

April 17, 2015

**Dear clients and colleagues,**

The "internet of things" has arrived. It is being fed by the trillions of sensors on the millions of applications, which will help drive new consumer and business behavior. This presents trillions of dollars of opportunities for IT vendors, as companies demand increasingly intelligent solutions for analyzing all of this incoming "big data".

Computers are now tracking everything from megabytes, to shipping containers, to UPS parcels, and even patients in hospitals. Recently, Under Armour embedded sensors into the shorts worn by NFL hopefuls, gathering valuable data on their athletic performance. John Deere's new software helps tractors drive straight across plowed fields by communicating with sensors that report on environmental conditions to smartphones.

The advent of sensor tracking technology has opened up exciting new investment possibilities. Today we shall present to you Zebra Technologies Corp., a company we have owned since July 2008.

**Zebra Technologies Corp. (ZBRA US – \$95.05)**

<https://www.zebra.com>

### ***Business Overview***

Headquartered in Lincolnshire, Illinois, Zebra was founded in 1969. The company designs, manufactures, sells, and supports a range of direct thermal and thermal transfer label printers, radio frequency identification (RFID) printers or encoders, dye sublimation card printers, real-time locating solutions, and support software.

### ***What does that mean?***

Zebra makes businesses as smart and connected as the world we live in. Its products are used on everything from parts and components to wrist bands in hospitals to football equipment. Zebra's sensors generate huge amounts of data; giving incredible insight into how things work and helping users understand the world in ways not possible before. This allows Zebra to help businesses improve the performance and visibility of their assets.

Zebra's solutions help the operations of over 70,000 retail stores in the U.S., and many more international vendors.

The largest global manufacturers rely on Zebra in managing their supply chains and operations. Zebra's tracking product helped transportation and logistics partners deliver over 9 billion packages in 2013. In healthcare, Zebra helped elevate the quality of care to over 300 million patients last year. 95% of Fortune 500 companies choose Zebra for enterprise solutions for their businesses.

This report is provided solely for informational purposes and nothing in this document constitutes an offer or a solicitation of an offer to purchase any security. This report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient and does not constitute a representation that any investment strategy is suitable or appropriate to a recipient's individual circumstances. Global Alpha Capital Management Ltd. (Global Alpha) in no case directly or implicitly guarantees the future value of securities mentioned in this document. The opinions expressed herein are based on Global Alpha's analysis as at the date of this report, and any opinions, projections or estimates may be changed without notice. Global Alpha, its affiliates, directors, officers and employees may buy, sell or hold a position in securities of a company(ies) mentioned herein. The particulars contained herein were obtained from sources, which Global believes to be reliable but Global Alpha makes no representation or warranty as to the completeness or accuracy of the information contained herein and accepts no responsibility or liability for loss or damage arising from the receipt or use of this document or its contents.

Performance figures are stated in Canadian dollars and are net of trading costs and gross of operating expenses and management fees. Further information about the Global Small Cap Composite is available by contacting the firm. Global Alpha Capital Management Ltd. (Global Alpha) claims compliance with the Global Investment Performance Standards (GIPS<sup>®</sup>) and has prepared and presented this report in compliance with the GIPS. Global Alpha has not been independently verified.

### **Target Market**

Zebra has leading positions in six key technologies:

- Mobile computing as found in wearable tech, tablets, and PDAs
- Barcode and mobile printing solutions such as those you see on the packages delivered to your home or the receipt you receive when you return a rental car
- Data capture, including the scanners used by delivery personnel
- RFID tags and readers used in ski passes, entertainment venues, and retail stores
- Location and motion management solutions such as those Zebra is developing with professional sports teams to better understand player performance
- Cloud-based device management solutions that bring visibility to the data streams generated by all of these technologies

As you can imagine, the above markets are still young, but they are experiencing double digit growth. With a 40% market share, Zebra is the leader in the industry and the next largest competitor has only a 10% share.

### **Zebra's Competitive Advantages**

- Extensive product offering
- 4,500 patents
- Multiple sales channels
- Focus on Innovation

### **Growth Strategy**

- Cross selling
- Implement current technology into higher level products
- Increase penetration for bar codes in emerging markets
- M&A

### **Management**

The CEO, Anders Gustafsson, has been with the company since 2007-2008. The management team has worked together for many years and Zebra has a strong Board of Directors for a company of its size.

### **Risks**

- Delays in new product launches
- Lack of acceptance by customers

### **Market Data**

Market Cap \$4.9B, P/E (2016) 14.7x, Ev/Sales (2016) 2.05x, Ev/Ebitda (2016) 11.2x, 5 year average sales growth 40.6%

This report is provided solely for informational purposes and nothing in this document constitutes an offer or a solicitation of an offer to purchase any security. This report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient and does not constitute a representation that any investment strategy is suitable or appropriate to a recipient's individual circumstances. Global Alpha Capital Management Ltd. (Global Alpha) in no case directly or implicitly guarantees the future value of securities mentioned in this document. The opinions expressed herein are based on Global Alpha's analysis as at the date of this report, and any opinions, projections or estimates may be changed without notice. Global Alpha, its affiliates, directors, officers and employees may buy, sell or hold a position in securities of a company(ies) mentioned herein. The particulars contained herein were obtained from sources, which Global believes to be reliable but Global Alpha makes no representation or warranty as to the completeness or accuracy of the information contained herein and accepts no responsibility or liability for loss or damage arising from the receipt or use of this document or its contents.

Performance figures are stated in Canadian dollars and are net of trading costs and gross of operating expenses and management fees. Further information about the Global Small Cap Composite is available by contacting the firm. Global Alpha Capital Management Ltd. (Global Alpha) claims compliance with the Global Investment Performance Standards (GIPS<sup>®</sup>) and has prepared and presented this report in compliance with the GIPS. Global Alpha has not been independently verified.



Global small cap companies are not always known by name, but they almost always touch our daily lives in important ways. We like to say that they are hidden in plain sight. For example, the shipping label on a recent package from your favorite online retailer was likely printed by Zebra. If you rent a car with Avis, your receipt will be printed with the Zebra mobile printer. Next time you go skiing in Vail, you will know that your ski pass was printed by a company you own through the Global Alpha fund.

Have a good weekend.

The Global Alpha Team

This report is provided solely for informational purposes and nothing in this document constitutes an offer or a solicitation of an offer to purchase any security. This report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient and does not constitute a representation that any investment strategy is suitable or appropriate to a recipient's individual circumstances. Global Alpha Capital Management Ltd. (Global Alpha) in no case directly or implicitly guarantees the future value of securities mentioned in this document. The opinions expressed herein are based on Global Alpha's analysis as at the date of this report, and any opinions, projections or estimates may be changed without notice. Global Alpha, its affiliates, directors, officers and employees may buy, sell or hold a position in securities of a company(ies) mentioned herein. The particulars contained herein were obtained from sources, which Global believes to be reliable but Global Alpha makes no representation or warranty as to the completeness or accuracy of the information contained herein and accepts no responsibility or liability for loss or damage arising from the receipt or use of this document or its contents.

Performance figures are stated in Canadian dollars and are net of trading costs and gross of operating expenses and management fees. Further information about the Global Small Cap Composite is available by contacting the firm. Global Alpha Capital Management Ltd. (Global Alpha) claims compliance with the Global Investment Performance Standards (GIPS<sup>®</sup>) and has prepared and presented this report in compliance with the GIPS. Global Alpha has not been independently verified.