



UNOVA, Inc. (UNA)

Intermec Results Solid; IAS Mix Unfavorable

Price: (07/26/04)	16.57	Rating:	Outperform	FY: Dec	2003A	2004E	2005E
52WK H-L:	27 - 12			Q1	(0.24)A	0.17A	0.15E
Market Cap (mil):	1,027	Suitability:	Higher Risk	Q2	0.00A	0.09A	0.21E
Shares Out (mil):	60.4			Q3	0.08A	0.04E	0.23E
Float (mil):	59.3			Q4	0.02A	0.19E	0.32E
Avg. Daily Vol (mil):	0.50			Total	(0.14)A	0.50E	0.90E
		Price Target:	24	Previous		0.58E	0.91E
Dividend:	0.00	Previous:	25	FY P/E	NM	33.1x	18.4x
Yield:	0.00						

Please refer to "Appendix - Important Disclosures."

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Action

Based on a greater mix of unprofitable business in the industrial automation segment (IAS) and additional corporate expenses, we are reducing estimates. However, given incremental strength at Intermec, improving IAS bookings and current valuation, we recommend purchase at current levels.

Summary

- Management indicated a mix shift towards unprofitable business would cause IAS to be unprofitable in 3Q04 (a negative swing of roughly \$5M in our model). In addition, incremental corporate spending on compliance (Sarbanes-Oxley) is also negatively impacting near-term profitability by roughly \$1M.
- Therefore, we are lowering our 2004 EPS estimate to \$0.50 from \$0.58, and we are lowering our 2005 EPS estimate to \$0.90 from \$0.91.
- Despite this reduction, we remain positive on Unova and recommend purchase based on the following:
- First, business at Intermec appears to be incrementally positive; management raised revenue guidance. Intermec has been posting solid results without significant contribution from their core industrial segment. Our reseller contacts have suggested to us that the industrial segment is now seeing improving trends, which management confirmed on the call.
- Second, we believe the 3Q04 IAS margin weakness is attributable to incremental Hyundai-related revenue, which loses money at the operating margin level. Management believes this business will largely be complete by 4Q04, and that current bookings have substantially stronger margins.
- Third, the incremental price pressure has created an attractive valuation. Assuming IAS is sold for 0.3x sales, Intermec's enterprise value as a stand-alone operation is trading 11x our 2004 EBIT estimate. Intermec industry comparables are trading on average at 17x.

Details

Investment Perspective

Based on a strong mix of unprofitable IAS business, management expects that segment to be unprofitable in 3Q04. Management indicated that IAS revenue will increase to \$120-\$130M (RWB previously at \$111M) in 3Q04 largely as a result of strong business from Hyundai. The contract with Hyundai was signed over a year ago for strategic reasons (access to Asia and keeping engineering talent), not for financial considerations. Our estimate is that the gross margin on the Hyundai contract is less than 5%, and given the associated SG&A requirements, the business is unprofitable at the operating margin level. Management expects the bulk of the remaining contract will now be realized in 3Q04; they previously expected this revenue would be generated over the next several quarters. Our model assumed substantially less of this business in 3Q04 - we had projected an operating profit of \$2.75M, which given the mix change, has been re-estimated to be a operating loss of \$2.5M.

In addition, incremental corporate spending on Sarbanes-Oxley compliance is also negatively impacting near-term profitability, by adding approximately \$2M in cost this year, and \$1.0M next year. As a result of these trends, we are lowering our 2004 EPS estimate to \$0.50 from \$0.58, and we are lowering our 2005 estimate to \$0.90 from \$0.91. Despite this reduction, we remain positive on Unova and recommend purchase based on the following.

First, business at Intermec appears to be incrementally positive; management raised 3Q04 revenue guidance to 12%-15% (RWB was previously at 11%). Intermec has been positing solid results without significant contribution from their core industrial segment. Such improvement has come from non traditional business segments including transportation and logistics (FedEx), retail (Tesco, Hallmark, Office Depot and Sainsbury) and field service. Our reseller contacts have suggested to us that the industrial segment, which we believe to still account for the most significant market revenue at Intermec, is now seeing improving trends. Management confirmed this trend on the call indicating that the company is seeing a pick up in opportunities in automotive, aerospace and chemicals.

Second, we believe the 3Q04 IAS margin weakness is attributable to incremental Hyundai related revenue. Management believes this business will largely be complete by the end of 3Q04, and that profitability should be restored. Looking into 2005, we expect this business will deliver increasingly stronger profitability. Our view is based on 1) bookings targets of \$105M were weak in 4Q03 (\$93M) and 1Q04 (\$85M), but have substantially improved to \$138M in 2Q04 (given improving trends in the industrial market, management expects bookings strength to continue), and therefore, the IAS segment should experience increased operating leverage; 2) the current bookings have substantially stronger margins than business booked last year (with a greater mix of higher margin re-tooling business), suggesting that the quality of business is looking better.

Third, the incremental price pressure as created an attractive valuation. Assuming IAS is sold for 0.3x sales (\$150M, which would give UNA a net cash position of \$133M), Intermec's enterprise value as a stand-alone operation is trading 10.7x our 2004 EBIT estimate of \$83.6M. Intermec industry comparables are trading on average at 17x, including Zebra at 19.8x, Symbol at 19.6x and Metrologic at 13.1x. We believe the weak valuation reflects near-term profitability concerns in the IAS segment, and investor frustration that the sale of those segments is not moving forward more rapidly.

Our comparables analysis yields a price target of \$24. This is based on an Intermec enterprise valuation of \$1.08 billion (based on an average EV/EBITDA multiple of 14.3x for comparable companies), and an IAS EV of \$0.39 billion (based on an average EV/revenue multiple of \$0.7x for comparable companies). Summing the Intermec and IAS enterprise values creates a total UNOVA EV of \$1.42 billion, which when adjusted for

cash and debt balances, generates an implied market capitalization of \$1.40 billion, which come to just under \$24 per share.

2Q04 Overall Results

(\$000)	Quarter 2Q04	Ended 2Q03	Yr./Yr. Change	Actual	vs. Baird/ Estimate	Estimate Variance
Total Revenues	\$304,213.0	\$292,099.0	4.1%	\$304,213.0	\$294,063.9	3.5%
Gross Profit	\$96,924.0	\$86,861.0	11.6%	\$96,924.0	\$91,159.8	6.3%
Gross Margin	31.9%	29.7%	210 bp	31.9%	31.0%	90 bp
SG&A	\$79,404.0	\$73,964.0	7.4%	\$79,404.0	\$75,574.4	5.1%
D&A	\$4,610.0	\$6,973.0	-33.9%	\$4,610.0	\$5,000.0	-7.8%
Operating Income	\$12,910.0	\$5,924.0	117.9%	\$12,910.0	\$10,585.4	22.0%
Operating Margin	4.2%	2.0%	220 bp	4.2%	3.6%	60 bp
Pretax Income	\$9,724.0	\$2,747.0	254.0%	\$9,724.0	\$7,785.4	24.9%
Taxes	\$3,871.1	\$2,884.0	34.2%	\$3,871.1	\$2,880.6	34.4%
Tax Rate	39.8%	105.0%		39.8%	37.0%	
Net Income (before charges)	\$5,852.9	(\$137.0)	NM	\$5,852.9	\$4,904.8	19.3%
Cash EPS	\$0.09	(\$0.00)	NM	\$0.09	\$0.08	20.1%
Shares	62,011.0	58,474.0	6.0%	62,011.0	62,436.6	-0.7%

Revenue - Unova reported 2Q04 revenue of \$304.2 million, an increase of 4% from \$292.1 million in 2Q03 (+7% excluding the one time IP settlement in 2Q03). Our estimate was \$294.1 million. The IAS segment came in ahead of our estimate, while the ADS segment was modestly below.

Operating Income - For the quarter, gross margin increased 220bp to 31.9% versus 29.7% in 2Q03, and 90bp ahead of our estimate. In 2Q03, Unova recorded \$5.3 million in operating income related to the IP settlement, most of which flowed through the gross margin line. Operating expenses were \$84.0 million, or 27.6% of sales, a decrease of 10bp versus a year ago. Higher R&D spending (by more than \$5 million versus 2Q03) and increased spending on Sarbanes Oxley offset cost controls and restructuring as well as lower depreciation and amortization (\$4.6 million versus \$7.0 million in 2Q03). Therefore, operating income was \$12.9 million, or 4.2% of sales, an increase of 220bp from a year ago and 60bp above our estimate.

Tax Rate – During 2Q04, Unova had a tax rate of 39.8%. Going forward, the company guided a tax rate of 38%-40%.

Cash – At the end of 2Q04, Unova had \$191.1 million in cash and equivalents, a decrease from \$227.5 million at the end of 1Q04.

Receivables – At the end of 2Q04, DSOs were 95 days, up from 90 days at the end of 1Q04. Receivables were \$320.7 million, up from \$280.6 million at the end of 1Q04.

Inventory – At the end of 2Q04, inventory turns were 5.3x, compared to 5.4x at the end of 1Q04. Inventories were \$157.8 million, up 5% from \$150.3 million in 1Q04.

Cash Flow – During 2Q04, Unova used cash from operations of \$36 million, primarily for funding working capital. Management expects to be cash flow positive in 3Q04. Unova invested \$2.7 million in capital expenditures in 2Q04, down from \$3.7 million in 1Q04, and therefore used roughly \$39 million in free cash flow during 2Q04.

Results by Segment

ADS - Unova's Automated Data Systems (ADS) segment, or Intermecc, posted revenue of \$186.6 million, in line with prior guidance of \$184-\$189 million. This represents 4% comparable growth from 2Q03 revenue (+9% excluding one-time IP settlement in 2Q03). Breaking ADS sales down further, Systems and Solutions increased 15% comparably, Service increased 2% comparably, and Printer/Media increased 1%.

Geographically, Asia-Pacific showed the most strength, growing 30% comparably on broader expansion throughout the region. The EMEA region continued to grow, increasing 10% versus the prior year, on top of a 42% year/year increase last year. While last year's increase was due to several large rollouts, including Tesco, this year's growth was supported by a broader base of business. North American sales increased 9% driven by strength in the company's indirect channels as greater acceptance of the Intermec honors programs resulted in greater traction with both new and existing partners. Sales in Latin America increased 10% comparably as Intermec continued its traditional leadership in DSD applications.

ADS operating margins decreased to 8.4%, or 100 basis points lower than 2Q03, excluding the \$5.3 million in operating income related to the IP settlement that Unova recorded in 2Q03. The decrease was due in part to higher R&D spending (over \$5 million more than the prior year). The company provided 3Q04 guidance of revenue between \$187-\$192 million and operating profit between \$12-\$14 million. Given leverage, we view the operating income guidance as conservative.

IAS - Unova's IAS segment reported revenue of \$117.6 million, +12% sequentially, and above our \$106.8 million estimate. Bookings were up to \$138 million from \$85 million last quarter, driven by new retooling business, as well as the Boeing 7E7 and Airbus 380 programs. Operating margins for IAS improved comparably to 2.6% in 2Q04, from a loss of 8.8% 2Q03. These improvements have occurred through cost reductions and restructuring activities as well as improvements within the Cincinnati Landis business. The company guided 3Q04 revenues between \$120-\$130 million and operating loss between \$2-\$3 million due to a higher mix of Hyundai business.

Investment Thesis

Attractive Position in Served Markets. Intermec has historically had a strong competitive position in warehousing and distribution, direct store delivery, manufacturing and government, where the company has over 20 years of participation in data capture and mobile information management solutions. In addition, Intermec is seeing new strength in retail as companies are seeking a solid No. 2 player (to Symbol) to participate in the point-of-sale upgrade cycle currently underway.

Widest Product Offering. Intermec offers the widest set of products in the industry, including bar code scanners and printers, wireless networking equipment, mobile computers and radio frequency identification. We believe this wide offering creates a competitive advantage in offering value-added solutions. Intermec has the No. 2 market position behind Symbol in scanning, wireless networking and mobile computing, and has the No. 2 position in printing behind Zebra.

Strong Intellectual Property Position. Intermec has nearly 700 patents and over 200 patents pending, which is one of the strongest patent portfolios in the industry and acts as a strong competitive advantage. Intermec leverages its patent portfolio primarily as a source of value-added product development, but will also generate royalty income from licensees.

Meaningful Product Development Is Expected to Continue. As Intermec has improved its cost structure and profitability, we expect that the company will increasingly invest in new product development. Historically, strong product development in the automatic data capture industry has created positive revenue and earnings momentum.

RFID Is a Large Potential Future Opportunity. Intermec has early strength in the RFID market, with over 80 worldwide installations, including customers such as Toyota, U.S. Customs and the U.S. Army. Given the potential expansion of existing pilots and the substantial market opportunity created by Wal-Mart and the DOD requirements, RFID

could see substantial growth in the next several years. Given Intermec's position, including 125 RFID-related patent, we expect strong RFID growth in the next several years.

Potential Divestitures Represent Attractive Value. We expect that the company will attempt to divest the remaining units in its IAS business segment. We expect this action will not only allow management to place increased focus on Intermec, but will also allow the company to improve its financial position.

Risk & Caveats

Competition - Intermec faces significant competition in the broader automatic identification market from players such as Symbol, Zebra, HHP, Sato and Metrologic. Intermec also faces competition from broader technology players such as Cisco (wireless networking), Hewlett-Packard (mobile computers), Dell (mobile computers), Palm (mobile computers) and RIM (mobile computers). Given the competitive landscape, Intermec may be subjected to market share and price concerns. However, given that the market seems to be increasingly focused on solution selling, we do not expect price pressure will be a near-term issue.

IAS Divestiture - UNOVA management must continue to focus on two sets of differing businesses, which obscures focus and stretches finite resources. A prolonged arrangement will likely hinder the company's ability to raise profits and returns to levels desired and expected by investors. Given that investors have forecasted these divestitures, we expect delays could have an adverse impact on Unova's share price.

Continued Weakness in Automotive and Aerospace - Automotive and aerospace equipment is capital intensive and sales are very price competitive. These segments have been under pressure due to the relatively recently weak macro-economic environment (and share loss in the case of Big 3 automotive). Prolonged weakness could make these segments relatively less valuable.

RFID - With Wal-Mart and the DOD supporting increased RFID adoption, investors clearly have begun to factor these incremental opportunities into Unova's stock price. While we view the long-term RFID opportunity as real, we are concerned that the near term could see slow-moving pilots and failed implementations. Such events could have a short-term impact on UNOVA's price.

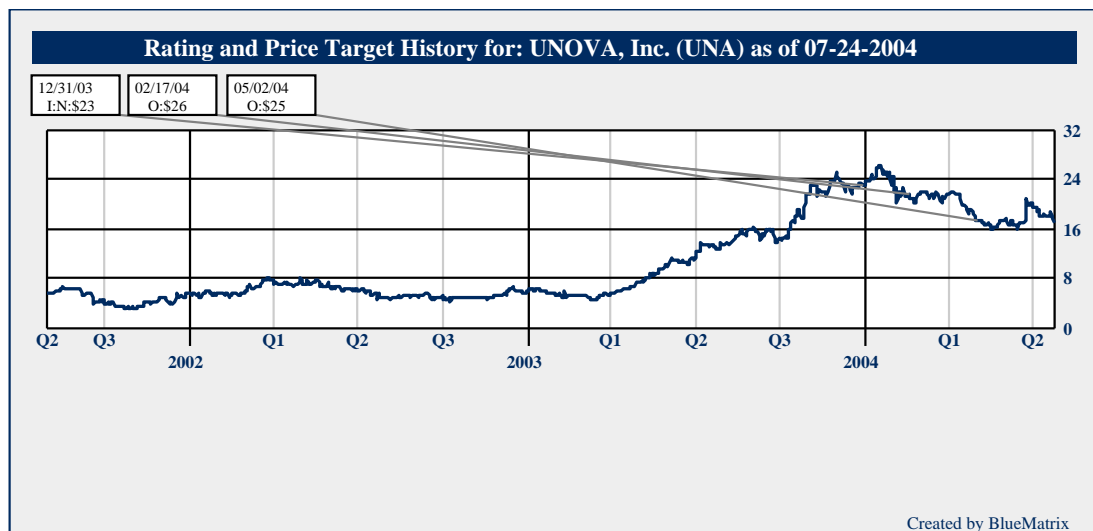
Enterprise Strategy - Historically, Intermec has not focused on winning enterprise accounts; however, the company's revised strategy will have it moving increasingly into this area. Such a new focus will require increased management resources and greater investment in R&D as well as sales and marketing than have historically been allocated to achieving business from the enterprise market. Such investments could cause other business to suffer or could result in weak returns.

Company Description

UNOVA, headquartered in Everett, Washington, operates in two business segments: Automated Data Systems and Industrial Automation Systems. The Automated Data Systems unit (ADS), which operates as Intermec Corporation, provides bar code scanners, bar code printers, mobile computers, wireless networks and RFID solutions. Revenues from the ADS business unit accounted for roughly 62% of total sales during the past year. The Industrial Automation Systems unit (IAS) provides heavy industrial equipment for the precision grinding of automotive and aerospace components, automated assembly of auto and truck bodies and the automated layering of composite materials. IAS generated roughly 38% of company revenue during the past year.

The 24-Hour Policy is in effect until 8:00 AM, Wed., July 28, 2004.

"Appendix - Important Disclosures"



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July 26, 2004
Fiscal year ends: December

Unova
Earnings Model

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(\$ thousands)	1Q02	2Q02	3Q02	4Q02	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04E	4Q04E	2004E	1Q05E	2Q05E	3Q05E	4Q05E	2005E
Net Sales	\$ 292,381	\$ 355,249	\$ 329,895	\$ 335,631	\$ 1,313,156	\$ 273,667	\$ 292,099	\$ 278,024	\$ 300,879	\$ 1,144,669	\$ 297,670	\$ 304,213	\$ 313,326	\$ 334,311	\$ 1,249,520	\$ 315,069	\$ 333,064	\$ 336,822	\$ 364,165	\$ 1,349,119
Cost of sales	217,366	237,900	217,537	225,896	898,699	197,210	205,238	185,036	202,697	790,181	194,956	207,289	220,895	225,994	849,134	214,562	224,651	225,502	240,349	905,064
Gross profit	75,015	117,349	112,358	109,735	414,457	76,457	86,861	92,988	98,182	354,488	102,714	96,924	92,431	108,317	400,386	100,507	108,412	111,320	123,816	444,055
Selling, General & Administrative	73,942	77,753	76,127	89,245	317,067	77,715	73,964	76,479	80,297	308,455	78,651	79,404	79,898	81,070	319,023	78,767	80,768	81,679	85,579	326,793
Depreciation and Amortization	9,002	8,830	8,275	8,471	34,578	7,165	6,973	6,249	5,193	25,580	4,784	4,610	5,000	5,000	19,394	4,800	4,800	4,700	4,700	19,000
Total expenses	82,944	86,583	84,402	97,716	351,645	84,880	80,937	82,728	85,490	334,035	83,435	84,014	84,898	86,070	338,417	83,567	85,568	86,379	90,279	345,793
Income from operations	(7,929)	30,766	27,956	12,019	62,812	(8,423)	5,924	10,260	12,692	20,453	19,279	12,910	7,533	22,246	61,968	16,940	22,844	24,940	33,537	98,262
Interest / other income (expense)	(5,541)	(6,167)	(4,928)	(3,953)	(20,589)	(3,862)	(3,177)	(3,133)	(2,913)	(13,085)	(3,068)	(3,186)	(3,000)	(3,000)	(12,254)	(3,000)	(3,000)	(3,000)	(3,000)	(12,000)
Income before income taxes	(13,470)	24,599	23,028	8,066	42,223	(12,285)	2,747	7,127	9,779	7,368	16,211	9,724	4,533	19,246	49,714	13,940	19,844	21,940	30,537	86,262
Income tax expense (benefit)	100	2,349	4,543	(958)	6,034	1,900	2,884	2,325	8,363	15,472	5,459	3,871	1,768	7,506	18,604	4,740	6,747	7,460	10,383	29,329
Income before extraordinary items	(13,570)	22,250	18,485	9,024	36,189	(14,185)	(137)	4,802	1,416	(8,104)	10,752	5,853	2,765	11,740	31,110	9,200	13,097	14,481	20,155	56,933
Nonrecurring gain (loss) - net of tax	(4,688)	-	(4,174)	(25,000)	(33,862)	(698)	(663)	(6,147)	(3,665)	(11,173)	(270)	(156)	-	-	(426)	-	-	-	-	-
Net income	\$ (18,258)	\$ 22,250	\$ 14,311	\$ (15,976)	\$ 2,327	\$ (14,883)	\$ (800)	\$ (1,345)	\$ (2,249)	\$ (19,277)	\$ 10,482	\$ 5,697	\$ 2,765	\$ 11,740	\$ 30,684	\$ 9,200	\$ 13,097	\$ 14,481	\$ 20,155	\$ 56,933
Weighted average common shares outstanding	57,547	58,612	58,687	58,141	58,247	58,413	58,474	60,830	59,454	59,293	62,126	62,011	62,321	62,633	62,273	62,946	62,584	63,261	62,897	62,922
EPS before extraordinary items	(\$0.24)	\$0.38	\$0.31	\$0.16	\$0.62	(\$0.24)	(\$0.00)	\$0.08	\$0.02	(\$0.14)	\$0.17	\$0.09	\$0.04	\$0.19	\$0.50	\$0.15	\$0.21	\$0.23	\$0.32	\$0.90
Extraordinary items	(0.08)	-	0.07	0.43	(0.58)	(0.01)	(0.01)	(0.10)	(0.06)	(0.19)	(0.00)	(0.00)	-	-	(0.01)	-	-	-	-	-
EPS	(\$0.32)	\$0.38	\$0.24	(\$0.27)	\$0.04	(\$0.25)	(\$0.01)	(\$0.02)	(\$0.04)	(\$0.33)	\$0.17	\$0.09	\$0.04	\$0.19	\$0.49	\$0.15	\$0.21	\$0.23	\$0.32	\$0.90
% of Sales																				
Gross Margin	25.7%	33.0%	34.1%	32.7%	31.6%	27.9%	29.7%	33.4%	32.6%	31.0%	34.5%	31.9%	29.5%	32.4%	32.0%	31.9%	32.6%	33.1%	34.0%	32.9%
Operating Margin	-2.7%	8.7%	8.5%	3.6%	4.8%	-3.1%	2.0%	3.7%	4.2%	1.8%	6.5%	4.2%	2.4%	6.7%	5.0%	5.4%	6.9%	7.4%	9.2%	7.3%
Pretax Margin	-4.6%	6.9%	7.0%	2.4%	3.2%	-4.5%	0.9%	2.6%	3.3%	0.6%	5.4%	3.2%	1.4%	5.8%	4.0%	4.4%	6.0%	6.5%	8.4%	6.4%
Net Margin (before extraordinary items)	-4.6%	6.3%	5.6%	2.7%	2.8%	-5.2%	0.0%	1.7%	0.5%	-0.7%	3.6%	1.9%	0.9%	3.5%	2.5%	2.9%	3.9%	4.3%	5.5%	4.2%
Sales, General & Marketing Expenses	25.3%	21.9%	23.1%	26.6%	24.1%	28.4%	25.3%	27.5%	26.7%	26.9%	26.4%	26.1%	25.5%	24.3%	25.5%	25.0%	24.3%	24.3%	23.5%	24.2%
Depreciation and Amortization Expense	3.1%	2.5%	2.5%	2.5%	2.6%	2.6%	2.4%	2.2%	1.7%	2.2%	1.6%	1.5%	1.6%	1.5%	1.6%	1.5%	1.4%	1.4%	1.3%	1.4%
Total Operating Expenses	28.4%	24.4%	25.6%	29.1%	26.8%	31.0%	27.7%	29.8%	28.4%	29.2%	28.0%	27.6%	27.1%	25.7%	27.1%	26.5%	25.7%	25.6%	24.8%	25.6%
% Change																				
Total Revenue	-27.5%	-13.8%	-8.1%	-5.4%	-14.1%	-6.4%	-17.8%	-15.7%	-10.4%	-12.8%	8.8%	4.1%	12.7%	11.1%	9.2%	5.8%	9.5%	7.5%	8.9%	8.0%
Gross Margin	-30.7%	7.6%	15.1%	14.8%	0.9%	1.9%	-26.0%	-17.2%	-10.5%	-14.5%	34.3%	11.6%	-0.6%	10.3%	12.9%	-2.1%	11.9%	20.4%	14.3%	10.9%
Operating Income	32.7%	2895.7%	3301.0%	-174.0%	-408.4%	NM	-80.7%	-63.3%	5.6%	-67.4%	NM	117.9%	-26.6%	75.3%	203.0%	-12.1%	77.0%	231.1%	50.8%	58.6%
Pretax Income	-8.0%	-419.4%	-509.3%	-136.1%	-184.0%	NM	-88.8%	-69.1%	21.2%	NM	NM	254.0%	-36.4%	96.8%	574.7%	-14.0%	104.1%	384.0%	58.7%	73.5%
Net Income (excluding extraordinary items)	83.5%	-527.7%	-1741.7%	-164.8%	-100.8%	NM	NM	-74.0%	-84.3%	NM	NM	NM	-42.4%	728.9%	-259.2%	-12.2%	123.8%	423.7%	71.7%	85.5%
Average shares	1.9%	3.7%	2.7%	1.6%	2.5%	1.5%	-0.2%	3.7%	2.3%	1.8%	6.4%	6.0%	2.5%	5.3%	5.0%	1.3%	0.9%	1.5%	0.4%	1.0%
EPS (excluding extraordinary items)	33.8%	-512.4%	-1699.1%	-163.8%	-217.0%	NM	NM	-74.9%	-84.7%	NM	NM	NM	-43.8%	686.8%	-465.5%	-15.5%	121.7%	415.9%	70.9%	81.1%
Income Tax Rate	-0.7%	9.5%	19.7%	-11.9%	14.3%	-15.5%	105.0%	32.6%	85.5%	NM	33.7%	39.8%	39.0%	39.0%	37.4%	34.0%	34.0%	34.0%	34.0%	34.0%



ROBERT W. BAIRD & CO. INCORPORATED 777 EAST WISCONSIN AVENUE MILWAUKEE, WI 53202

Reik Read (414) 298-1030

Automated Data Systems (Revenue and Operating Income)

	1Q02	2Q02	3Q02	4Q02	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04E	4Q04E	2004E	1Q05E	2Q05E	3Q05E	4Q05E	2005E
Divisional Product and Service Revenue	#####	152,019	160,527	175,422	627,293	161,632	170,590	166,282	184,690	683,194	172,305	184,579	188,486	208,972	754,342	192,900	206,334	210,315	233,028	842,577
RFID Revenue (estimate to acknowledge potenti	1,000	1,000	1,000	1,000	4,000	1,250	1,250	1,250	1,250	5,000	1,500	2,000	2,500	3,000	9,000	3,500	4,500	5,500	6,500	20,000
Total Intermec Revenue	#####	153,019	161,527	176,422	631,293	162,882	171,840	167,532	185,940	688,194	173,805	186,579	190,986	211,972	763,342	196,400	210,834	215,815	239,528	862,577
Intellectual Property	-	44,987	36,973	31,159	113,119	-	7,200	11,189	-	18,389	19,200	-	-	-	19,200	-	-	-	-	-
Total Revenue	140,325	198,006	198,500	207,581	744,412	162,882	179,040	178,721	185,940	706,583	193,005	186,579	190,986	211,972	782,542	196,400	210,834	215,815	239,528	862,577
Note: Foreign exchange impact							9,000	5,000			8,800	5,000								
<u>Reconcile to Reported</u>																				
Total Reported Operating Profit	(734)	37,900	40,300	32,665	110,131	9,002	21,495	22,177	13,107	65,781	28,046	15,599	15,176	24,779	83,600	18,504	23,700	25,493	34,030	101,728
Intellectual Property	0	33,740	32,900	24,000	90,640	-	5,300	8,600	(1,300)	12,600	15,800	-	-	-	15,800	-	-	-	-	-
Other	-	-	-	14,300	14,300	-	-	677	-	677	-	-	-	-	-	-	-	-	-	-
Operating Profit (excl IP)	(734)	4,160	7,400	(5,635)	5,191	9,002	16,195	12,900	14,407	52,504	12,246	15,599	15,176	24,779	67,800	18,504	23,700	25,493	34,030	101,728
Allocated corporate expenses						0	0	4,124	3,335		2,636	4,275	4,275	4,275	15,461	3,563	3,563	3,563	3,563	14,250
Operating income						9,002	16,195	8,777	11,072		9,611	11,324	10,901	20,504	52,340	14,941	20,138	21,931	30,468	87,478
Comparable sales growth (excl IP)	-17.0%	-4.0%	13.0%	15.6%	1.0%	16.0%	12.3%	3.6%	5.3%	9.0%	5.3%	8.6%	14.0%	14.0%	10.9%	13.0%	13.0%	13.0%	13.0%	13.0%
Systems and solutions	-20.0%		22.0%	21.0%	6.0%		11.5%	6%	5%		7%	15%								
Printers and Media			-4.0%	7.0%	-5.0%		11.4%	-5%	3%		8%	1%								
Service			9.0%	9.0%			16.1%	9%	11%		6%	2%								
Sequential sales growth	-8.1%	9.0%	5.6%	9.2%	NA	-7.7%	5.5%	-2.5%	11.0%	NA	3.8%	-3.3%	2.4%	11.0%		-7.3%	7.3%	2.4%	11.0%	
Operating margin (excl IP, beofre corp allocation)		2.7%	4.6%	4.9%		5.5%	9.4%	7.7%	7.7%	7.7%	6.3%	8.4%	7.9%	11.7%	8.7%	9.4%	11.2%	11.8%	14.2%	11.8%
Operating margin (excl IP, after corp allocation)						5.5%	9.4%	5.2%	6.0%	0.0%	5.0%	6.1%	5.7%	9.7%	6.7%	7.6%	9.6%	10.2%	12.7%	10.1%



Unova, Inc.
NASDAQ - UNA

Reik Read (414) 298-1030

Fiscal Year Ends: December

Balance Sheet	2001	2002	2003	1Q04	2Q04	3Q04E	4Q04E
Assets							
Cash and Equivalents	103,714	178,269	238,447	227,530	191,070	201,760	214,796
Net Receivables	375,883	341,171	275,594	280,600	320,659	333,894	340,608
Inventories	189,427	138,468	132,324	150,330	157,874	178,040	188,104
Deferred Taxes/Other	90,271	87,859	114,582	109,912	102,176	106,000	107,000
Total Current Assets	759,295	745,767	760,947	768,372	771,779	819,694	850,507
Property Plant and Equipment	174,136	126,936	77,292	76,009	74,558	73,758	72,958
Intangibles/Other	273,547	252,078	252,578	250,753	248,236	265,003	265,004
Total Assets	1,206,978	1,124,781	1,090,817	1,095,134	1,094,573	1,158,455	1,188,469
Liabilities and Equity							
Payables	350,319	286,715	265,626	266,552	257,895	296,285	310,058
Accrued liabilities/Other	58,890	72,211	54,893	143,624	140,456	140,456	140,456
Total Current Liabilities	409,209	358,926	320,519	410,176	398,351	436,741	450,514
LT Debt	281,500	224,700	208,500	108,500	108,500	108,500	108,500
Other Liabilities	118,295	123,257	130,970	133,453	134,930	126,000	126,000
Shareholders Equity	397,974	417,898	430,828	442,975	452,792	487,214	503,455
Total Liability and Equity	1,206,978	1,124,781	1,090,817	1,095,104	1,094,573	1,158,455	1,188,469

Balance Sheet Analysis	2001	2002	2003	1Q04	2Q04	3Q04E	4Q04E
Total Debt/Total Capital	46%	42%	38%	36%	35%	34%	0%
LT Debt/Equity	54%	67%	52%	47%	46%	43%	0%
Current Ratio	1.9	2.1	2.4	1.9	1.9	1.9	1.9
Quick Ratio	1.2	1.4	1.6	1.2	1.3	1.2	1.2
Days Sales Outstanding	99	100	98	90	95	90	90
Inventory Turns	5	5	6	5.4	5.3	5.3	5.3
Working Capital	350,086	386,841	440,428	358,196	373,428	382,953	399,993
Book Value/Share	7.00	7.17	7.27	7.13	7.30	7.82	8.04

Cash Flow Statement	2001	2002	2003	2004E
Net Income	(292,184)	2,427	(19,267)	30,684
+Dep. and Amortization	57,191	34,578	25,811	19,784
+Deferred Taxes/Other	342,854	40,979	4,131	11,698
-Working Cap. Changes	61,100	34,937	59,534	(83,997)
Cash Flow from Operations	168,961	112,921	70,209	(21,831)
-Capital Expenditures	(14,726)	(10,460)	(20,099)	(12,840)
Free Cash Flow	154,235	102,461	50,110	(34,671)
Shares (millions)	56,843	58,247	59,293	62,273
Operating Cash Flow/ Share	2.97	1.94	1.18	-0.35
Free Cash Flow /Share	2.71	1.76	0.85	-0.56

DuPont Formula	2001	2002	2003	2004E
Net Margins (N/S)	-2.0%	2.8%	-0.7%	2.5%
Asset Turnover (S/A)	1.0	1.1	1.0	1.1
Leverage (A/E)	2.7	2.9	2.6	2.4
Return on Equity	-5.6%	8.9%	-1.9%	6.7%

Valuation Measures		2001	2002	2003	2004E
Stock Price (fiscal year)	High	\$ 6.88	\$ 8.10	\$ 24.48	\$ 26.00
	Low	\$ 2.20	\$ 4.37	\$ 4.47	\$ 10.00
	12/31 Close	\$ 5.80	\$ 6.00	\$ 22.95	\$ 24.00
Historical P/E	High	NM	13.0	NM	52.0
	Low	NM	7.0	NM	20.0
Historical P/CF	High	2.3	4.2	20.7	-74.2
	Low	0.7	2.3	3.8	-28.5

Debt Adj. Market Value	2001	2002	2003	2004E
Market Value	329,692	349,481	1,360,769	1,494,544
Other Liabilities	123,257	130,970	130,970	126,000
ST+LT Debt	224,700	208,500	208,500	108,500
Cash & Equivalents	178,269	238,447	214,796	214,796
Total DAMV(Enterprise Value)	499,380	450,504	1,485,443	1,514,248
EBITDA	36,825	97,390	46,264	81,752
DAMV/EBITDA	13.6	4.6	32.1	18.5

Intermec (ADS) - Comparables									
	Price	Market			Enterprise	2004	2004		
Symbol	7/26	Capitalization	Cash	Debt	Value	Operating	Depreciation/	2004	EV/EBITDA
						Income*	Amortization	EBITDA	
	\$ 14.00	\$ 3,311,000	\$ 98,000	\$ 141,000	\$ 3,354,000	\$ 170,827	\$ 40,000	\$ 210,827	15.9
Zebra	77.30	3,724,237	449,964	-	3,274,273	164,798	11,519	176,317	18.6
Brady	43.08	1,034,351	80,139	190,000	1,144,212	88,027	19,154	107,181	10.7
Metrologic	14.50	297,613	1,360	12,876	309,129	23,502	3,500	27,002	11.4
Intermec (Implied EV)									
Average					\$ 1,049,369	\$ 52,340	\$ 21,817	\$ 74,156	14.2
High					1,377,113				18.6
Low					791,658				10.7

IAS - Comparables							
	Price	Market	Cash	Debt	Enterprise	2004	EV/Sales**
		Capitalization			Value	Sales	
Ingersoll-Rand	\$ 65.98	\$ 11,533,304	\$ 336,000	\$ 2,393,000	\$ 13,590,304	\$ 10,200,000	1.3
Barnes Group	24.96	580,520	57,176	175,199	698,543	921,214	0.8
Quanex Corporation	43.77	715,070	56,851	9,638	667,857	1,058,008	0.6
IAS (Implied EV)							
Average					\$ 368,426	\$ 466,978	0.8
High					414,795		0.9
Low					196,517		0.4

Total Unova - Implied Valuation					
	Price	Market	Cash	Debt	Enterprise
		Capitalization			Value
Average	\$ 23.55	\$ 1,400,365	\$ 191,070	\$ 208,500	\$ 1,417,795
High	29.85	1,774,478	191,070	208,500	1,791,908
Low	16.33	970,745	191,070	208,500	988,175

*Includes approximately \$15 million in corporate general and administrative expenses allocated to Intermec

**IAS expected to return to profitability by 4Q04, thus using EV/Sales as a valuation metric. Multiples discounted by 15% to account for relative lack of profitability.

"Appendix - Important Disclosures"

ADDITIONAL INFORMATION ON COMPANIES MENTIONED HEREIN IS AVAILABLE UPON REQUEST

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