



# H1 2018 Conference Call

August 9, 2018



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# Highest ever Revenues in both Q2 and H1 despite forex



## H1 2018 RESULTS

€ m

REVENUES  
**€307.0**  
+2.6% (+7.9% at  
constant FX)

**€149.4**  
GOM  
(+5.1%)

**€50.8**  
EBITDA  
(-1.9%)

**16.6%**  
EBITDA  
MARGIN  
(-0.7 p.p.)

**€29.0**  
NET INCOME  
(-1.1%)

## Q2 RESULTS

REVENUES  
**€164.1**  
+4% (+8.1% at  
constant FX)

**€79.6**  
GOM  
(+4.6%)

**€28.9**  
EBITDA  
(-7%)

**17.6%**  
EBITDA  
MARGIN  
(-2.1 p.p.)

**€17.8**  
NET INCOME  
(+2.2%)

**Net Cash position at €13.3**

# Highlights

## GROUP

- Best-ever Revenues despite Forex impact
- Keeping on strengthening of commercial & R&D organizations
  - ✓ hiring of skilled salespeople, in key markets and verticals
  - ✓ Increasing investment in R&D people & projects to stay at the forefront of cutting-edge technologies

## VERTICALS

- **Main industries** keeping on growing despite forex, whilst Channel & HC negatively affected by seasonality in the first part of the year
- **Manufacturing** confirming strong growth, +18,6% in Q2, growing in all main geographies
- **T&L above 20%** in both Q2 and H1, at double digits in all main geographies
- **Retail: double digit growth in the US in Q2**, whilst projects timing is pushing a high backlog in Q3 for EMEA

## FINANCIALS

- **H1 Revenues up 8%** at constant forex to **€307.0 m**
- Consolidating **GOM improvements** vs 2017, capitalizing on improvements from previous year
- **Increasing investments in R&D** - from 9.1% to 10.4% on revenues on Datalogic business - **and in distribution**
- **Net Cash position** at €13.3 m after dividends and buyback



# Market Drivers

## Retail



- H1 2018 Revenues €141.6 mln (+2.5% YoY, +8.6% ex Forex), 50% of DL Division Revenues
- **Double-digit growth in North America: 20%** at constant forex. Steady growth in EMEA up +6% at constant Forex
- Big projects won in the US with Tier 1 Account related to **check out and in store applications**
- **First roll out of our new Joya Android wireless charging mobile device**
- Great success of our **new check out retail scanner** based on imaging technology on a global basis

## Manufacturing



- H1 2018 Revenues €90.0 mln (+16.3% YoY, 19.7% ex Forex), 32% of DL Division Revenues
- **Positive performance in all Geo Areas lead by China and Korea (+56%), N. America (+13% and above 25% in Q2) and EMEA (+11%)** at constant Forex
- China: revenues doubled compared to 2016
- Top 3 customers of H1 are a leading consumer electronic company in Asia and two automotive players in Emea
- **Great customers' feedback on the new SLS** and double digit growth for our industrial bar code readers

## Transport & Logistics



- H1 2018 Revenues €31.1 mln (+21.0% YoY, 27.3% Ex Forex), 11% of DL Division' Revenues
- **Growing double digits in EMEA, North America, and China & Korea: +28%, +32%, and +35%** at constant Forex, respectively
- Growth driven by **big projects award** in the US and in Europe
- **Start leveraging the cross selling** of our new organization with large projects won on mobility
- New opportunities with **leading e-commerce companies** next to CEP

## Healthcare



- H1 2018 Revenues €8.9 mln (-45.5% YoY, -42.0% ex Forex), 3% of DL Division' Revenues
- **Decline in H1 due to the tough comparison with H1 2017**, where major deals with 2 relevant US hospital chains occurred
- Strong expectation to **recover by year end and next year** thanks to the launch of dedicated products in Q4

# 2018 Second Quarter Product Launches

## LANEHAWK LH5000 – SEAHAWK



*Suited for Retailers that use shopping carts with bottom shelves for storing Bottom-Of-Basket (BOB) items.*

## SG4 FIELDBUS - ADVANCED MODEL

*The main applications in Manufacturing are robot cells, machinery with vertical openings, possibly with passage of material*



**Joya™ Touch  
with Android 7.1**

*Android 7.1 is now loaded on all Joya Touch A6 devices shipping from Datalogic starting mid-May, 2018.*



## STAR DONGLE – BOBTAIL

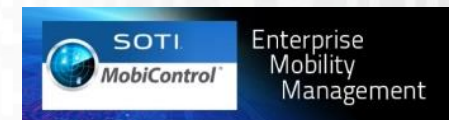
*The compact size receiver allowing the communication of a PowerScan™ PM9X00 with any host equipped with a USB port*



## FALCON X4

*Falcon will play in the 4 Industries. It will target warehousing and heavy duty intensive data capture applications. Available with WE and Android OS*

## SOTI MOBICONTROL ENTERPRISE MOBILITY MANAGEMENT



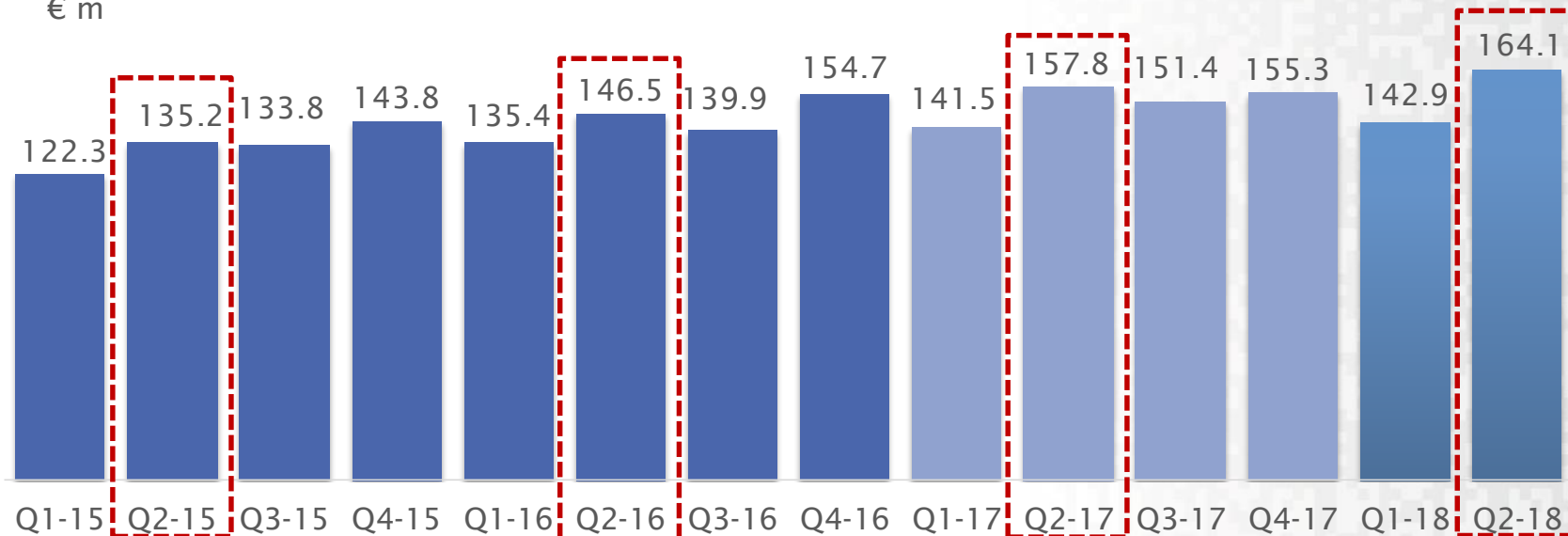
*An enterprise mobility management solution that controls all aspects of business mobility - tracking physical assets, managing applications and content, as well as keeping devices and data safe and secure*

# Financials

# Quarterly trend

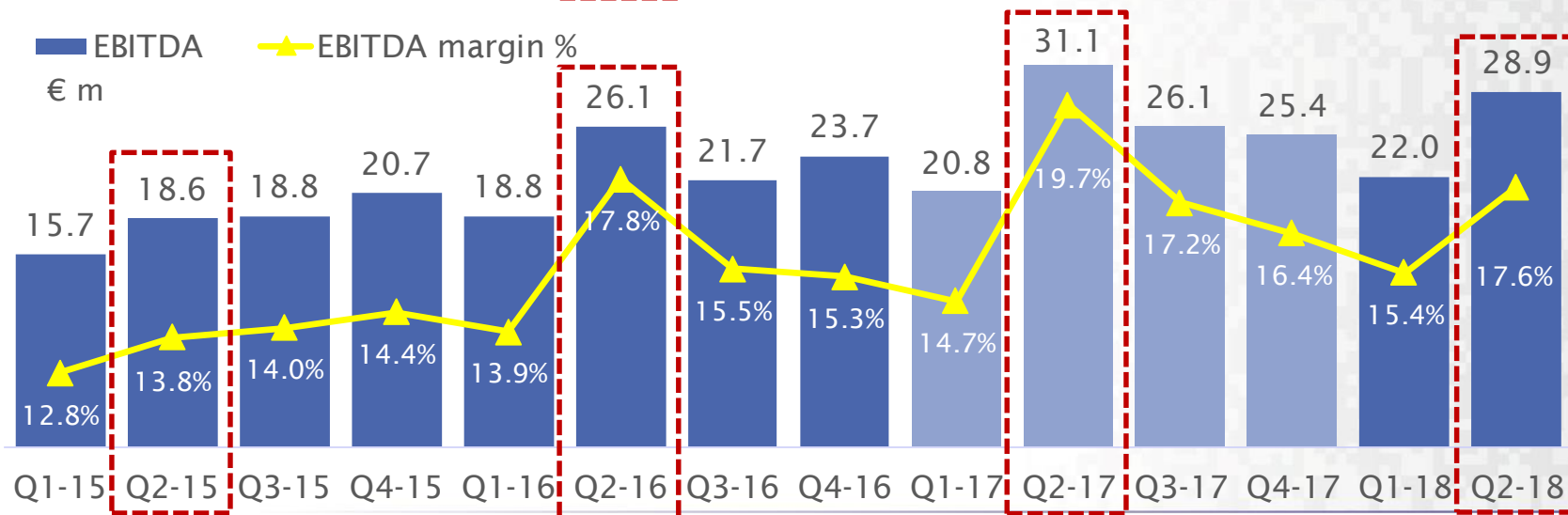
## REVENUES

€ m



■ EBITDA    ▲ EBITDA margin %

€ m





# Increased Investment in R&D and Distribution

€ m	Q2 2018	Q2 2017	Var%
<b>Revenues</b>	<b>164.1</b>	<b>157.8</b>	<b>4.0%</b>
Gross Operating Margin	79.6	76.1	4.6%
<i>%on Revenues</i>	<i>48.5%</i>	<i>48.2%</i>	
Operating expenses	(54.5)	(48.4)	12.6%
<i>%on Revenues</i>	<i>(33.2%)</i>	<i>(30.7%)</i>	
<b>EBITDA</b>	<b>28.9</b>	<b>31.1</b>	<b>-7.0%</b>
<i>Ebitda margin</i>	<i>17.6%</i>	<i>19.7%</i>	
<b>EBIT</b>	<b>23.8</b>	<b>25.9</b>	<b>-8.4%</b>
<i>Ebit margin</i>	<i>14.5%</i>	<i>16.4%</i>	
<i>Exchange Rate</i>	<i>1.1927</i>	<i>1.1003</i>	

- **Revenues** up 4.0% to €164.1 mln despite the unfavorable forex (+8.1% at constant exchange rate)
- **GOM improvement** thanks to mix and cost efficiencies (+ 30 bps)
- **Operating expenses up:**
  - ✓ **R&D on revenues up** from 8.3% to 9.7% (+140 bps)
  - ✓ **S&D on revenues up** from 15.6% to 16.9% (+130bps)
  - ✓ **G&A substantially in line** at 6.6% on revenues
- **EBITDA margin at 17.6% from 19.7%** due to exceptionally low R&D and S&D expenses in Q2 '17

# Investing R&D and S&D, whilst maintaining sound profitability

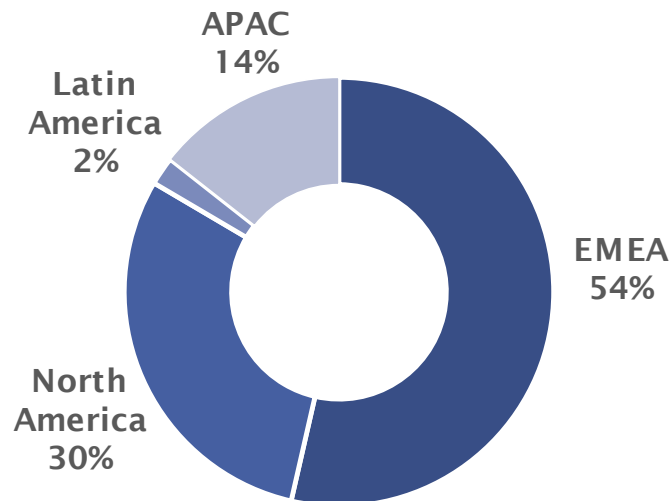
€ m	1H2018	1H2017	Var%
<b>Revenues</b>	<b>307.0</b>	<b>299.3</b>	<b>2.6%</b>
Gross Operating Margin	149.4	142.3	5.1%
<i>%on Revenues</i>	48.7%	47.5%	
Operating expenses	(105.9)	(97.8)	8.3%
<i>%on Revenues</i>	(34.5%)	(32.7%)	
<b>EBITDA</b>	<b>50.8</b>	<b>51.8</b>	<b>(1.9%)</b>
<i>Ebitda margin</i>	16.6%	17.3%	
<b>EBIT</b>	<b>40.3</b>	<b>41.2</b>	<b>(2.2%)</b>
<i>Ebit margin</i>	13.1%	13.8%	
<b>EBT</b>	<b>37.2</b>	<b>37.2</b>	<b>0.0%</b>
Taxes	(8.2)	(7.9)	4.2%
<b>Net Income</b>	<b>29.0</b>	<b>29.3</b>	<b>(1.1%)</b>
<i>% on Revenues</i>	9.4%	9.8%	
<i>Exchange Rate</i>	1.2104	1.0830	

- **Revenues** up 2.6% to €307.0 m (+7.9% at constant exchange rate)
- **GOM showing steady improving trend at 48.7%** (around +120 bps vs 1H 2017)
- **R&D on revenues** from 8.8% to 9.9% (from 9.1% to 10.4% Datalogic Business)
- **S&D on revenues** from 16.4% to 17.4% (+9.1% YoY) due to strengthening of commercial organization
- **EBITDA margin at 16.6%**, where improved GOM offset by higher R&D and distribution expenses
- One off positive effects on financial expenses more than offsetting negative forex in financial charges
- **Tax rate at ~ 22%**
- **Net income at €29.0 m** almost in line with 1H 2017

# Group Revenues by country

## REVENUES BY GEOGRAPHIC AREA

€ m	H1 2018	H1 2017	Var%	Var% Ex forex
EMEA	164.5	158.7	3.7%	4.8%
North America	91.8	95.0	(3.4%)	7.7%
Latin America	6.6	7.3	(10.6%)	0.9%
Asia Pacific	44.2	38.3	15.4%	22.9%
<b>Total Revenues</b>	<b>307.0</b>	<b>299.3</b>	<b>2.6%</b>	<b>7.9%</b>

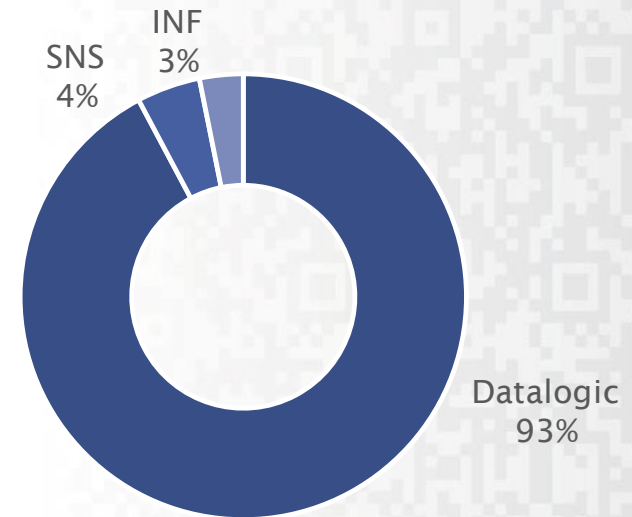


- Sound growth net of forex
- Continuous growth in APAC driven by China and Korea (+27.3 and +34.3% net of forex)
- Keeping on growing in EMEA in all the main verticals
- NA positive net of forex, lead by double digit growth in T&L, Manufacturing and Retail
- Strong performance of Solution Net Systems, whilst Informatics still negative
- Latam slightly positive net of forex

# Group Revenues & EBITDA by division

## REVENUES BY DIVISION

€ m	1H2018	1H2017	Var%
Datalogic Business	284.3	279.2	1.8%
Solution Net Systems	14.2	10.6	34.5%
Informatics	9.7	11.2	(13.3%)
<i>Adjustments</i>	(1.3)	(1.7)	24.3%
<b>Total Revenues</b>	<b>307.0</b>	<b>299.3</b>	<b>2.6%</b>



- **Datalogic** driven at constant forex by growth of Fixed Retail and Stationary Industrial Scanners and Safety products, Scan Engines
- **Solution Net Systems** strong top line growth (+34.5%) thanks to new projects in postal and retail industries, and sound improvement in profitability
- **Informatics** top line still on downward trend but profitability turnaround continuing

## EBITDA BY DIVISION

€ m	1H2018	1H2017
Datalogic	48.7	51.3
Solution Net Systems	1.9	0.8
Informatics	0.3	(0.3)
<b>Total Group</b>	<b>50.8</b>	<b>51.8</b>

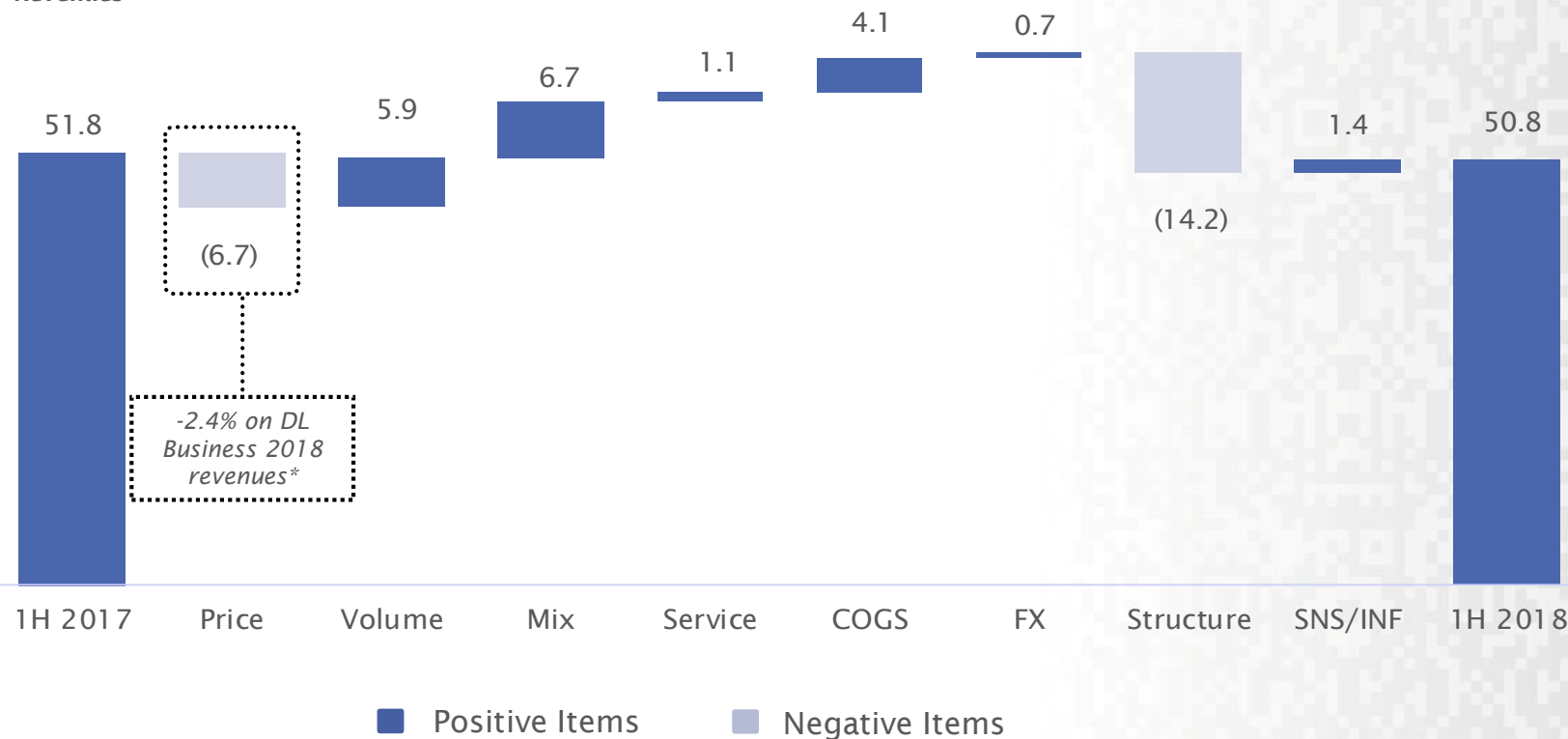


# EBITDA: actual vs last year

€ m

17.3 % on Group Revenues

16.6% on Group Revenues



-2.4% on DL Business 2018 revenues\*

\* Excluding GCO and Service

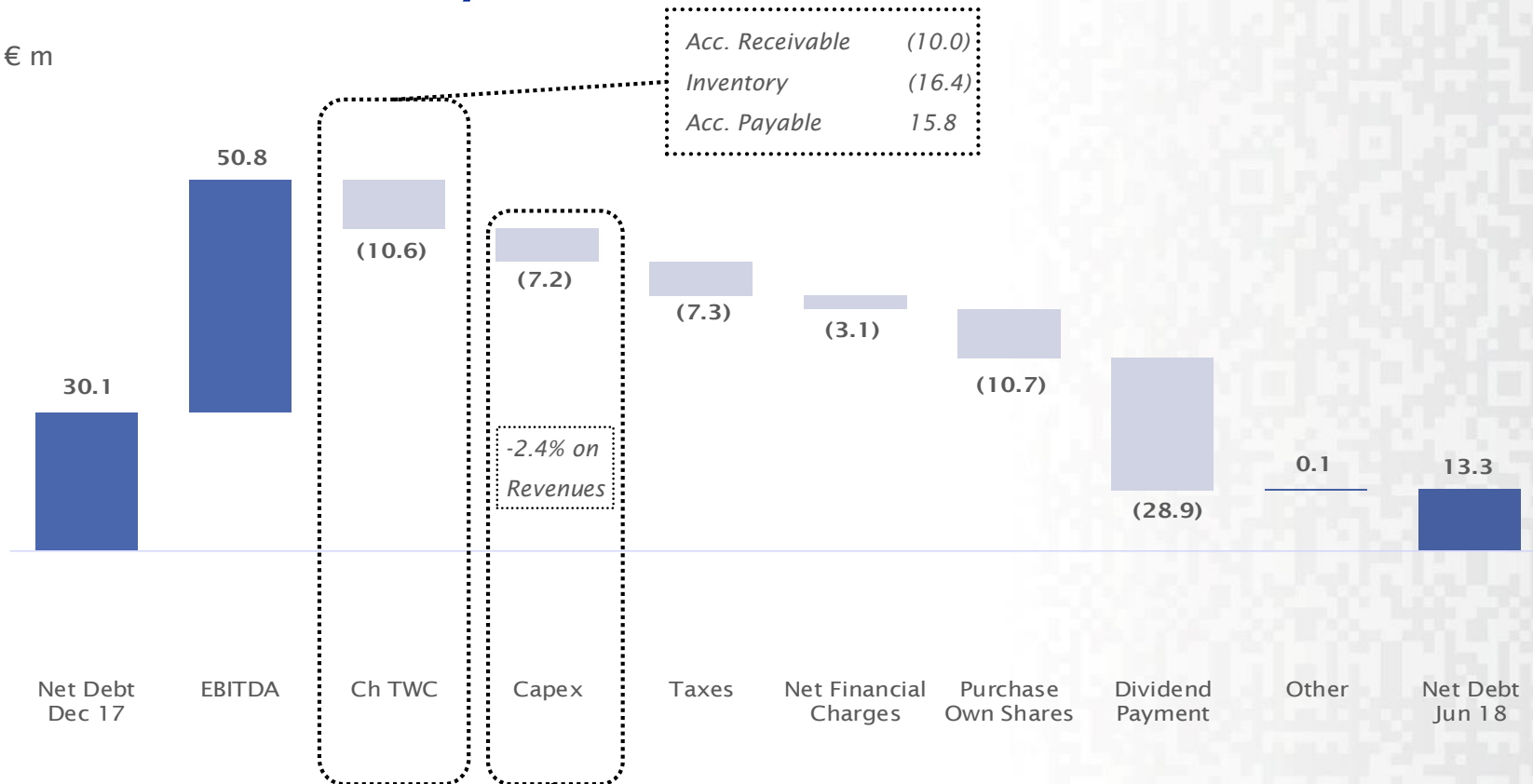
# Consolidated Balance Sheet

€ m

	Dec 2017	Jun 2018		Dec 2017	Jun 2018
<b>Total Fixed Assets</b>	<b>347.9</b>	<b>351.3</b>	<b>Net Financial Position</b>	<b>(30.1)</b>	<b>(13.3)</b>
<b>Trade receivables</b>	<b>85.8</b>	<b>95.9</b>			
<i>% on 12m rolling sales</i>	<i>14.2%</i>	<i>15.6%</i>			
<b>Inventories</b>	<b>85.9</b>	<b>102.3</b>			
<i>% on 12m rolling sales</i>	<i>14.2%</i>	<i>16.7%</i>			
<b>Trade payables</b>	<b>(110.3)</b>	<b>(126.1)</b>	<b>Net Equity</b>	<b>353.0</b>	<b>348.2</b>
<i>% on 12m rolling sales</i>	<i>-18.2%</i>	<i>-20.6%</i>			
<b>Trade Working Capital</b>	<b>61.5</b>	<b>72.0</b>			
<i>% on 12m rolling sales</i>	<i>10.1%</i>	<i>11.7%</i>			
<b>Other assets/liabilities</b>	<b>(86.5)</b>	<b>(88.4)</b>			
<b>Net Invested Capital</b>	<b>322.9</b>	<b>334.9</b>	<b>Total Sources</b>	<b>322.9</b>	<b>334.9</b>

# Net Debt Analysis: Dec'17 – Jun'18

€ m



Acc. Receivable	(10.0)
Inventory	(16.4)
Acc. Payable	15.8

-2.4% on Revenues

Of which:	
Machinery, equipment and moulds	(2.3)
Electronics machineries / Software	(2.0)
Offices refurbishment	(1.1)

■ Negative Items  
■ Positive Items

# 2018 Outlook

- Grow in revenues at mid to high single digit rates
  - Maintain a sound profitability through strong focus on gross operating margin improvements
  - Further increase R&D investments & Distribution costs to improve our coverage and boost leadership in key areas (North America, APAC, Manufacturing)
  - Keeping an EBITDA margin substantially in line with 2017
  - Maintain a Cash Generation profile from operations
- 
- **Retail:** improving growth rates in all main geographies mainly through new products and expanding sales organization
  - **Manufacturing:** keep on steady growing in China and other main Geo Areas, backed by strong demand for automation and further investments in sales organization in key Geo areas
  - **T&L:** keep growing in main Geo Areas, through new projects and new clients' acquisition
  - **HC:** growth expectations mostly skewed toward H2
  - **Channel:** strong recovery expected through the launch of new products particularly suitable for the channel



- Strong pipeline of new products to be launched in H2, ramp up of new products launched in the last 12 months in H2



# Contact

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## NEXT EVENTS

**September 5, 2018**

Industrial Day, Borsa Italiana, Milan

**October 23-24, 2018**

STAR Conference, London

**November 13<sup>th</sup>, 2018**

9M results

## DATALOGIC ON LINE

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