



# Corporate Presentation

STAR Conference  
Milan  
24-25<sup>th</sup> March, 2015

# Agenda

- Group Overview
- Market Outlook
- Business & Strategy
- Financial Highlights



# Group Overview

# Datalogic at a glance



- **Global leader** of barcode readers, mobile computers, sensors, vision systems and laser marking systems with innovative solutions in verticals market: **Retail, Manufacturing, Transportation & Logistics, Healthcare Industries**
- **Founded in 1972 by Romano Volta** in Bologna, Italy and listed on the STAR Segment of the Italian Stock Exchange since 2001
- A large portfolio of **over 1,150 patents**
- **About 2,400 employees**, of which 400 in R&D:
  - 1,155 (48%) in Europe
  - 635 (26%) in US
  - 616 (26%) in APAC
- Direct presence in 30 countries worldwide selling to 120 countries, with more than 1,000 partners worldwide

# Investment Case

## Strong position

- Unique player world wide with **leadership in two markets: ADC and IA**
- High entry barriers granted by solid **Intellectual Property Patents** portfolio
- **Better time to market and more efficiency than competitors**

## Financials

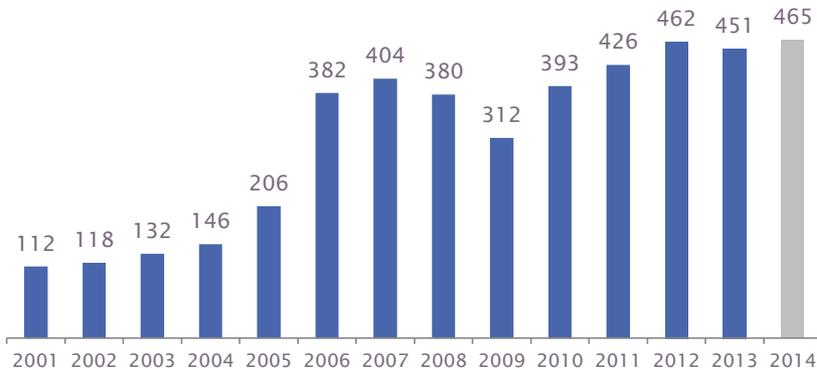
- History of **profitable growth**
- Wise resources management to sustain a **leadership position**
- **Strong cash generation** for growth

## Valuation

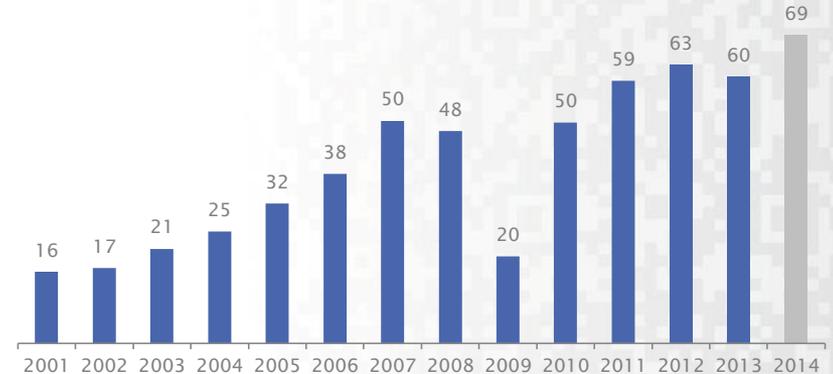
- Attractive valuation in respect to peers (discount on a 2015 P/E and EV/EBITDA basis at 30% and 19% respectively)
- Potential from further **internal reorganization**
- Potential from expansion in **Fast growing markets**

# Solid Growth in 2001-2014

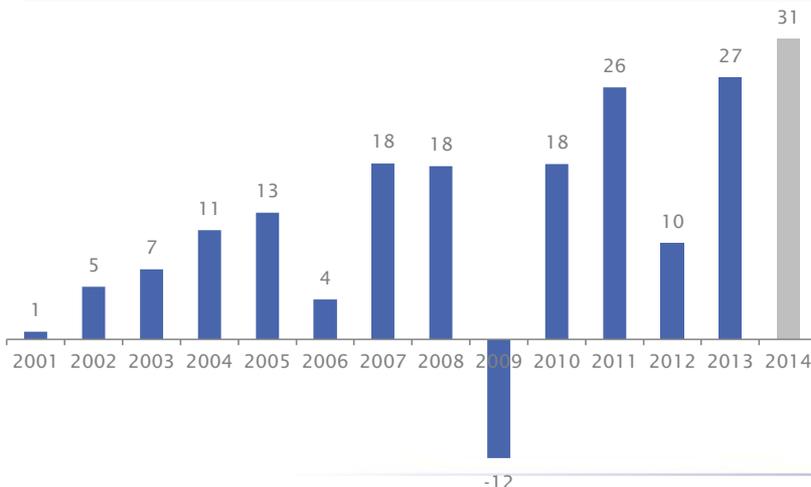
## Sales CAGR 2001-2014 +12%



## EBITDA CAGR 2001-2013 +12%



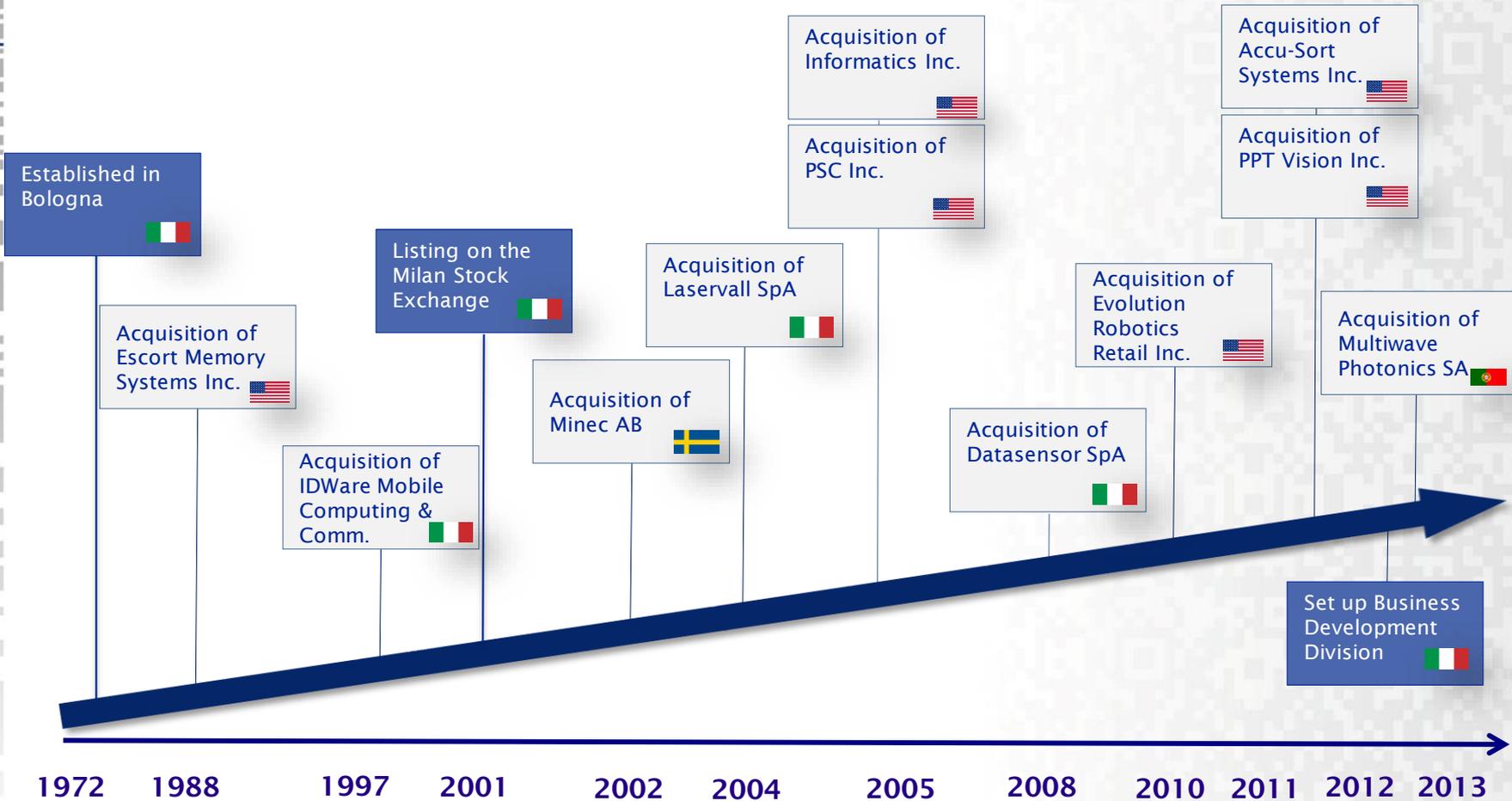
## Net Income CAGR 2001-2013 +32%



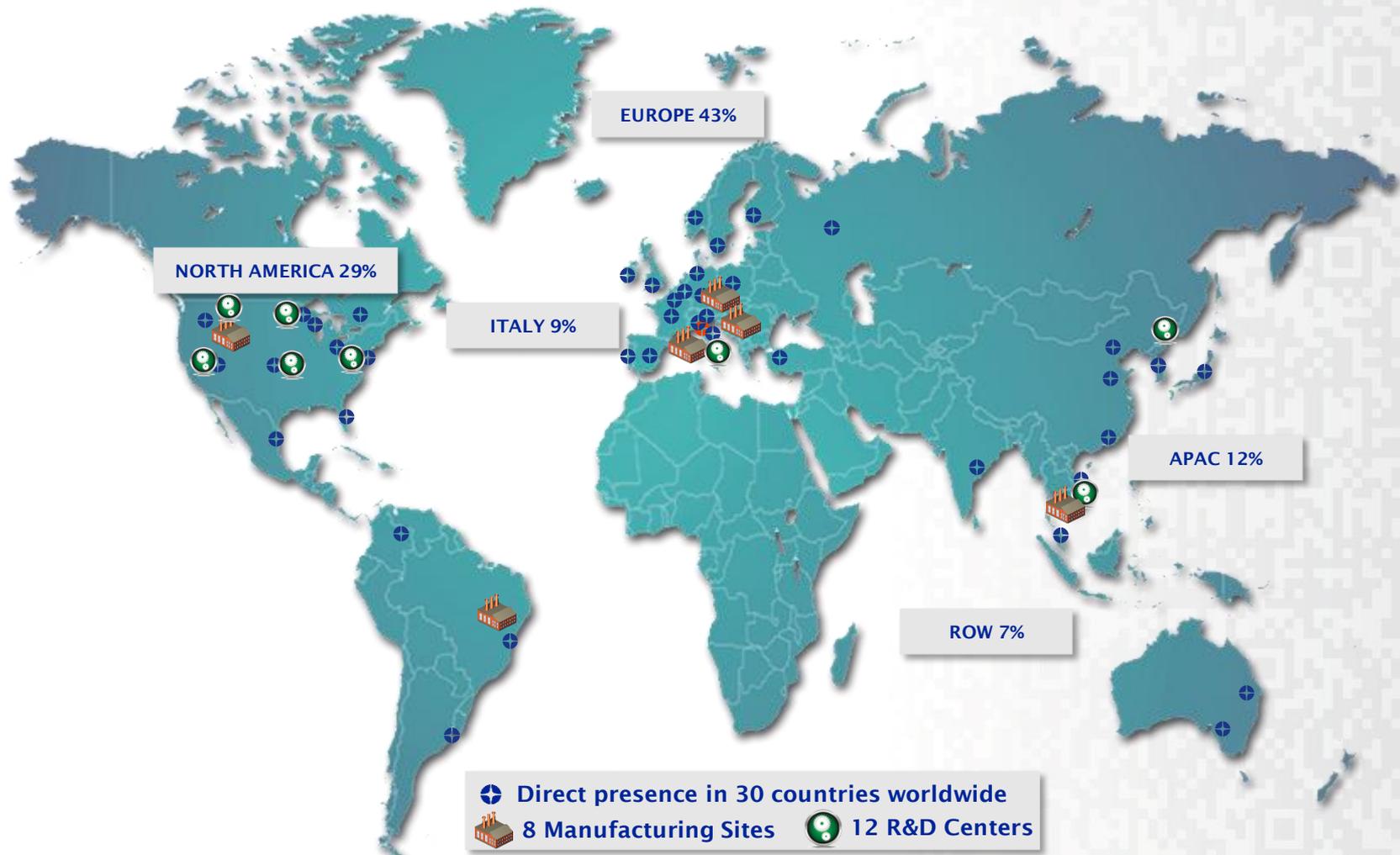
- A history of growth in profitability
- Strong improvements across key indicators reflecting investments in innovation, M&A and better efficiency and productivity
- Robust cash generation to reduce debt and to sustain growth

\* 2012 net income impacted by the write off of Accu-Sort goodwill

# A history of organic growth and acquisitions



# A wide geographical footprint

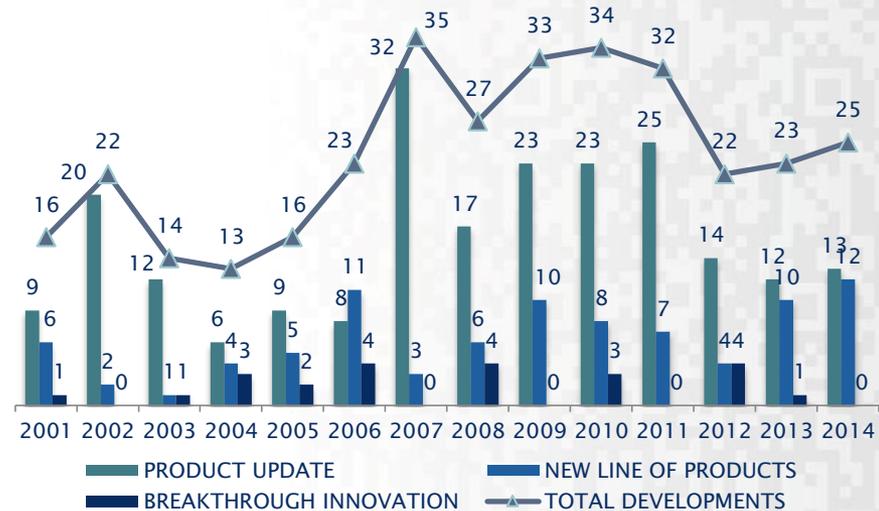


Note: Breakdown by area based on 2014 revenues

# Relentless Innovation

- A large and growing portfolio of over 1,150 patents and patent applications
- About 300 pending patent applications in all jurisdictions
- 21% of sales from new products\*
- 25 new products launched in 2014
- 12 Research & Development Centers
- Around 400 R&D Engineers

## PRODUCT INNOVATION



## PATENT PORTFOLIO



\* Are considered new products the products announced in the last 24 months

# Stock and Governance

**Market Segment:** STAR MTA

**Reuters Code:** DAL.MI

**Bloomberg Code:** DAL IM

**Outstanding Shares:** 58,446,491

**Share Par-Value:** 0.52 Euro each

**Ticker:** DAL

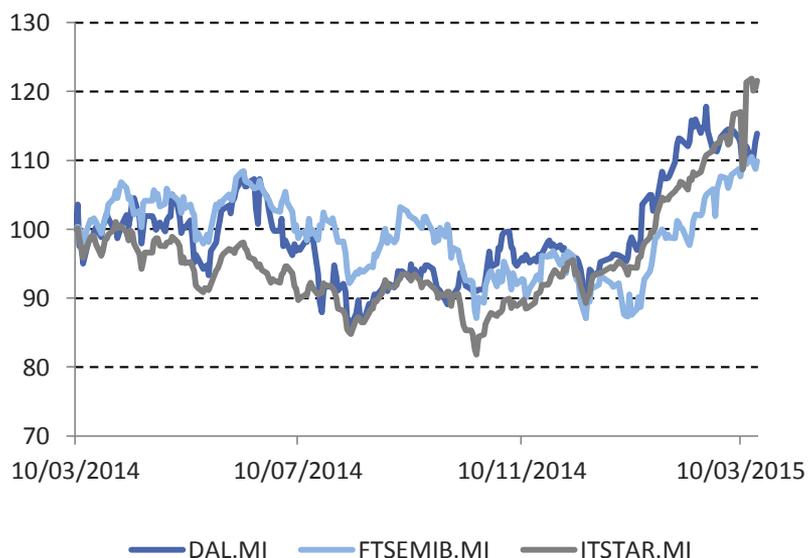
**Price (March 19<sup>th</sup>, 2015):** 10.51 Euro

**Market Cap (March 19<sup>th</sup>, 2015):** 614.3 M Euro

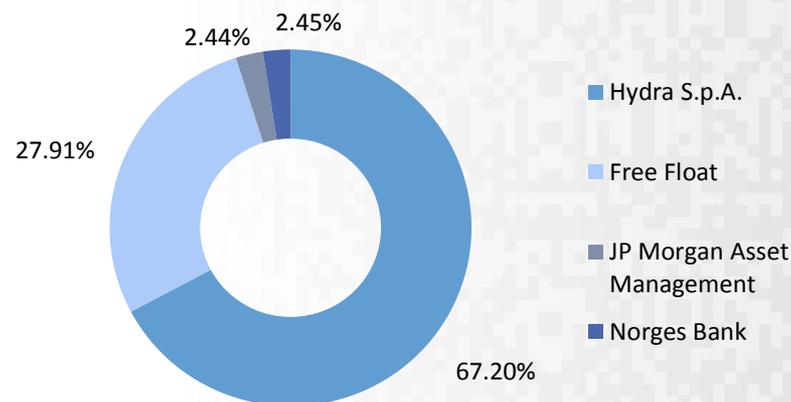
**Specialist:** Intermonte SIM

**Auditing Company:** Reconta Ernst & Young

## DATALOGIC PRICE PERFORMANCE



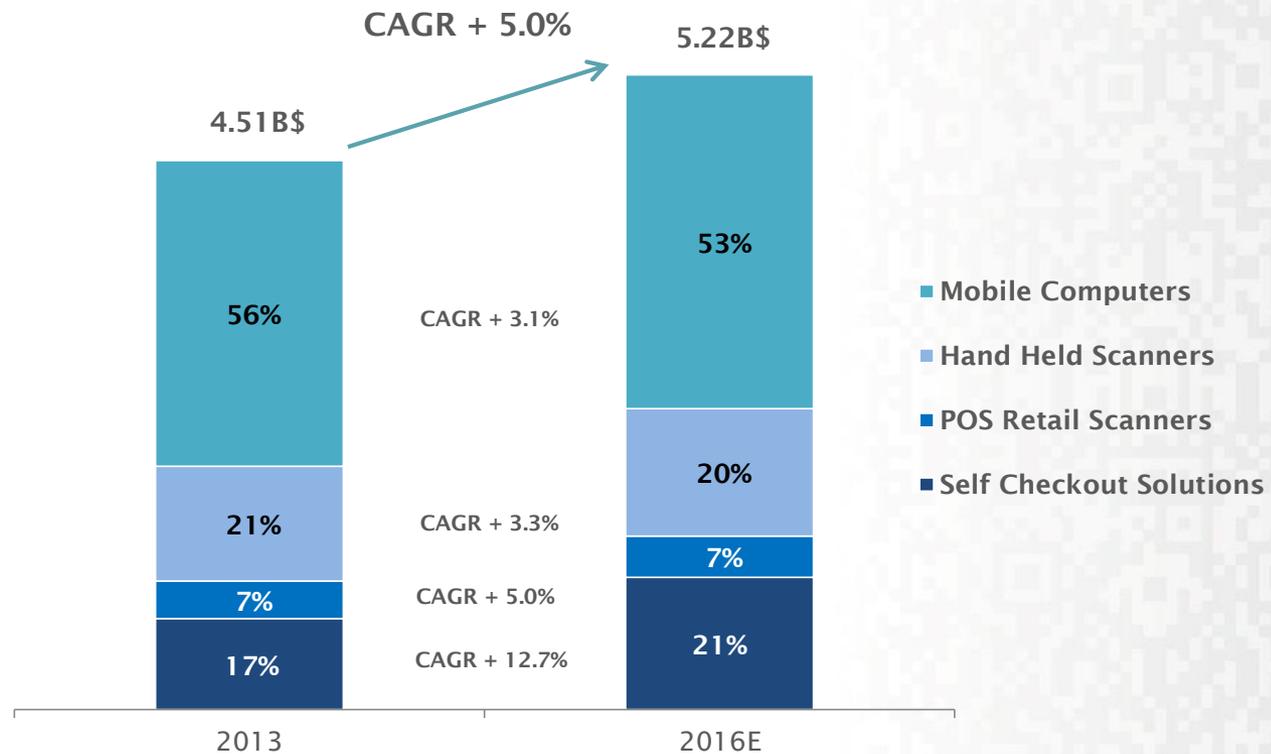
## SHAREHOLDERS' STRUCTURE



# Market Outlook

# Market Outlook – Automatic Data Capture

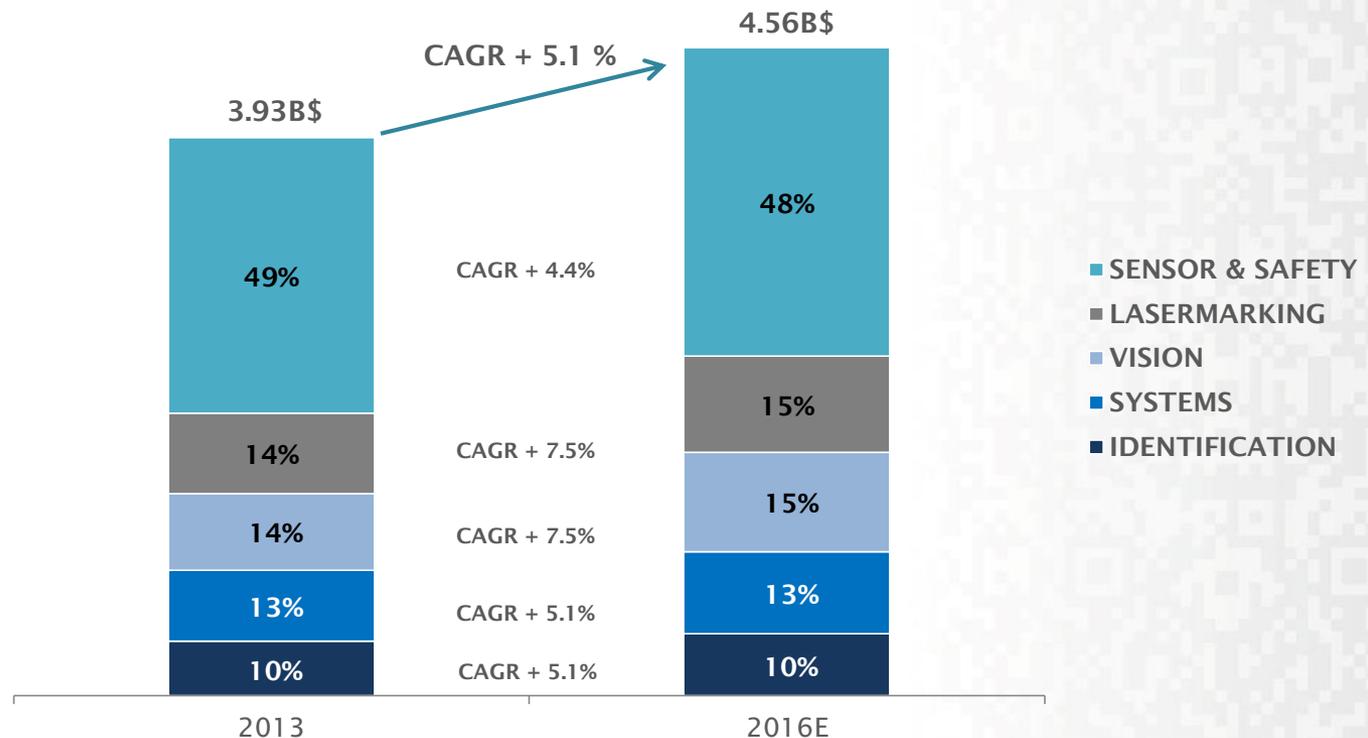
- Strong recovery ahead with forecast reviewed upward for the entire period: CAGR 2013-2016 +5.0%



Source VDC 2014 (base year 2013)

# Market Outlook – Industrial Automation

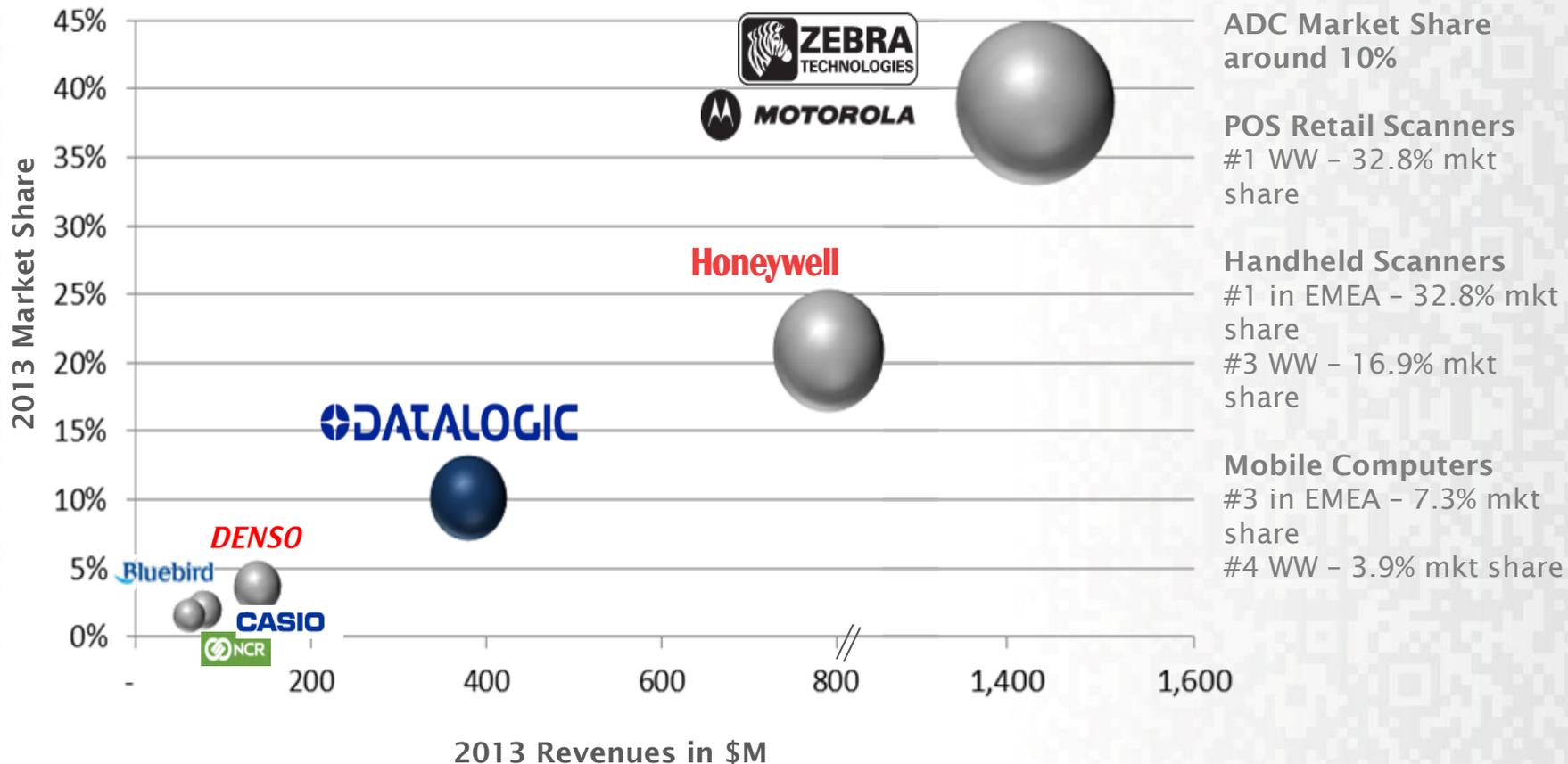
- Positive market trend in all the segments Datalogic is operating in
- Laser marking technology and machine vision increase their applications in the factory environment



Source VDC 2014 (base year 2013) Preliminary Figures - Market Researches and Management's Best Estimate



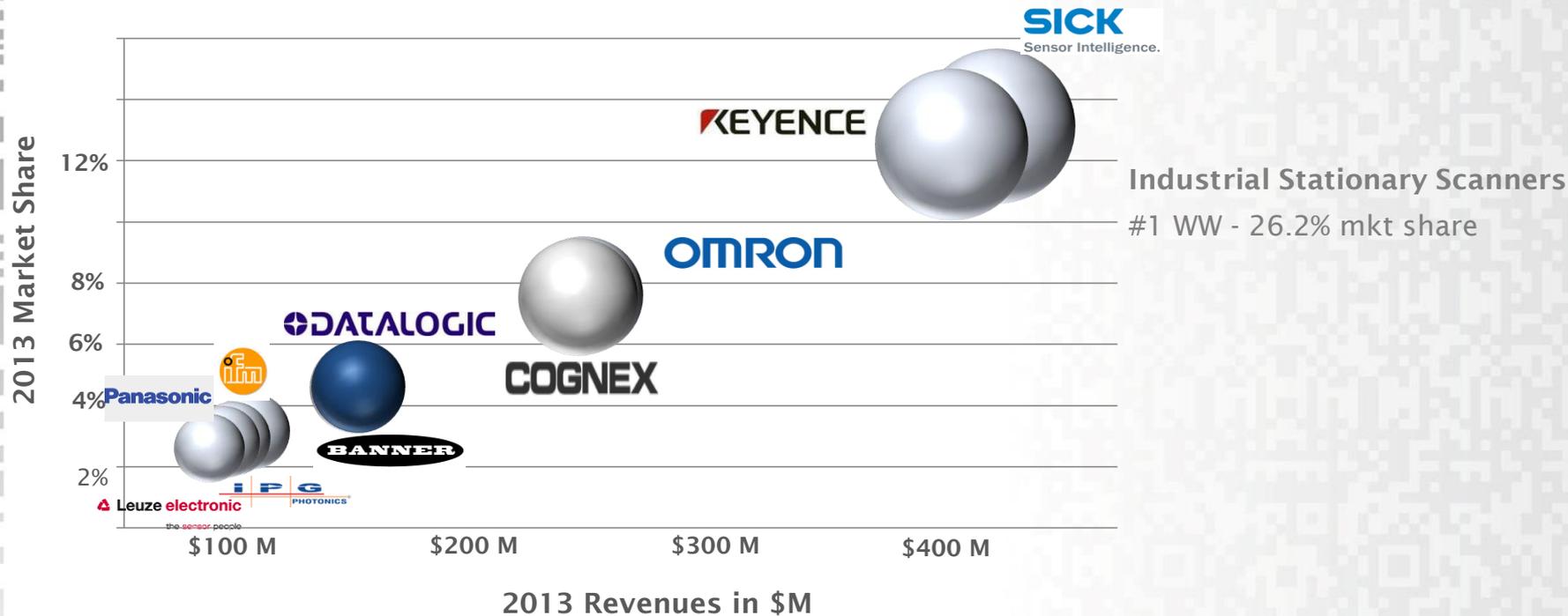
# Datalogic positioning in the ADC market



Source VDC 2014 (base year 2013)

2013 ADC Available Market including POS Retail Scanners, Handheld Scanners and Mobile Computers (Hand Held, PDA and Fork-Lift Vehicles Mounted Computer) segments

# Datalogic positioning in the IA market



Source : VDC 2014 (base year 2013) Preliminary Figures - Market Researches and Management's Best Estimate

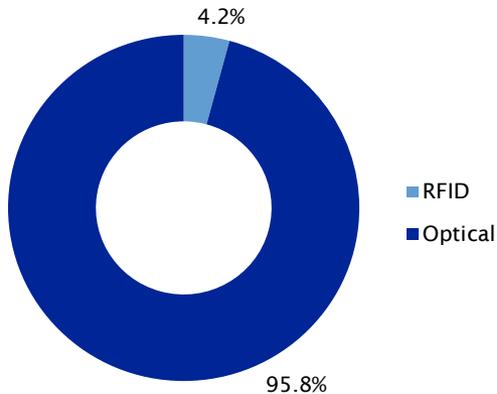
2013 IA Available Market including Industrial Barcode Scanners, Imagers, Photoelectric Sensors, Safety Light Curtains, Smart Cameras/Vision Sensors, Laser Marking segments (Postal Material Handling, Dimensioner and Integrated Solutions not included)

# Market split by technology

Datalogic can offer all the technologies available for products identification

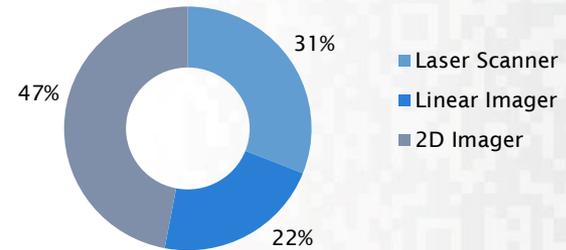
## Data Capture Technology

\$B 6.6

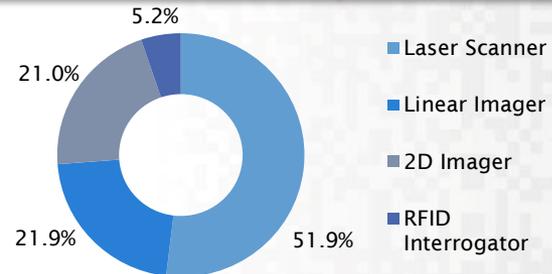


2014 preliminary (base year 2013)

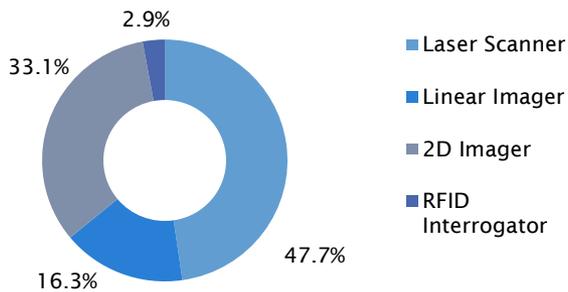
## Hand Held Scanners



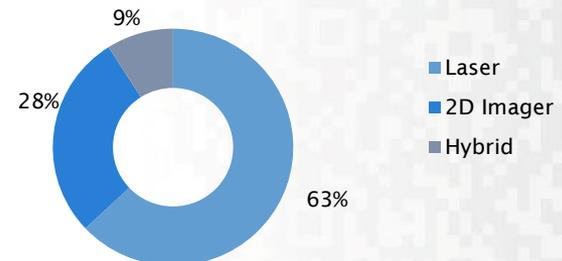
## Mobile Computers



## Industrial Stationary Scanner



## Point of Sale Check Out



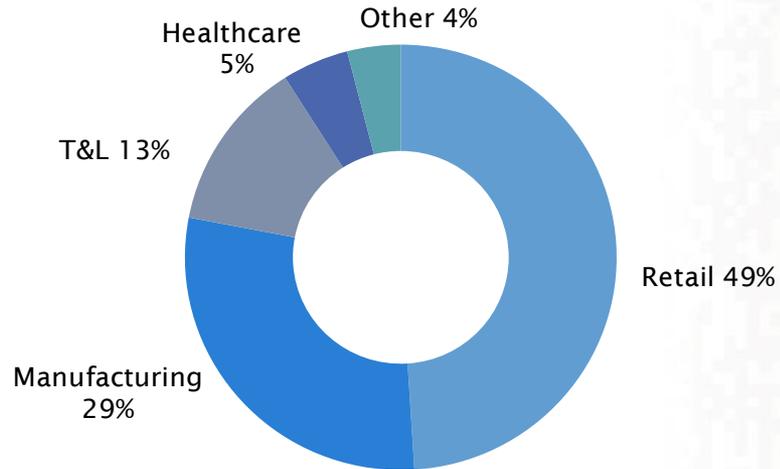
# Business and Strategy

# A unique selling proposition

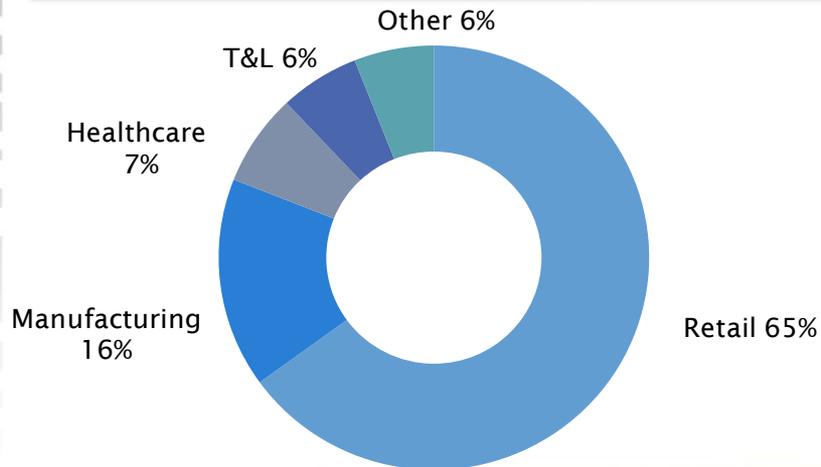


# Datalogic by Verticals

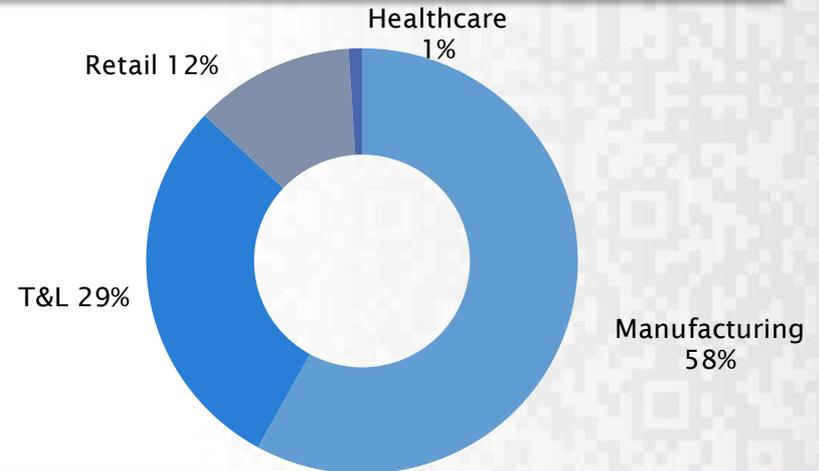
## Group revenues by verticals



## ADC



## IA



# Retail: leverage the POS market share

POS

Most innovative solutions  
Multi-tier model



Store mngt

New products  
Tailored services



Warehouse

New Products  
Bundle solutions



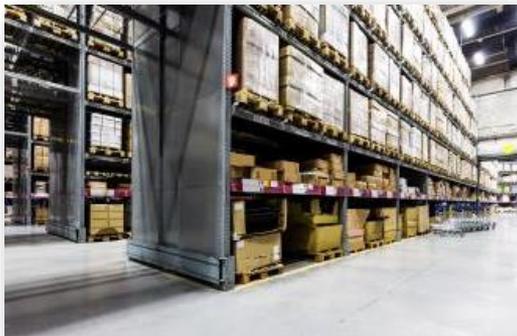
# Innovation drives Retail recovery

- Retailers' investment recovery ongoing
- **Unique in the market: Innovative Digimarc® Barcode** reading capability available on multiple models
- Growth driven by technological innovation: **from laser to imaging (Magellan 9800 i)**
- **Jade, the 360° automated portal scanner** in testing phase in more than 15 retailers worldwide (Asda, Rewe, Esselunga, etc.)
- Multi-year agreement signed with the main System Integrators for the supplying of Jade

# Manufacturing: Leverage the product breadth

## Warehouse

New Products  
Bundle solutions



## Shop floor

Leverage EMEA MKT share  
as a reference



## Automation

Geographical expansion  
leverage barcode,  
marking and inspection



# Manufacturing: Automation Increases

- Unprecedented level of automation endorsed by both traditional and emerging markets
- Geographical presence expansion in the **fast growing markets**
- Packaged solutions bundling **laser marking and machine vision**
- Launch of **Matrix 300 in FA**

# T&L: Leverage leadership in sorting applications

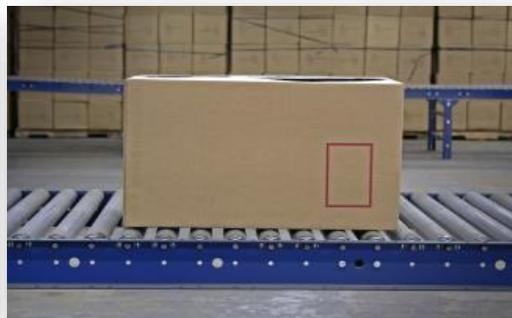
## Data Collection

Geographical coverage  
leverage barcode,  
marking and inspection



## Sorting

Strengthen the relation  
with key customers



## Delivery

New products  
tailored services



- Focus on Couriers, Postal, e-Commerce, Distribution Centers in North America and Europe
- Growth still linked to **large projects worldwide**
- Launch of the new ultra-high performance in-motion **Dimensioner**

# Healthcare: Anticipate new regulatory

## Manufacturing

Expand geography  
Mark and Verify solutions



## Inventory mngt

Tailored services  
Promote the use of  
professional device



## Bed side care

Most innovative solutions  
New Products



- Anticipation of regulatory changes:
  - E-pedigree in US
  - European Medicines Verification System
- Scanners with anti-microbial additives specifically engineered for surgery

# Outlook for 2015

- **ADC confirms to be the driver of growth** thanks to:
  - the launch of new technologically advanced products
  - the retailers' new investment phase
- Expected recovery in **Industrial Automation** from second half of 2015 thanks to the sales force reorganisation by verticals in US
- **Strong investments in innovation continue**, expected at around 10% on revenues
- Benefits expected from the new Procurement Centre
- **Focus on fast growing markets** and North America where there is a big market potential

# Financial Highlights

# 2014 Key Factors

## FOCUS ON CLIENT

- Anticipate clients' needs offering new products to improve their efficiency and productivity
  - Focus on innovation: 25 new products launched
  - 21% of revenues comes form new products
- 

## MARKET EXPANSION

- Opening of new branches in Turkey and Brazil
  - Opening of new ADC plant in Brazil
  - Strengthening of presence in China:
    - Centralization of Procurement
    - New R&D centre
- 

## ORGANISATION

- Strengthening of the sales force worldwide
  - Reorganization process in IA:
    - Appointment of a new CEO and of a new America VP
    - Change of the GO TO MARKET model in US: new approach by verticals
-

# Q4 2014 Highlights

- Sales revenues up +3.8% to 124.5 million Euro in 4Q2014 vs 120.0 million Euro in 4Q2013
- Gross Operating Margin continues improving **from 46.5% to 48.3%** on revenues
- **EBITDA up 4% to 17.4 million Euro** thanks to cost control and notwithstanding R&D investments increase to 13.3 million Euro equal to 10.7% on revenues
- Non recurring costs for 3.2 million Euro concentrated in Q4 impacted on Operating and Net Profit
- The booking in the quarter equal to **130.4 million Euro, approx. +9%** compared to 4Q2013

	4Q2014	3Q2014	Var QoQ %	4Q2013	Var YoY %
Revenues	124,482	116,036	7.3%	119,964	3.8%
Gross Operating Profit	60,112	56,370	6.6%	55,786	7.8%
EBITDA	17,436	17,854	(2.3%)	16,766	4.0%
EBITANR	14,400	14,998	(4.0%)	14,194	1.5%
Operating Profit (EBIT)	9,756	13,698	(28.8%)	12,883	(24.3%)
Net Profit	5,177	10,436	(50.4%)	9,255	(44.1%)

# 2014 Highlights

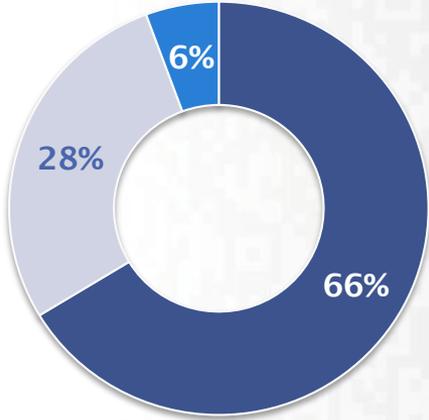
- Sales growth driven by ADC +9.2% and IA (ex System) +3,3%, BU Systems still suffering by the postal cycle
- Further improvement of the **Gross Operating Margin, from 47.2% to 48.6%**, and **EBITDA Margin, from 13.3% to 14.9%** as result of cost control and operating leverage
- R&D costs + 21% to 43.1 million Euro – **from 7.9% to 9.3% on revenues**
- Non recurring costs for 5.6 million Euro, mainly due to reorganization, impact EBIT
- **Net Income up 14.7% to 30.9 million Euro**
- **Dividend up 12.5% to 0.18 Euro**

€000	FY2013		FY2014		Var %
Revenues	450,737	100.0%	464,546	100.0%	3.1%
COGS	(238,133)	(52.8%)	(238,987)	(51.4%)	0.4%
<b>Gross Operating Margin</b>	<b>212,604</b>	<b>47.2%</b>	<b>225,559</b>	<b>48.6%</b>	<b>6.1%</b>
EBITDA	59,985	13.3%	69,443	14.9%	15.8%
EBITANR	50,106	11.1%	58,019	12.5%	15.8%
<b>Operating Profit (EBIT)</b>	<b>45,495</b>	<b>10.1%</b>	<b>46,908</b>	<b>10.1%</b>	<b>3.1%</b>
<b>Net Income</b>	<b>26,906</b>	<b>6.0%</b>	<b>30,857</b>	<b>6.6%</b>	<b>14.7%</b>
Exchange rate	1.3281		1.3285		

# Revenues Trend by Division

- ADC Division continues to outperform mainly thanks to the introduction of **new technologically-advanced products** like POS 2D scanner and Presentation scanner
- Significant trend reversal in 4Q in **Industrial Automation**, driven by the launch of new products during the year, mainly dedicated to the segment of Factory Automation (e.g. P Series for Machine Vision)

REVENUES BY DIVISION (%)



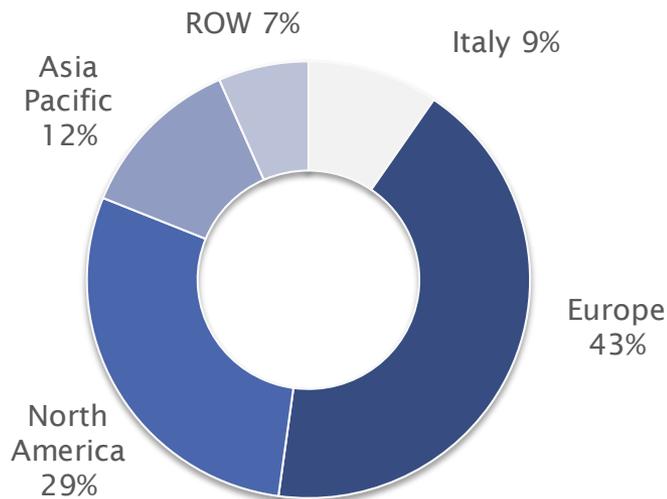
■ ADC ■ IA ■ Informatics

REVENUES BY DIVISION						
€mn	2013	2014	Var %	4Q2013	4Q2014	Var %
ADC	282.1	308.2	9.2%	79.7	82.9	4.0%
Industrial Automation	137.8	130.2	(5.5%)	32.9	35.2	7.0%
Informatics	30.8	26.1	(14.9%)	7.4	6.5	(12.2%)
<b>Total revenues</b>	<b>450.7</b>	<b>464.5</b>	<b>3.1%</b>	<b>120.0</b>	<b>124.6</b>	<b>3.8%</b>

# Revenues Trend by Geographic Area

REVENUES BY GEOGRAPHIC AREA			
€000	2013	2014	Var %
Italy	38.040	44.489	17,0%
Europe	183.810	197.846	7,6%
North America	143.876	134.455	(6,5%)
Asia Pacific	56.455	57.154	1,2%
ROW	28.556	30.602	7,2%
<b>Total Revenues</b>	<b>450.737</b>	<b>464.546</b>	<b>3,1%</b>

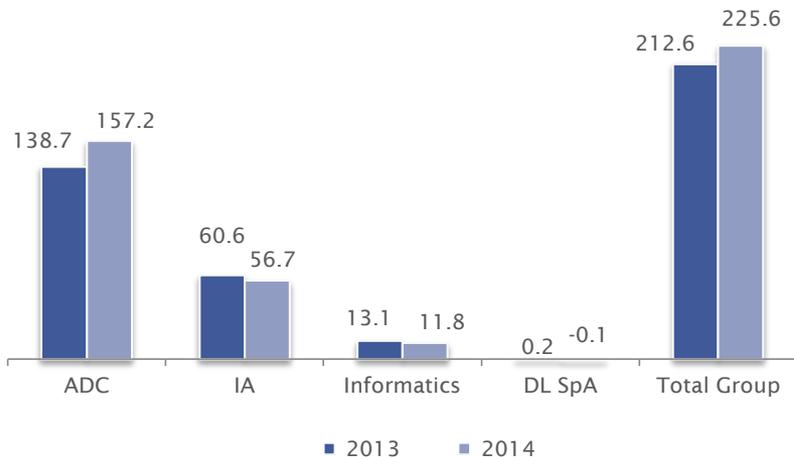
- **Europe/Italy** growth primarily driven by ADC two digits growth
- **Two speed in North America:** ADC driven by Retail while IA still suffering mainly due to cyclical trend of Postal segment
- Great result in **Greater China** in Asia Pacific
- Remarkable growth of ROW led by **Brazil** and **South Africa** thanks to new plants and offices



# FY Segment Reporting: GOP and EBITDA

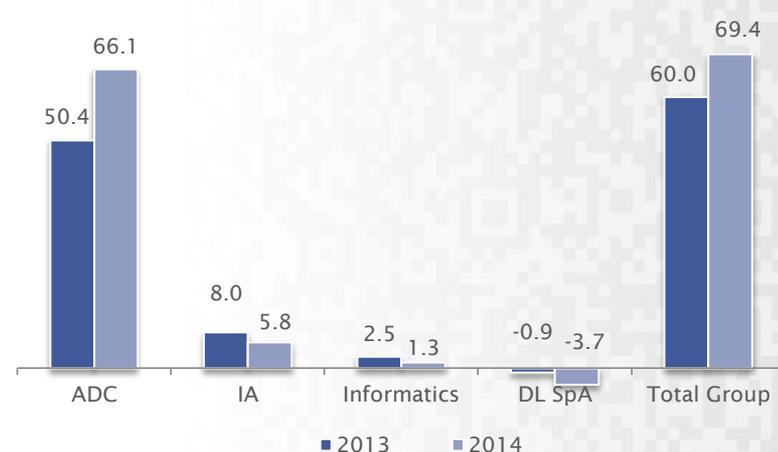
## GOP BY DIVISION

€mln



## EBITDA BY DIVISION

€mln

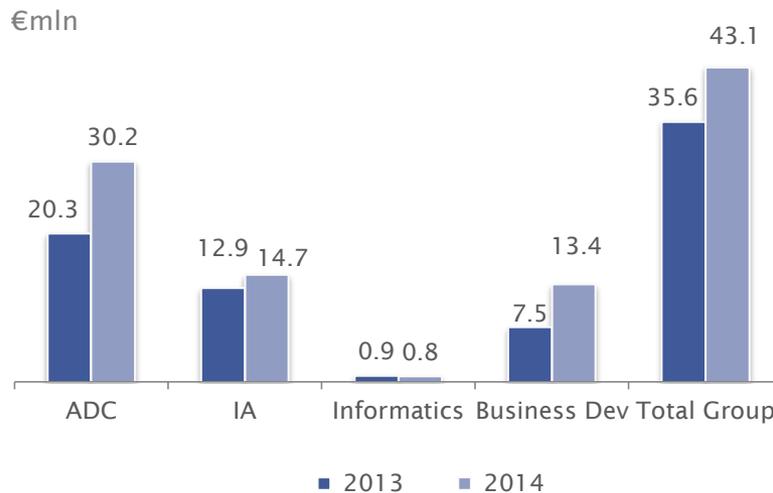


Gross Operating Margin	FY13	FY14
ADC	49.1%	50.8%
Industrial Automation	44.0%	43.5%
Informatics	42.6%	45.1%
Total Group	47.2%	48.6%

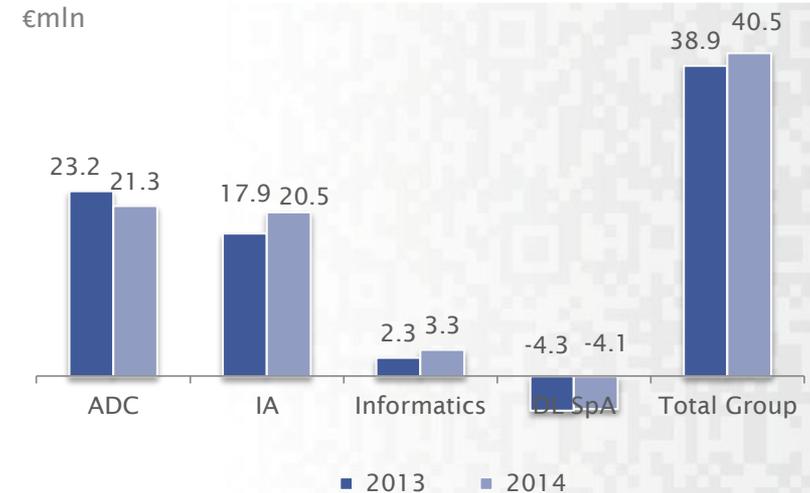
EBITDA Margin	FY13	FY14
ADC	17.9%	21.3%
Industrial Automation	5.8%	4.4%
Informatics	8.3%	4.9%
Total Group	13.3%	14.9%

# FY Segment Reporting: R&D and TWC

## R&D BY DIVISION



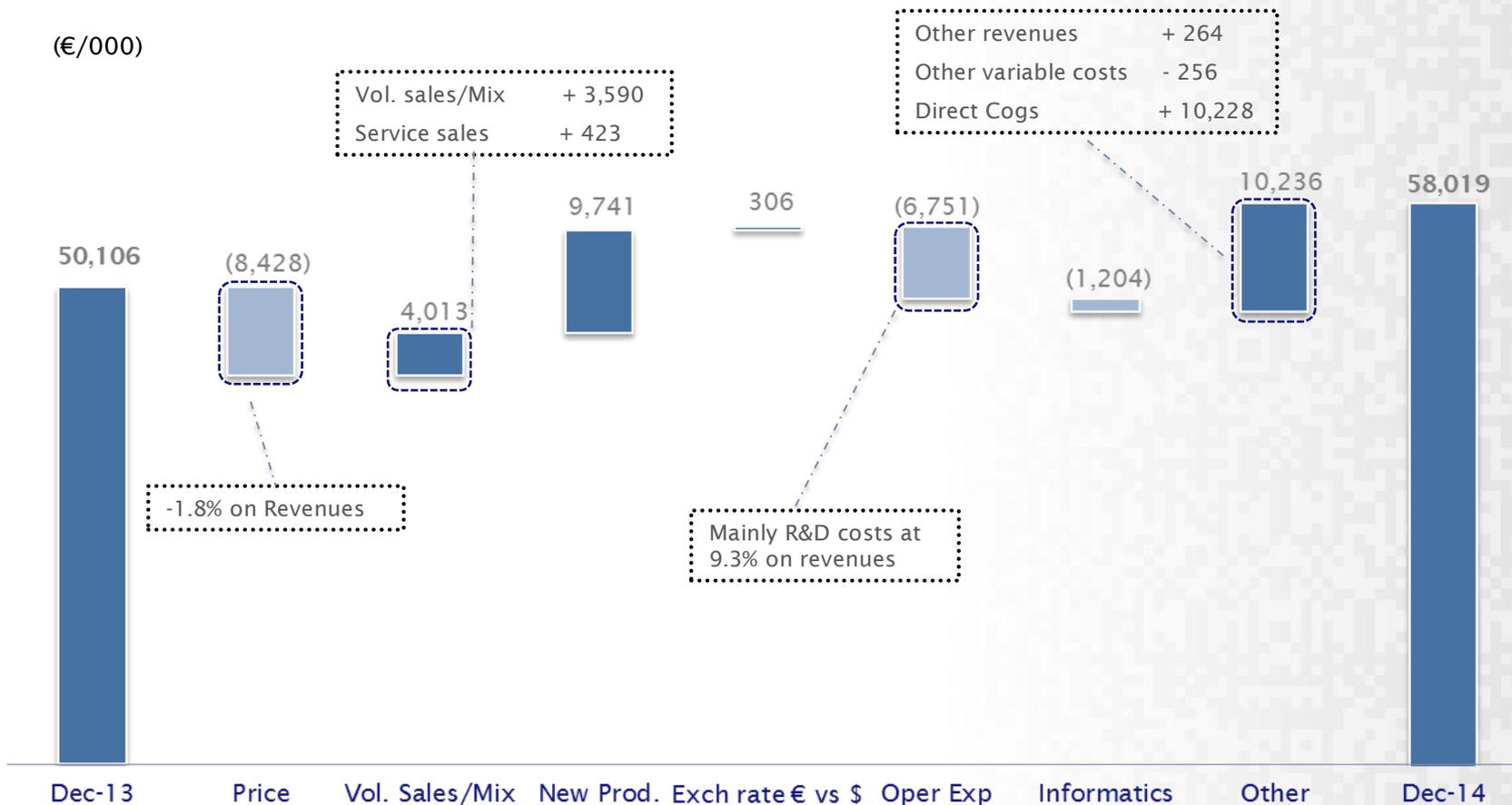
## TWC BY DIVISION



R&D/Revenues	FY13	FY14
ADC	7.2%	9.7%
Industrial Automation	9.3%	11.3%
Informatics	2.8%	2.9%
Business Development	34.7%	53.8%
<b>Total Group</b>	<b>7.9%</b>	<b>9.3%</b>

TWC/Annualized Revenues	FY13	FY14
ADC	8.2%	6.9%
Industrial Automation	13.0%	15.7%
Informatics	7.5%	12.6%
<b>Total Group</b>	<b>8.6%</b>	<b>8.7%</b>

# EBITANR: Actual vs Last Year

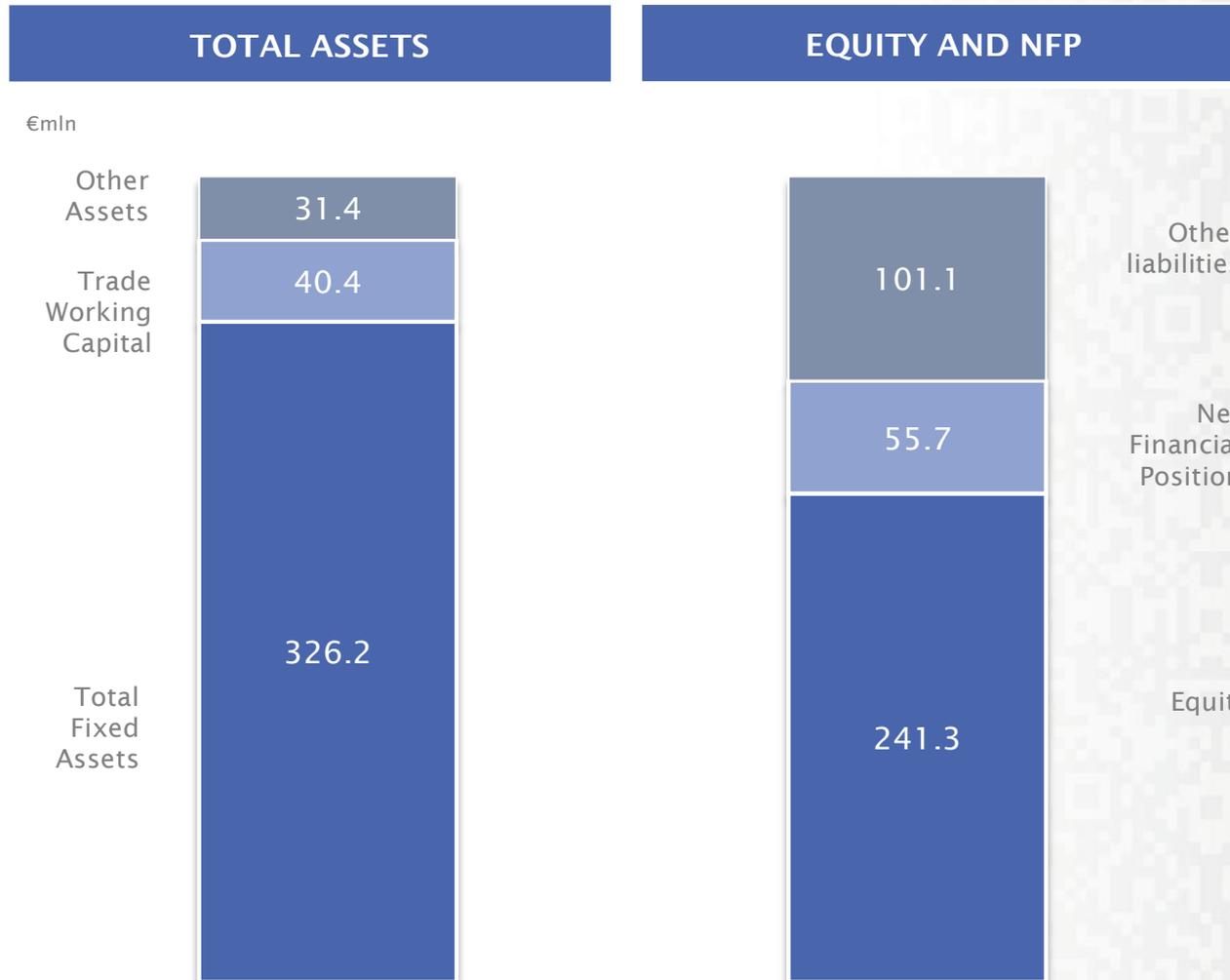


(\*) Ordinary Operating Profit before non recurring costs/revenues and amortization of intangible assets from acquisition (EBITANR)

The Exchange rate variance has been calculated on Sales/COGS/Operating expenses originally denominated in USD (\$). The variance was the result of the difference between December '14 Actual (1,3285) and December '13 Actual (1,3281) €/USD exchange rate.

For Informatics has been considered its overall impact on the EBITANR

# Consolidated Balance Sheet at 31.12.2014



# Financial resources for the growth

## SOLID CAPITAL STRUCTURE

- 23% net debt to Equity ratio
- 0.8x net debt to Ebitda ratio

## EXCELLENT CASH FLOW GENERATION

- Generated around 67 million Euro net operating cash flow from operation during 2014

## FAVOURABLE CAPITAL MARKET CONDITIONS

- Medium-term debt refinancing on February 2015 for 140 million Euro
- Improvement by lengthening the average repayment term from 2 to 4 years
- Reduction of average cost of debt

# Contacts

## IR CONTACTS

### **CFO and IR Manager**

Sergio Borgheresi

E-mail [investor@datalogic.com](mailto:investor@datalogic.com)

### **IR Assistant**

Daniela Giglioli

Tel. +39 051 3147109

Fax +39 051 3147205

E-mail [daniela.giglioli@datalogic.com](mailto:daniela.giglioli@datalogic.com)

Via Candini, 2

40012 Lippo di Calderara di Reno

Bologna - Italy

### **IR Consultant**

Vincenza Colucci

CDR Communication Srl

Tel. +39 335 6909547

[vincenza.colucci@cdr-communication.it](mailto:vincenza.colucci@cdr-communication.it)

## NEXT EVENTS

**March 24-25<sup>th</sup>, 2015**

STAR Conference Milan

**April 28<sup>th</sup>, 2015**

Ordinary Shareholders' Meeting

**May 7<sup>th</sup>, 2015**

Approval 1Q results

## DATALOGIC ON LINE

[www.datalogic.com](http://www.datalogic.com)

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