



9M 2018
Conference Call

November 13, 2018

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Growth continues quarter on quarter



9M 2018 RESULTS

€ m

REVENUES
€466.1
+3.4% (+6.9% at
constant FX)

€226.7
GOM
(+6.7%)

€77.5
EBITDA
(-0.5%)

16.6%
EBITDA
MARGIN
(-0.6 p.p.)

€43.6
NET INCOME
(-3.3%)

Q3 RESULTS

REVENUES
€159.1
+5.1% (+4.9% at
constant FX)

€77.3
GOM
(+10.0%)

€26.7
EBITDA
(+2.4%)

16.8%
EBITDA
MARGIN
(-0.4 p.p.)

€14.6
NET INCOME
(-7.3%)

Net Cash position at €10.9

Highlights

GROUP

- Growth continues at progressively higher rates despite seasonal effect and Forex impact
- Strong new products pipeline in hand held scanners and mobile computers all equipped with wireless charging Datalogic and in 2D industrial bar code readers
- Keeping on strengthening of commercial & R&D organizations
- Shift to Android Technology: Memor™ 10 mobile computer has been validated for the “Android Enterprise Recommended” program for rugged devices

VERTICALS

- 9M growth led by **North America** and **APAC**
- **Manufacturing** confirming strong improvement, +8.1% in Q3, driven by APAC (China & Korea + 21%)
- **T&L strong double digits**, more than doubling in NA (+117%) in Q3
- **Retail**: roll outs of big projects with Tier 1 clients in NA (+72%) both in FRS and mobile computers

FINANCIALS

- **Q3 Revenues up 5.1% to €159.1 m**
- Consolidating **GOM improvements** vs 2017, thanks to operating savings and efficiencies
- Profitability almost in line with previous year despite significant investment in R&D and S&D
- **Q3 Increasing investments in R&D** - from 9.5% to 10.9% on revenues on Datalogic business - **and in distribution**
- **Net Cash position** at €10.9 m after dividends and buyback

Market Drivers

Retail



- **50% of DL Division Revenues**
 - 9M 2018 Revenues €214.2 mln (+4.0% YoY, +8% ex Forex)
 - 3Q 2018 Revenues €72.6 mln (+7% YoY, +6.9% ex Forex)
- **Strong growth in North America in the quarter: over 70% at constant forex** led by Big projects won in the US with Tier 1 Account
- Great success of our **new check out retail scanner** based on imaging technology on a global basis, and growth in mobility

Manufacturing



- **30% of DL Division Revenues**
 - 9M 2018 Revenues €130.8 mln (+13.6% YoY, 15.9% ex Forex)
 - 3Q 2018 Revenues € 40.8 mln (+8.1% YoY, 8.1% ex Forex)
- **Positive performance in all Geo Areas lead by China and Korea (+21%) and Latam (+25%) at constant Forex**
- Exceptional growth on 2D industrial bar code readers keeping worldwide leadership. China leading the pack thanks to big project in consumer electronics sector.
- **Great customers' feedback on the new SLS and double digit growth for our industrial bar code readers**

Transport & Logistics



- **12% of DL Division' Revenues**
 - 9M 2018 Revenues €50.6 mln (+24.1% YoY, 27.9% Ex Forex)
 - 3Q 2018 Revenues €19.5 mln (+29.4% YoY, 28.8% Ex Forex)
- **North America more than doubling in 3Q (+117%)**
- **Keeping on leveraging the cross selling** of our new organization with large projects won on mobility
- New opportunities with **leading e-commerce** companies next to CEP projects

Healthcare



- **3% of DL Division' Revenues**
 - 9M 2018 Revenues €13.6 mln (-36.0% YoY, -33.3% ex Forex)
 - 3Q2018 Revenues €4.8 mln (-5.2% YoY, -5.5% ex Forex)
- **Still declining in 9M due to the tough comparison with 9M 2017**, where major deals with 2 relevant US hospital chains occurred, but trend improving, with a sound 3Q at approx. same levels as 2017
- Strong expectation to **recover over following quarters** thanks to the launch of dedicated products in Q4

2018 Third Quarter Product Launches

A further important step towards Android mobile operating system:

Memor™ 10 mobile computer has been validated for the **Google™-led** initiative **“Android Enterprise Recommended”** program for rugged devices.



GRYPHON GD4500 Corded version



The Gryphon™ 4500 2D series represents the premium range of hand held scanners from Datalogic. The GD4500 scanner is the desk (corded) version for general purpose applications



IMPACT 12.0 Vision Guided Solution

Datalogic introduces
IMPACT 12.0

The new
Software suite
for Vision Guided Robotics



The latest version of the well-known software by Datalogic for Vision Guided Robotics applications.



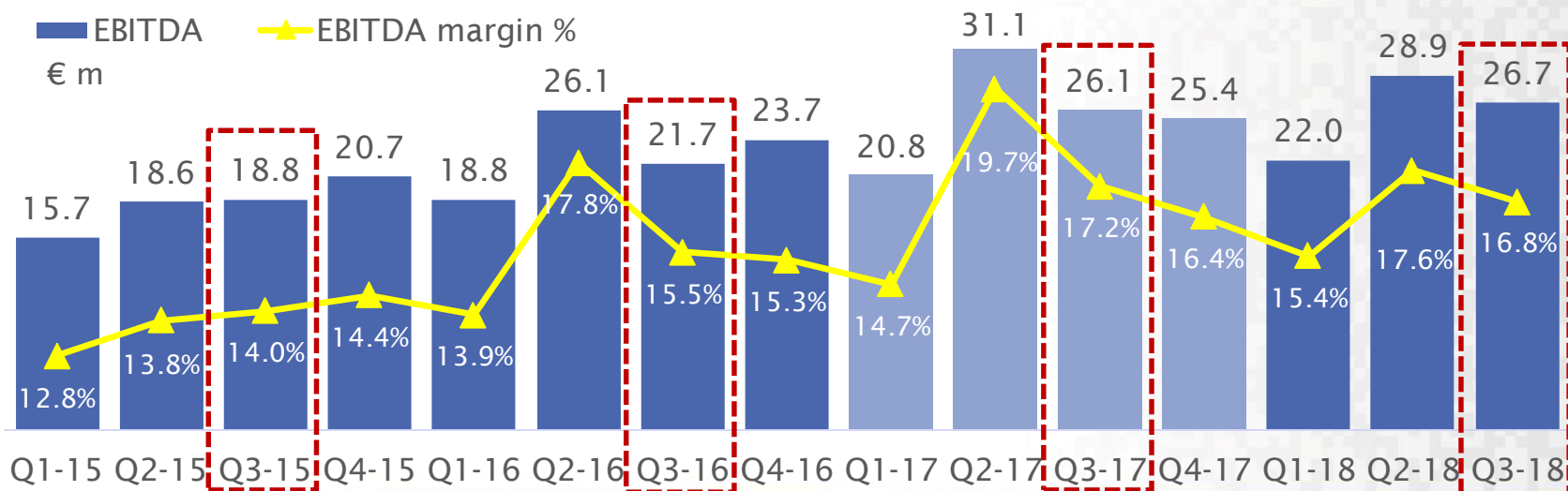
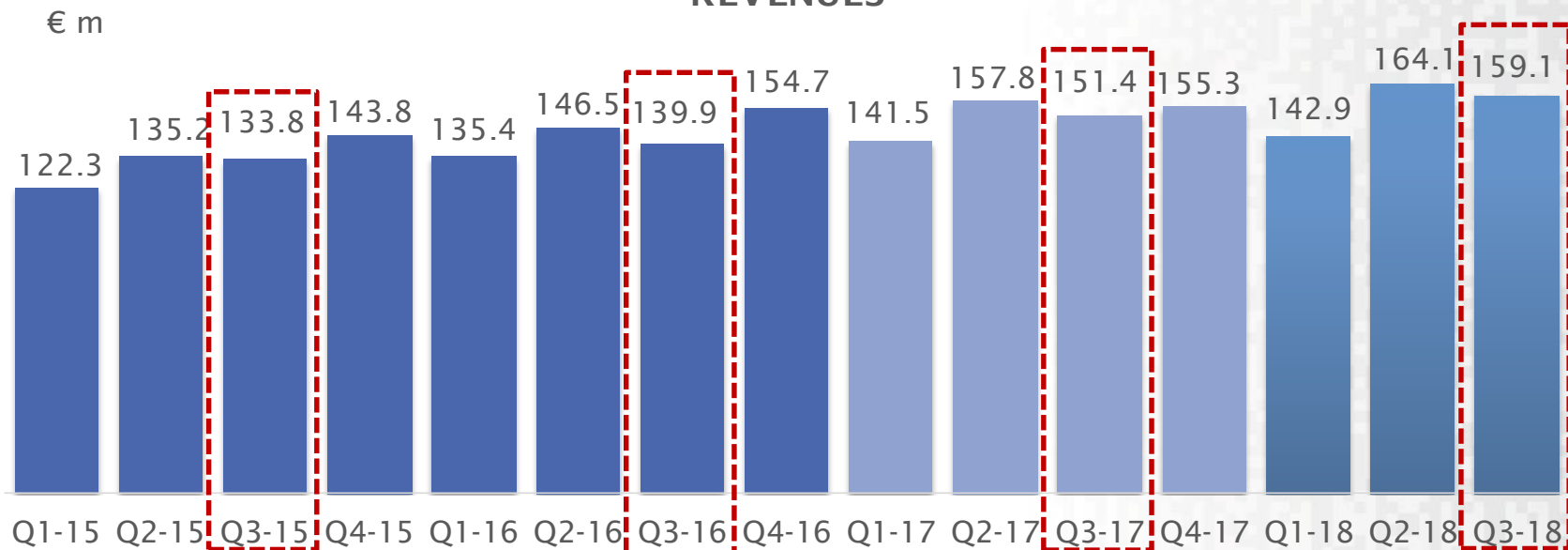
FALCON X4

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

Financials

Quarterly trend

REVENUES



Revenues improved quarter on quarter

€ m	Q3 2018	Q3 2017	Var%
Revenues	159.1	151.4	5.1%
Gross Operating Margin	77.3	70.3	10.0%
<i>%on Revenues</i>	<i>48.6%</i>	<i>46.4%</i>	
Operating expenses	(54.5)	(47.7)	14.3%
<i>%on Revenues</i>	<i>(34.2%)</i>	<i>(31.5%)</i>	
EBITDA	26.7	26.1	2.4%
<i>Ebitda margin</i>	<i>16.8%</i>	<i>17.2%</i>	
EBIT	20.8	21.3	-2.3%
<i>Ebit margin</i>	<i>13.1%</i>	<i>14.1%</i>	
<i>Exchange Rate</i>	<i>1.16</i>	<i>1.17</i>	

- **Revenues** up 5.1% to €159.1 mln (+4.9% at constant exchange rate)
- **GOM improvement** thanks to mix and cost efficiencies (+ 220 bps)
- **Operating expenses up:**
 - ✓ **R&D on revenues** up from 9.0% to 10.4% (+140 bps)
 - ✓ **S&D on revenues** up from 15.9% to 17.8% (+190bps)
 - ✓ **G&A improved** from 6.6% to 6.0% on revenues
- **EBITDA margin** at 16.8% from 17.2% as effect of major investments in R&D and Distribution

Improved Gross Margin to finance R&D and S&D

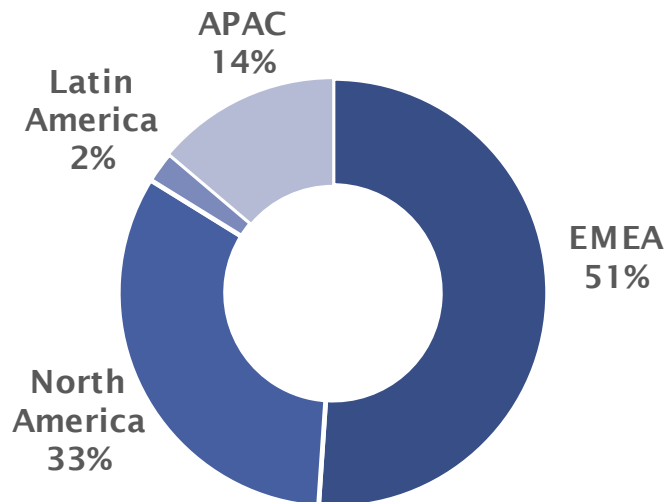
€ m	9M 2018	9M 2017	Var%
Revenues	466.1	450.7	3.4%
Gross Operating Margin	226.7	212.5	6.7%
<i>%on Revenues</i>	48.6%	47.1%	
Operating expenses	(160.3)	(145.5)	10.2%
<i>%on Revenues</i>	(34.4%)	(32.3%)	
EBITDA	77.5	77.9	(0.5%)
<i>Ebitda margin</i>	16.6%	17.3%	
EBIT	61.1	62.5	(2.2%)
<i>Ebit margin</i>	13.1%	13.9%	
EBT	56.1	56.8	(1.2%)
Taxes	(12.5)	(11.7)	6.8%
Net Income	43.6	45.1	(3.3%)
<i>% on Revenues</i>	9.3%	10.0%	
<i>Exchange Rate</i>	1.19	1.11	

- **Revenues** up 3.4% to €466.1 m (+6.9% at constant exchange rate)
- **GOM showing steady improving trend at 48.6%** (around +150 bps vs 9M 2017)
- **R&D on revenues** from 8.9% to 10.1% (from 9.2% to 10.5% Datalogic Business)
- **S&D on revenues** from 16.2% to 17.6% (+11.9% 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 negative effects mainly linked to reorganization of the industrial and distribution footprint
- **Tax rate at ~ 22%**
- **Net income at €43.6 m** down by 3.3%

Group Revenues by country

REVENUES BY GEOGRAPHIC AREA

€ m	9M 2018	9M 2017	Var%	Var% Ex forex
EMEA	238.0	237.7	0.1%	0.8%
North America	152.6	141.2	8.1%	15.2%
Latin America	11.1	12.7	(12.3%)	(3.5%)
Asia Pacific	64.3	59.1	8.8%	13.8%
Total Revenues	466.1	450.7	3.4%	6.9%

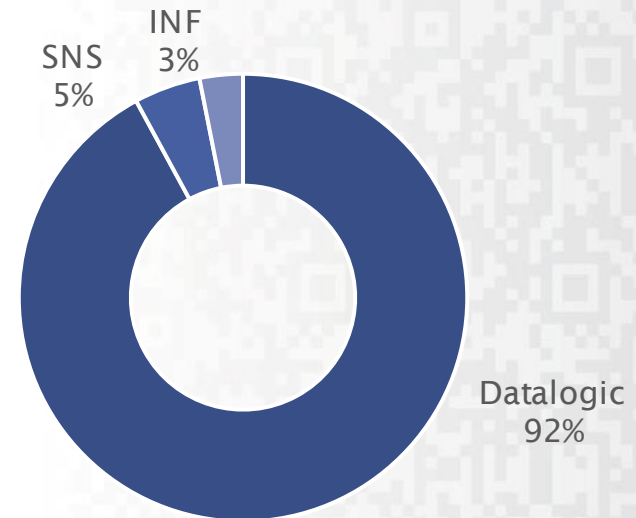


- Sound 9M growth net of forex
- 3Q revenues growth driven by North America at + 32%
- **Continuous growth in APAC (+8.8%, +13.8% net of forex) driven by China and Korea (+15.5%, +20.1% net of forex)**
- EMEA growth driven by Manufacturing and T&L
- **NA +8.1%, (+15.2,% net of forex) lead by double digit growth in T&L and Retail**

Group Revenues & EBITDA by division

REVENUES BY DIVISION

€ m	9M2018	9M2017	Var%
Datalogic Business	431.1	417.7	3.2%
Solution Net Systems	22.4	19.3	16.1%
Informatics	14.6	16.4	(10.8%)
<i>Adjustments</i>	(2.0)	(2.7)	(25.4%)
Total Revenues	466.1	450.7	3.4%



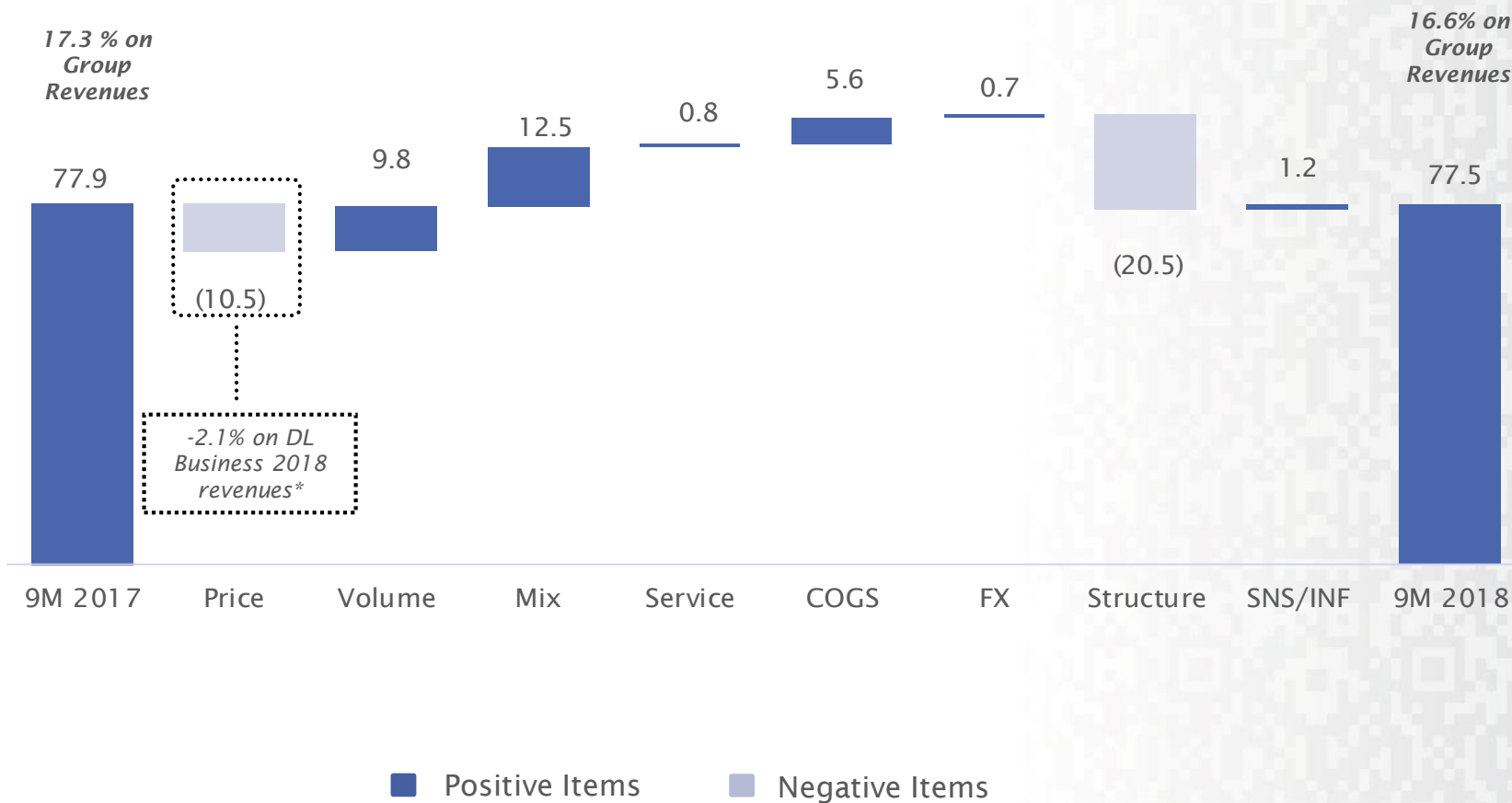
- **Datalogic** driven at constant forex by growth of Fixed Retail and Stationary Industrial Scanners and Safety products. The Channel (unallocated) still in negative trend due to timing of the launch of new products
- **Solution Net Systems** strong top line growth (+16.1%, +24.2% net of forex) thanks to new projects in postal and retail industries, and sound improvement in profitability
- **Informatics** top line still on downward trend but profitability turnaround is in place

EBITDA BY DIVISION

€ m	9M2018	9M2017
Datalogic	73.5	75.2
Solution Net Systems	3.6	2.8
Informatics	0.5	(0.1)
Total Group	77.5	77.9

EBITDA: actual vs last year

€ m



* Excluding GCO and Service

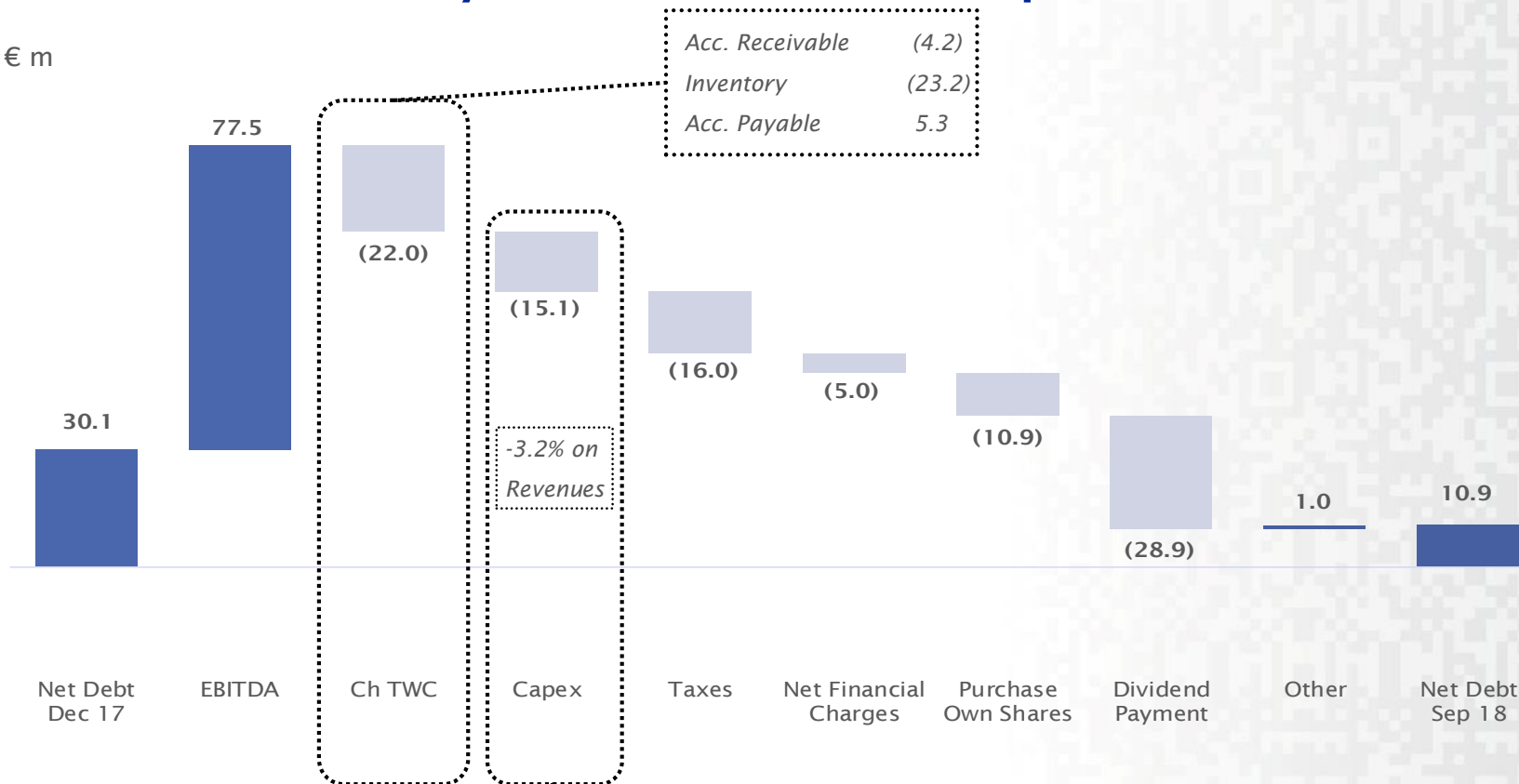
Consolidated Balance Sheet

€ m

	Dec 2017	Sep 2018		Dec 2017	Sep 2018
Total Fixed Assets	347.9	356.4	Net Financial Position	(30.1)	(10.9)
Trade receivables	85.8	90.0			
<i>% on 12m rolling sales</i>	<i>14.2%</i>	<i>14.5%</i>			
Inventories	85.9	109.1			
<i>% on 12m rolling sales</i>	<i>14.2%</i>	<i>17.6%</i>			
Trade payables	(110.3)	(115.6)	Net Equity	353.0	364.4
<i>% on 12m rolling sales</i>	<i>-18.2%</i>	<i>-18.6%</i>			
Trade Working Capital	61.5	83.5			
<i>% on 12m rolling sales</i>	<i>10.1%</i>	<i>13.4%</i>			
Other assets/liabilities	(86.5)	(86.4)			
Net Invested Capital	322.9	353.5	Total Sources	322.9	353.5

Net Debt Analysis: Dec'17 – Sep'18

€ m



Acc. Receivable	(4.2)
Inventory	(23.2)
Acc. Payable	5.3

-3.2% on Revenues

Of which:	
Machinery, equipment and moulds	(5.7)
Electronics machineries	(2.6)
Software	(1.9)

■ Negative Items
■ Positive Items

2018 Outlook

- Revenues expected to grow at higher rates in 4Q
 - 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 mainly through new products and 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 starting from Q4
 - **Channel:** strong recovery expected through the launch of new products particularly suitable for the channel



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

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