Italian Stock Market Opportunities

30 JANUARY 2020
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Corporate Overview
Global technology leader in the automatic data capture and process automation markets, in the Retail, Manufacturing, Transportation & Logistics, and Healthcare industries.

Founded in 1972, listed on the Italian Stock Exchange since 2001

- 1,200 patents filed and more than 350 in approval
- 500 engineers in 11 R&D centers and 3 DL Labs in: Italy, USA, Vietnam, China, and Germany
- 3,157 Employees in 27 countries: 21% Americas, 56% EMEA, 23% APAC
- 10 Manufacturing and Repair facilities in: US, Brazil, Hungary, Slovakia, Italy, China, Vietnam and Australia
Over 45 years of Technological Innovation

- **FOUNDATION**
  - Established in Bologna

- **EXPANSION**
  - 1972
    - Escort Memory System Inc.
    - IDWare mobile Computing & Comm.
  - 2001
    - Listed on the STAR segment of the Italian Stock Exchange
  - 2012-2015
    - Minec AB
    - Laservall SpA
    - Informatics Inc.
    - PSC Inc
    - Datasensor SpA
    - Evolution Robotic Retail Inc.
    - Accu-Sort System Inc.
    - PPT Vision Inc.

- **INNOVATION**
  - Acquisition of Multiware Photonics SA
  - Partnership with CAEN RFID Srl

- **NEW STRATEGY**
  - 2017
    - Set up new One Datalogic
    - New organization by verticals
    - Soredi acquisition
Solid long-term growth

**Sales CAGR 2001-2018 +11%**

- 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

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues (€mln)</th>
<th>EBITDA margin (%)</th>
<th>Net Income margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>112</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>118</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>132</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>146</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>206</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>382</td>
<td>14%</td>
<td>1%</td>
</tr>
<tr>
<td>2007</td>
<td>404</td>
<td>14%</td>
<td>4%</td>
</tr>
<tr>
<td>2008</td>
<td>380</td>
<td>16%</td>
<td>5%</td>
</tr>
<tr>
<td>2009</td>
<td>312</td>
<td>13%</td>
<td>6%</td>
</tr>
<tr>
<td>2010</td>
<td>393</td>
<td>14%</td>
<td>5%</td>
</tr>
<tr>
<td>2011</td>
<td>426</td>
<td>14%</td>
<td>2%</td>
</tr>
<tr>
<td>2012</td>
<td>462</td>
<td>13%</td>
<td>6%</td>
</tr>
<tr>
<td>2013</td>
<td>451</td>
<td>16%</td>
<td>6%</td>
</tr>
<tr>
<td>2014</td>
<td>465</td>
<td>15%</td>
<td>7%</td>
</tr>
<tr>
<td>2015</td>
<td>535</td>
<td>14%</td>
<td>8%</td>
</tr>
<tr>
<td>2016</td>
<td>577</td>
<td>16%</td>
<td>10%</td>
</tr>
<tr>
<td>2017</td>
<td>606</td>
<td>17%</td>
<td>10%</td>
</tr>
<tr>
<td>2018</td>
<td>631</td>
<td>17%</td>
<td>10%</td>
</tr>
</tbody>
</table>
A Wide Geographical Footprint

- Direct presence in 30 countries
- Percent on H1 2019 Revenues
- 10 Manufacturing & Repair sites
- 11 R&D Centers, 3 DL Labs

Revenues breakdown at 9M 2019

1. North America 36%
   - Eugene, Oregon
   - Pasadena, California
   - Minneapolis, Minnesota
   - Plano, Texas
   - Telford, Pennsylvania

2. Latin America 2%

3. EMEAI 51%
   - München
   - Bologna
   - Quinto di Treviso

4. APAC 11%
   - Ho Chi Minh City
   - Shenzhen
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 (January 27, 2020): 16.1 Euro

Market Cap (January 27, 2020): 941 mln Euro

Auditing Company: Deloitte

SHAREHOLDERS’ STRUCTURE

- Hydra SpA: 33.2%
- Treasury Shares: 64.8%
- Free-Float: 2.0%
Strategy
Rehearsing our Strategy

<table>
<thead>
<tr>
<th>Objective</th>
<th>Scope</th>
<th>Advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Grow above market average, while expanding profitability</td>
<td>▪ Remain a <em>product</em> company with new emphasis on <em>solutions</em> to satisfy the needs of End Users in the following Industries: <em>Retail</em>, <em>T&amp;L</em>, <em>Factory Automation</em>, <em>Healthcare</em></td>
<td>▪ Moving from a product to a <em>Customer-Centric company</em>, leveraging on our <em>wide range of products</em> that is able to <em>fulfill</em> our Customers’ needs for both data collection and process automation and <em>providing end-to-end solutions</em> across the entire flow of operations</td>
</tr>
<tr>
<td></td>
<td>▪ Consolidate our position in EMEA and become a strong player in NA</td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Further establish in APAC with a growing presence in China</td>
<td></td>
</tr>
</tbody>
</table>
A wide range of products that is able to fulfill our customers’ needs for both data collection and process automation.

Most complete offer of barcode readers: from retail to industrial scanners, from hand held to mobile.

Undisputed leadership on barcode readers.

Complementary/Open doors products in the MFG Industry.
Our products are key enablers of critical applications along our customers’ supply chain.
Global Retail Trends

- **E-commerce** is rising fast (+15% Y/Y) but it is not laying off physical stores (+3% Y/Y)

- **China** is set to surpass the US in terms of total retail sales and it dominates also the e-commerce market

- The industry is undergoing an unprecedented change in **customer expectations**, which is pushing for new types of stores, requiring **new technological solutions**

- **Customer Experience (CX)** and **Engagement** are the new targets for retailers

- From traditional **check-out** to multiple options to fully automated check-out
Retail
Our value proposition

- We satisfy globally the Retailers business needs, from Distribution Center to Check Out and Shoppers’ Home

- Market Leader along the Retail supply chain from 1974 with the first scanner ever sold to a grocery store in Troy, Ohio up to now with the innovative frictionless shopping solution presented at the 2019 NRF exhibition in New York

- Machine learning technology adoption to be ready for the next checkout POS investment cycle
Online retailers are opening brick-and-mortar stores, while traditional retailers are converting physical store locations into semi-distribution hubs.

Retailers who collect customer data on every step of the journey are headed in the right direction.

Retail E-commerce sales worldwide posted solid gains in 2017, rising 23.2% to $2.290 trillion *, but 90% of transactions are still completed in-store.

Distribution Centers automatization increase.

Retailers are looking for advanced logistics solutions to be able to satisfy the needs of the E-commerce trend.

* Source: eMarketer
Manufacturing
The factory of the future

DATALOGIC PROPOSITION

- Unique portfolio provider of smart, interconnected devices able to protect, identify, sense, check and mark

- Datalogic is providing multi-product portfolio to serve all the major manufacturing clients: Automotive, Food and Beverage, Automated Machinery and Electronics, and Intralogistics

- Keep investing in SIS to protect our leadership leveraging on complimentary products to SIS (LM, VS, S&S)
MARKET OUTLOOK

- **Market trends**
  - Industry 4.0
  - Robotics / AGV
  - DPM / Extended Traceability and Quality Inspection
  - New segments due to new technology (i.e. Electric car)

- **Industry 4.0** is pushing for **multi-technology** adoption, **product interoperability** and enhancement **self diagnostic capabilities**

- The adoption of key digital technologies shows a strong growth over the next 5 years

- 267 Billion USD investment in the next 5 years directed towards IoT*

- The Industrial Robotics Market stands at 13.9 billion USD with an 11.8% growth **

* Source: IoT Analytics
** Source: International Federal of Robotics (IFR) data and Loup Ventures
Transportation & Logistics
End to end visibility and real time tracking

We ensure Data Collection to Courier-Express-Parcels, Airports and Logistics

Datalogic is at the forefront of the development of airport systems, since 1984 with the first automatic reading station in Milan, to the recent contract with a main European hub in compliance with new IATA requirements

Datalogic’s proven capabilities are reflected by the recent “Platinum” supplier qualification granted by a world leader in the shipping and logistics sector
Transportation & Logistics
End to end visibility and real time tracking

MARKET OUTLOOK

- Growth is driven by E-commerce: high speed sorting, ability to manage any size of parcel, and high flexibility. E-Commerce is driving the industry growth

- Resolution 753 requires (from June 2018) IATA members to maintain an accurate inventory of baggage by monitoring the acquisition and delivery of baggage

- The baggage handling system market* is projected to reach USD 9.36 Billion by 2020, at a CAGR of 7.8% from 2015 to 2020

- Strong demand for solutions beyond barcode

- Robotics & Automation: collaborative robots and automatic solutions to get higher productivity, zero-defects, reducing manual operations

*Source: IATA
Healthcare
Meet regulations and Higher Patient Safety

DATALOGIC PROPOSITION

- We empower the entire Healthcare ecosystem from drug production to patient care
- Datalogic is the sole company providing unique product features for the HC industry such as: Anti-microbial enclosures, Inductive charging technology for battery recharge, and Green spot good match to ensure positive medicine-patient identification
Healthcare
Meet regulations and Higher Patient Safety

MARKET OUTLOOK

- Drugs tracking to avoid counterfeit medications
- Bedside care: adopt technology to secure the correct drug administration to patients and real time saving with no mistakes of clinical data
- HC Emerging trends: Telemedicine/Telehealth. Health systems are more and more using digital health tools and telehealth platforms to better care for patients after they leave the hospital, as well as those most at risk of returning
### Q3 New Product Launches and Innovation

<table>
<thead>
<tr>
<th>Hand Held Scanners</th>
<th>Mobile Computers</th>
<th>Factory Automation</th>
<th>Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>PowerScan 9501 AR Cordless Models</td>
<td>Joya Touch A6 With Megapixel Scan Engine</td>
<td>Matrix 300N 2MP Sensor</td>
<td>MX-E90 Vision Processor</td>
</tr>
<tr>
<td>Gryphon 4500 Digimarc Models</td>
<td>Matrix 120/220 with Digimarc and OPC UA</td>
<td>IMPACT 12.2 Software: focus on guidance and traceability</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Websentinel PLUS</td>
</tr>
</tbody>
</table>

- **3Q New product** net sales account for **22.0%** of total sales improved from **15.2%** in Q3 2018
- R&D expenses up **1.2%** to **€47.5 million** vs **9M2018**.
- DL Business R&D spending amounted to approximately **11%** of DL Business turnover, in line with the Group's strategy on innovation.

* New Products: products launched in the last 24 months
Total Addressable Market

TAM: ~ 14 bln USD

- Healthcare
- T&L
- Retail
- Manufacturing

2018

DATALOGIC MKT SHARE

- Fixed retail scanners
  #1 WW: >35% market share
- Stationary industrial scanners
  #1 WW: >20% market share
- Handheld Scanners
  #3 WW: ≈ 20% market share

Source: VDC, other market researches and Management estimates
Key Growth and Strategic Drivers

**Industry**
- Keep focus on all of our 4 verticals
- RTL ($4 bln): check out evolution, cross sell mobile, watch carefully DCs
- MFG ($8 bln): expand into new sectors to offset automotive and consumer electronics
- T&L ($2 bln): cross sell – complete offer SIS, Mobile, HHS

**Products**
- Protect our leadership in SIS
- FRS: Be ready for the next generation/evolution not revolution
- Mobile: increase market share widening our offer PDT/PPA, our big growth engine for the next year
- HHS: lead the shift to 2D technology

**Technology**
- Continuous improvement of core technology (bar code reading) e.g. optics, decoding
- Investing in complimentary technologies:
  - Vision / Machine learning
  - RFID
  - Digital watermarking
- Investing in Android

**M&A**
- Selected target to accelerate our growth and/or to acquire critical technologies
Financials & Outlook
9M Key Facts

- **Results in line** with guidance with revenues declining 1% compared to last year. Despite tough market conditions revenues grew in North America.
- **Vitality index** improved from 13.8% in 9M2018 to 20.8% in 9M2019, accelerating to 22.0% in Q3 2019 mainly driven by Mobile Computing.
- **T&L growing** organically double digit at **+14.2%** and **HC** at **+7.1%** in 9M2019. Retail declining.
  - **Solid performance** of **Manufacturing** in Q3 in a declining market.
- **Gross Margin** almost flat at 48.4%, improved by 0.6% net of FX.
- **EBITDA** margin at 16.6% net of FX, after cost management.
- **R&D** investment at 10.3% on revenues compared to 10.1% last year, in line with the innovation priorities.
### 9M 2019 P&L

<table>
<thead>
<tr>
<th>€ m</th>
<th>9M 2019</th>
<th>9M 2018</th>
<th>Variance Reported</th>
<th>Constant FX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>461.4</td>
<td>466.1</td>
<td>(1.0%)</td>
<td>(3.8%)</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>223.5</td>
<td>226.7</td>
<td>-0.2 pp</td>
<td>+0.6 pp</td>
</tr>
<tr>
<td>% on Revenues</td>
<td>48.4%</td>
<td>48.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(166.3)</td>
<td>(160.3)</td>
<td>-1.7 pp</td>
<td>-1.8 pp</td>
</tr>
<tr>
<td>% on Revenues</td>
<td>(36.1%)</td>
<td>(34.4%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA *</td>
<td>73.3</td>
<td>77.5</td>
<td>-0.8 pp</td>
<td>-0.0 pp</td>
</tr>
<tr>
<td>% Ebitda margin</td>
<td>15.9%</td>
<td>16.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>52.0</td>
<td>61.1</td>
<td>-1.8 pp</td>
<td>-1.1 pp</td>
</tr>
<tr>
<td>% Ebit margin</td>
<td>11.3%</td>
<td>13.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>39.7</td>
<td>43.6</td>
<td>-0.7 pp</td>
<td>-0.1 pp</td>
</tr>
<tr>
<td>% on Revenues</td>
<td>8.6%</td>
<td>9.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EUR/USD FX Exchange Rate</td>
<td>1.12</td>
<td>1.19</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Revenues** down 1.0% to €461.4 m (-3.8% Net FX); **DL Business revenues** at €428.6 m (-0.6%, -3.1% Net FX)
- **Gross Margin** almost flat at 48.4%, improved by 0.6% net of FX
- **Operating expenses** to €166.3 m:
  - **R&D on revenues** increased from 10.1% to 10.3%;
  - **S&D on revenues** from 17.6% to 19.3% due to due to carry over effects of sales organization from last year
  - **G&A and other items** at 7.0% on revenues, flat vs last year
- **Net income** at **€39.7 m** or 8.6% on revenues (almost flat Net FX vs last year)

* Impacted by IFRS 16: Positive impact of €3.5 million on EBITDA
### Group Revenues Breakdown

<table>
<thead>
<tr>
<th></th>
<th>€m 9M 2019</th>
<th>€m 9M 2018</th>
<th>Var % vs. 9M 2018</th>
<th>Constant FX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>196,7</td>
<td>203,2</td>
<td>(3,2%)</td>
<td>(6,3%)</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>118,1</td>
<td>125,3</td>
<td>(5,7%)</td>
<td>(7,2%)</td>
</tr>
<tr>
<td>Transportation &amp; Logistics</td>
<td>58,3</td>
<td>49,6</td>
<td>17,6%</td>
<td>14,2%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>15,0</td>
<td>13,6</td>
<td>10,6%</td>
<td>7,1%</td>
</tr>
<tr>
<td>Channel (Unallocated)</td>
<td>40,5</td>
<td>39,4</td>
<td>2,6%</td>
<td>1,0%</td>
</tr>
<tr>
<td><strong>Total DL Business</strong></td>
<td><strong>428,6</strong></td>
<td><strong>431,1</strong></td>
<td><strong>(0,6%)</strong></td>
<td><strong>(3,1%)</strong></td>
</tr>
<tr>
<td>Solution Net Systems</td>
<td>21,7</td>
<td>22,4</td>
<td>(3,0%)</td>
<td>(8,7%)</td>
</tr>
<tr>
<td>Informatics</td>
<td>13,7</td>
<td>14,6</td>
<td>(6,3%)</td>
<td>(11,8%)</td>
</tr>
<tr>
<td>Intra division</td>
<td>(2,6)</td>
<td>(2,0)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Datalogic</strong></td>
<td><strong>461,4</strong></td>
<td><strong>466,1</strong></td>
<td><strong>(1,0%)</strong></td>
<td><strong>(3,8%)</strong></td>
</tr>
</tbody>
</table>

**DL Business**: Substantially in line with 9M 2018 (-0.6%); growth in T&L and HC, partially offsetting the decline of RTL and MFG

**Retail**: Tough comparison with the previous year due to major Fixed Retail Scanner rollouts with large clients in EMEAI and NA in 2018. Positive performance in LA and APAC.

**Manufacturing**: Slowdown continued in automotive (EMEAI) and consumer electronics (China), partially offset by double digit growth in US.

**T&L**: Double digit growth driven by a strong performance in NA and EMEAI.

**Healthcare**: Positive performance with double digit growth in EMEAI and NA.
Group Revenues by Geography

<table>
<thead>
<tr>
<th></th>
<th>€m</th>
<th>9M 2019</th>
<th>9M 2018</th>
<th>Var % vs. 9M 2018</th>
<th>Constant FX</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMEAI</td>
<td>233.4</td>
<td>240.4</td>
<td>(2.9%)</td>
<td>(3.5%)</td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td>164.7</td>
<td>153.2</td>
<td>7.5%</td>
<td>1.2%</td>
<td></td>
</tr>
<tr>
<td>APAC</td>
<td>52.4</td>
<td>62.0</td>
<td>(15.5%)</td>
<td>(17.7%)</td>
<td></td>
</tr>
<tr>
<td>Latin America</td>
<td>10.8</td>
<td>10.5</td>
<td>2.9%</td>
<td>(0.3%)</td>
<td></td>
</tr>
<tr>
<td>Total Datalogic</td>
<td>461.4</td>
<td>466.1</td>
<td>(1.0%)</td>
<td>(3.8%)</td>
<td></td>
</tr>
</tbody>
</table>

**EMEAI**: double digit growth in HC and T&L partially offsetting Retail downturn due to major FRS roll outs in 2018.

**North America**: Datalogic Business revenues show positive double digit growth across all verticals except Retail also impacted by FRS roll outs in 2018.

**APAC**: China still impacted by slow down in Manufacturing, partially offset by positive performance of Australia and Japan.
EBITDA: 9M actual vs last year

€ m

9M 2018 | Price | Volume | Mix | Productivity | FX | Structure | SNS/INF | 9M 2019

77.5 | (11.8) | (1.2) | 7.8 | 4.3 | (1.1) | (1.0) | (1.2) | 73.3

16.6% on Group Revenues

-3.2% on DL Business 2018 revenues*

15.9% on Group Revenues

* Excluding Service and other non significant items
NFP at 30 September 2018 equal to +€10.9 million
2019 Outlook

The positive performance of the Group's business in North America and growth in the turnover of new products confirm that the Group’s strategy is solid. The particularly difficult economic situation in China and the slowdown to the main segments in which the Group operates in Europe, are expected to continue also in the fourth quarter.

Despite the uncertainty of the economic environment, the Group will continue to execute its new product development strategy, while keeping costs under control.

In current market conditions, the Group expects to close the year substantially in line with the first nine months, save for any deferral of investment decisions by customers, which may impact the forecasted performance.
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**NEXT EVENTS**

- **March 19, 2020**  
  FY 2019 Results
- **March 26, 2020**  
  STAR Conference Milan
- **April 30, 2020**  
  Shareholders’ Meeting
- **May 11, 2020**  
  Q1 2020 Results

**DATALOGIC ON LINE**

www.datalogic.com