLD & PERSONAL CARE	
Bassel Choughari	+44 20 3465 2675
James Targett	+44 20 3207 7873
INSURANCE	
Tom Carstairs	+44 20 3207 7823
Peter Eliot	+44 20 3207 7880
Kai Mueller	+44 20 3465 2681
Matthew Preston	+44 20 3207 7913
Sami Taipalus	+44 20 3207 7866
MEDIA	
Robert Berg	+44 20 3465 2680
Emma Coulby	+44 20 3207 7821
Laura Janssens	+44 20 3465 2639
Sarah Simon	+44 20 3207 7830
METALS	
Bjoern Lippe	+44 20 3207 7845
MID CAP GENERAL	
Robert Chantry	+44 20 3207 7861
Gunnar Cohrs	+44 20 3207 7894
Sam England	+44 20 3465 2687
Benjamin May	+44 20 3465 2667
Anna Patrice	+44 20 3207 7863
Stanislaus von Thurn und Taxis	+44 20 3465 2631
OIL & GAS	
Asad Farid	+44 20 3207 7932
Jaideep Pandya	+44 20 3207 7890
REAL ESTATE	
Kai Klose	+44 20 3207 7888
Estelle Weingrod	+44 20 3207 7931
TECHNOLOGY	
Adnaan Ahmad	+44 20 3207 7851
Sebastian Grabert	+44 20 3207 7834
Daud Khan	+44 20 3465 2638
Ali Farid Khwaja	+44 20 3207 7852
Tammy Qiu	+44 20 3465 2673
TELECOMMUNICATIONS	
Wassil El Hebil	+44 20 3207 7862
Usman Ghazi	+44 20 3207 7824
Laura Janssens	+44 20 3465 2639
Paul Marsch	+44 20 3207 7857
Barry Zeitoune	+44 20 3207 7859
TOBACCO	
Erik Bloomquist	+44 20 3207 7870
Kate Kalashnikova	+44 20 3465 2665
UTILITIES	
Andrew Fisher	+44 20 3207 7937
Mehul Mahatma	+44 20 3465 2698
Oliver Salvesen	+44 20 3207 7818
Lawson Steele	+44 20 3207 7887
ECONOMICS	
Holger Schmieding	+44 20 3207 7889
Christian Schulz	+44 20 3207 7878
Robert Wood	+44 20 3207 7822

EQUITY SALES

E-mail: firstname.lastname@berenberg.com; Internet www.berenberg.com

SPECIALIST SALES	
BANKS & DIVERSIFIED FINANCIALS	
Iro Papadopoulou	+44 20 3207 7924
CONSUMER	
Rupert Trotter	+44 20 3207 7815
HEALTHCARE	
Frazer Hall	+44 20 3207 7875
INDUSTRIALS	
Chris Armstrong	+44 20 3207 7809
Jina Zachrisson	+44 20 3207 7879
INSURANCE	
Trevor Moss	+44 20 3207 7893
MEDIA & TELECOMMUNICATIONS	
Julia Thannheiser	+44 20 3465 2676
TECHNOLOGY	
Jean Beaubois	+44 20 3207 7835
UTILITIES	
Benita Barretto	+44 20 3207 7829
CRM	
Laura Cooper	+44 20 3207 7806
Greg Swallow	+44 20 3207 7833
CORPORATE ACCESS	
Jennie Jiricny	+44 20 3207 7886
EVENTS	
Charlotte Kilby	+44 20 3207 7832
Natalie Meech	+44 20 3207 7831
Charlotte Reeves	+44 20 3465 2671
Sarah Weyman	+44 20 3207 7801
Hannah Whitehead	+44 20 3207 7922
SALES	
LONDON	
John von Berenberg-Consbruch	+44 20 3207 7805
Matthew Chawner	+44 20 3207 7847
Toby Flaux	+44 20 3465 2745
Karl Hancock	+44 20 3207 7803
Sean Heath	+44 20 3465 2742
James Hipkiss	+44 20 3465 2620
David Hogg	+44 20 3465 2628
Zubin Hubner	+44 20 3207 7885
Ben Hutton	+44 20 3207 7804
James Matthews	+44 20 3207 7807
David Mortlock	+44 20 3207 7850
Peter Nichols	+44 20 3207 7810
Richard Payman	+44 20 3207 7825
George Smibert	+44 20 3207 7911
Anita Surana	+44 20 3207 7855
Paul Walker	+44 20 3465 2632
Alexander Woodgate	+44 20 3465 2625
BENELUX	
Miel Bakker	+33 1 5844 9505
Susette Mantzel	+49 40 350 60 694
Alexander Wace	+44 20 3465 2670
FRANKFURT	
Michael Brauburger	+49 69 91 30 90 741
Nina Buechs	+49 69 91 30 90 735
André Grosskurth	+49 69 91 30 90 734
Joerg Wenzel	+49 69 91 30 90 743
PARIS	
Miel Bakker	+33 1 5844 9505
Dalila Farigoule	+33 1 5844 9510
Clémence La Clavière-Peyraud	+33 1 5844 9521
Olivier Thibert	+33 1 5844 9512
Bertrand Tissier	+33 1 5844 9507
SALES	
SCANDINAVIA	
Ronald Bernette	+44 20 3207 7828
Marco Weiss	+49 40 350 60 719
ZURICH	
Andrea Ferrari	+41 44 283 2020
Stephan Hofer	+41 44 283 2029
Carsten Kinder	+41 44 283 2024
Gianni Lavigna	+41 44 283 2038
James Nettleton	+41 44 283 2026
Benjamin Stillfried	+41 44 283 2033
SALES TRADING	
HAMBURG	
Paul Dontenwill	+49 40 350 60 563
Sebastian Grünberg	+49 40 350 60 763
Alexander Heinz	+49 40 350 60 359
Marc Hosthausen	+49 40 350 60 761
Gregor Labahn	+49 40 350 60 571
Chris McKeand	+49 40 350 60 798
Fin Schaffer	+49 40 350 60 596
Lars Schwartau	+49 40 350 60 450
Marvin Schweden	+49 40 350 60 576
Tim Storm	+49 40 350 60 415
Philipp Wiechmann	+49 40 350 60 346
LONDON	
Mike Berry	+44 20 3465 2755
Stewart Cook	+44 20 3465 2752
Simon Messman	+44 20 3465 2754
Paul Somers	+44 20 3465 2753
PARIS	
Sylvain Granjoux	+33 1 5844 9509
ELECTRONIC TRADING	
Matthias Führer	+49 40 350 60 597
Julian Winter	+49 40 350 60 463
SOVEREIGN WEALTH FUNDS	
Max von Doetinchem	+44 20 3207 7826

US SALES

E-mail: firstname.lastname@berenberg-us.com; Internet www.berenberg.com

BERENBERG CAPITAL MARKETS LLC — Member FINRA & SIPC

Colin Andrade	+1 617 292 8230
Cathal Carroll	+1 646 445 7206
Burr Clark	+1 617 292 8282
Julie Doherty	+1 617 292 8228
Kelleigh Faldi	+1 617 292 8288
Shawna Giust	+1 646 445 7216
Andrew Holder	+1 617 292 8222
Emily Mouret	+1 646 445 7204
Kieran O'Sullivan	+1 617 292 8292
Jonathan Saxon	+1 646 445 7202

Please note that the use of this research report is subject to the conditions and restrictions set forth in the "General investment-related disclosures" and the "Legal disclaimer" at the end of this document.

For analyst certification and remarks regarding foreign investors and country-specific disclosures, please refer to the respective paragraph at the end of this document.

Disclosures in respect of section 34b of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG)

Company	Disclosures
Carl Zeiss Meditec AG	5

(1) Joh. Berenberg, Gossler & Co. KG (hereinafter referred to as "the Bank") and/or its affiliate(s) was Lead Manager or Co-Lead Manager over the previous 12 months of a public offering of this company.
(2) The Bank acts as Designated Sponsor for this company.
(3) Over the previous 12 months, the Bank and/or its affiliate(s) has effected an agreement with this company for investment banking services or received compensation or a promise to pay from this company for investment banking services.
(4) The Bank and/or its affiliate(s) holds 5% or more of the share capital of this company.
(5) The Bank holds a trading position in shares of this company.

Historical price target and rating changes for Carl Zeiss Meditec AG in the last 12 months (full coverage)

Date	Price target - EUR	Rating	Initiation of coverage
18 February 13	26.00	Buy	26 October 11
15 August 13	25.00	Hold	

Berenberg distribution of ratings and in proportion to investment banking services

Buy	42.58 %	62.07 %
Sell	15.92 %	6.90 %
Hold	41.50 %	31.03 %

Valuation basis/rating key

The recommendations for companies analysed by Berenberg's Equity Research department are made on an absolute basis for which the following three-step rating key is applicable:

Buy: Sustainable upside potential of more than 15% to the current share price within 12 months;

Sell: Sustainable downside potential of more than 15% to the current share price within 12 months;

Hold: Upside/downside potential regarding the current share price limited; no immediate catalyst visible.

NB: During periods of high market, sector, or stock volatility, or in special situations, the recommendation system criteria may be breached temporarily.

Competent supervisory authority

Bundesanstalt für Finanzdienstleistungsaufsicht -BaFin- (Federal Financial Supervisory Authority), Graurheindorfer Straße 108, 53117 Bonn and Marie-Curie-Str. 24-28, 60439 Frankfurt am Main, Germany.

General investment-related disclosures

Joh. Berenberg, Gossler & Co. KG (hereinafter referred to as „the Bank") has made every effort to carefully research

all information contained in this financial analysis. The information on which the financial analysis is based has been obtained from sources which we believe to be reliable such as, for example, Thomson Reuters, Bloomberg and the relevant specialised press as well as the company which is the subject of this financial analysis.
Only that part of the research note is made available to the issuer (who is the subject of this analysis) which is necessary to properly reconcile with the facts. Should this result in considerable changes a reference is made in the research note.

Opinions expressed in this financial analysis are our current opinions as of the issuing date indicated on this document. The companies analysed by the Bank are divided into two groups: those under "full coverage" (regular updates provided); and those under "screening coverage" (updates provided as and when required at irregular intervals).

The functional job title of the person/s responsible for the recommendations contained in this report is "Equity Research Analyst" unless otherwise stated on the cover.

The following internet link provides further remarks on our financial analyses:
http://www.berenberg.de/research.html?&L=1&no_cache=1

Legal disclaimer

This document has been prepared by Joh. Berenberg, Gossler & Co. KG (hereinafter referred to as „the Bank"). This document does not claim completeness regarding all the information on the stocks, stock markets or developments referred to in it.
On no account should the document be regarded as a substitute for the recipient procuring information for himself/herself or exercising his/her own judgements.
The document has been produced for information purposes for institutional clients or market professionals.
Private customers, into whose possession this document comes, should discuss possible investment decisions with their customer service officer as differing views and opinions may exist with regard to the stocks referred to in this document.

This document is not a solicitation or an offer to buy or sell the mentioned stock.

The document may include certain descriptions, statements, estimates, and conclusions underlining potential market and company development. These reflect assumptions, which may turn out to be incorrect. The Bank and/or its employees accept no liability whatsoever for any direct or consequential loss or damages of any kind arising out of the use of this document or any part of its content.

The Bank and/or its employees may hold, buy or sell positions in any securities mentioned in this document, derivatives thereon or related financial products. The Bank and/or its employees may underwrite issues for any securities mentioned in this document, derivatives thereon or related financial products or seek to perform capital market or underwriting services.

Analyst certification

I, Scott Bardo, hereby certify that all of the views expressed in this report accurately reflect my personal views about any and all of the subject securities or issuers discussed herein.

In addition, I hereby certify that no part of my compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed in this research report, nor is it tied to any specific investment banking transaction performed by the Bank or its affiliates.

I, Graham Doyle, hereby certify that all of the views expressed in this report accurately reflect my personal views about any and all of the subject securities or issuers discussed herein.

In addition, I hereby certify that no part of my compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed in this research report, nor is it tied to any specific investment banking transaction performed by the Bank or its affiliates.

Remarks regarding foreign investors

The preparation of this document is subject to regulation by German law. The distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions.

United Kingdom

This document is meant exclusively for institutional investors and market professionals, but not for private customers. It is not for distribution to or the use of private investors or private customers.

United States of America

This document has been prepared exclusively by the Bank. Although Berenberg Capital Markets LLC, an affiliate of the Bank and registered US broker-dealer, distributes this document to certain customers, Berenberg Capital Markets LLC does not provide input into its contents, nor does this document constitute research of Berenberg Capital Markets LLC. In addition, this document is meant exclusively for institutional investors and market professionals, but not for private customers. It is not for distribution to or the use of private investors or private customers.

This document is classified as objective for the purposes of FINRA rules. Please contact Berenberg Capital Markets LLC (+1 617.292.8200), if you require additional information.

Third-party research disclosures

Company	Disclosures
Carl Zeiss Meditec AG	no disclosures

(1) Berenberg Capital Markets LLC owned 1% or more of the outstanding shares of any class of the subject company by the end of the prior month.*
(2) Over the previous 12 months, Berenberg Capital Markets LLC has managed or co-managed any public offering for the subject company.*
(3) Berenberg Capital Markets LLC is making a market in the subject securities at the time of the report.
(4) Berenberg Capital Markets LLC received compensation for investment banking services in the past 12 months, or expects to receive such compensation in the next 3 months.*
(5) There is another potential conflict of interest of the analyst or Berenberg Capital Markets LLC, of which the analyst knows or has reason to know at the time of publication of this research report.

* For disclosures regarding affiliates of Berenberg Capital Markets LLC please refer to the 'Disclosures in respect of section 34b of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG)' section above.