

DATALOGIC

BUY

SECTOR: *Industrials*

Price (Eu):

6.57

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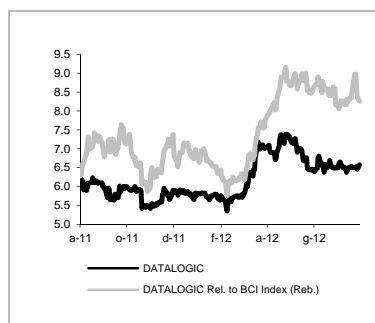
Target Price (Eu):

9.50

New EBITDA Margin Peak Despite a Difficult Reference Market

- 2Q sales up 15.4% to Eu121.5mn:** This figure was already released and includes the contribution from the recent acquisitions of Accu-Sort (Eu10.0mn in 2Q12) and PPT (Eu1.1mn in 2Q12), net of which turnover would have increased by 4.8% YoY, better than the reference market trend in the quarter (which was flattish based on main competitors' results). Accu-Sort's revenues were below our expectations because a number of large contracts ("special projects") were postponed due to more acute global economic uncertainty. The situation is expected to improve in 2H12.
- EBITDA closed at Eu22.2mn, up 31% YoY and 10% ahead of estimates.** Despite weaker than expected sales volumes, Datalogic's gross margin stood at 49.4%, up 250bps YoY thanks to a positive price environment, new products and better operating efficiency gained through the company's new supply chain. Notably, R&D spending amounted to 6.5% on sales, even higher than in 2Q11. Below EBITDA, Eu1.6mn of non-recurring charges were booked, more than offset by about Eu8.7mn of foreign exchange gains. As a consequence, net profit stood at Eu16.5mn, compared to just Eu2.2mn in 2Q11 and almost 75% better than forecast thanks in part to a lower tax load. Finally, net debt closed at Eu171.8mn, broadly in line with the corresponding figure as of March 2012, although slightly higher than expected, because of some severance costs, higher tax payments and a Eu2.8mn cash-out to acquire treasury shares.
- In light of quarterly results we are changing our 2012 estimates:** in particular, we are reducing expected revenues (-1.3% or Eu6.7mn) but we are confirming our EBITDA forecast, thanks to higher margins. We have also aligned our FY12 tax rate to the higher end of management's indications (23%-24%), entailing a 6.6% upward revision in 2012 EPS. We have also included forex gains booked in 1H12 in our model, but have adjusted restated net profit for this contribution. As for 2013, we have left our estimates broadly unchanged.
- BUY recommendation, target price Eu9.5 confirmed.** Quarterly results came in better than expected thanks to very effective business operations as testified by the rising EBITDA margin. Further efficiencies may be obtained via the new supply chain management and thanks to the plant in Vietnam. Margins should get another boost in 2H12 thanks to the recently completed integration of acquired companies. Importantly, during the conference call, management confirmed that an update to the 3-year business plan will be provided by the end of September. In the meanwhile, we reiterate our BUY on Datalogic, which is trading at very attractive multiples.

DATALOGIC - 12m Performance

RATING: **Unchanged**TARGET PRICE (Eu): **Unchanged**

Change in EPS est:	2012E	2013E
	6.6%	0.3%

STOCK DATA

Reuters code:	DAL.MI
Bloomberg code:	DAL IM

Performance	1m	3m	12m
Absolute	1.2%	-10.0%	2.8%
Relative	1.2%	-4.5%	24.1%
12 months H/L:	7.38/5.35		

SHAREHOLDER DATA

No. of Ord. shares (mn):	58
Total No. of shares (mn):	58
Mkt Cap Ord (Eu mn):	384
Total Mkt Cap (Eu mn):	384
Mkt Float - ord (Eu mn):	103
Mkt Float (in %):	26.9%
Main shareholder:	
Hydra Spa (controlled by Voli)	67.1%

BALANCE SHEET DATA

	2012
Book value (Eu mn):	192
BVPS (Eu):	3.28
P/BV:	2.0
Net Financial Position (Eu mn):	-144
Enterprise value (Eu mn):	527

Key Figures	2010A	2011A	2012E	2013E	2014E
Sales (Eu mn)	393	426	509	542	562
Ebitda (Eu mn)	50	51	83	90	94
Net profit (Eu mn)	18	26	45	46	51
EPS - New (Eu)	0.348	0.585	0.797	0.828	0.910
EPS - Old (Eu)		0.585	0.747	0.825	0.897
DPS (Eu)	0.150	0.150	0.150	0.150	0.150

Ratios & Multiples	2010A	2011A	2012E	2013E	2014E
P/E	18.9	11.2	8.2	7.9	7.2
Div. Yield	2.3%	2.3%	2.3%	2.3%	2.3%
EV/Ebitda	9.4	7.5	6.2	5.4	4.8
ROCE	16.0%	16.3%	23.2%	21.5%	22.6%

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DATALOGIC - KEY FIGURES

	2010A	2011A	2012E	2013E	2014E	
	31/12/2010	31/12/2011	31/12/2012	31/12/2013	31/12/2014	
Fiscal year end						
PROFIT & LOSS (Eu mn)	Sales	393	426	509	542	562
	EBITDA	50	51	83	90	94
	EBIT	35	36	65	72	76
	Financial income (charges)	(7)	(4)	(10)	(10)	(7)
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	28	33	60	63	69
	Taxes	(10)	(7)	(14)	(17)	(19)
	Tax rate (%)	36.0%	22.0%	24.0%	27.0%	27.0%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	18	26	45	46	51
	Total extraordinary items	(2)	(8)	(1)	(3)	(3)
	Ebitda excl. extraordinary items	49	59	85	90	94
	Ebit excl. extraordinary items	38	49	71	76	80
	Net profit restated	20	34	47	48	53
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	58	58	58	58	58
	EPS stated fd	0.308	0.443	0.777	0.783	0.865
	EPS restated fd	0.348	0.585	0.797	0.828	0.910
	BVPS fd	2.398	2.913	3.280	3.912	4.627
	Dividend per share (ord)	0.150	0.150	0.150	0.150	0.150
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	48.6%	33.8%	19.3%	19.2%	17.3%
CASH FLOW (Eu mn)	Gross cash flow	34	40	63	64	69
	Change in NWC	22	3	(11)	(2)	(1)
	Capital expenditure	(10)	(14)	(15)	(16)	(16)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	46	30	38	46	52
	Acquisitions, divestments & others	(20)	(4)	(104)	0	0
	Dividend	0	(8)	(9)	(9)	(9)
	Equity financing/Buy-back	0	0	(3)	0	0
	Change in Net Financial Position	24	17	(84)	38	43
BALANCE SHEET (Eu mn)	Total fixed assets	206	222	313	312	310
	Net working capital	17	14	25	27	28
	Long term liabilities	(7)	(7)	(4)	(5)	(5)
	Net capital employed	217	230	335	334	333
	Net financial position	(76)	(59)	(144)	(106)	(63)
	Group equity	140	170	192	229	270
	Minorities	0	0	0	0	0
	Net equity	140	170	192	229	270
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	384	384	384	384	384
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(76)	(59)	(144)	(106)	(63)
	Enterprise value	460	443	527	490	447
RATIOS(%)	EBITDA margin*	12.5%	13.9%	16.7%	16.6%	16.7%
	EBIT margin*	9.7%	11.5%	13.9%	14.0%	14.1%
	Gearing - Debt/equity	54.6%	34.9%	74.9%	46.3%	23.1%
	Interest cover on EBIT	5.0	10.1	6.6	7.4	11.3
	Debt/Ebitda	1.54	1.17	1.72	1.17	0.67
	ROCE*	16.0%	16.3%	23.2%	21.5%	22.6%
	ROE*	14.0%	16.7%	25.1%	21.8%	20.3%
	EV/CE	2.1	2.0	1.9	1.5	1.3
	EV/Sales	1.2	1.0	1.0	0.9	0.8
	EV/Ebit	12.1	9.1	7.4	6.5	5.6
	Free Cash Flow Yield	11.9%	7.7%	9.8%	12.1%	13.5%
GROWTH RATES (%)	Sales	25.9%	8.3%	19.6%	6.5%	3.7%
	EBITDA*	149.2%	21.0%	43.4%	6.1%	4.1%
	EBIT*	500.6%	27.9%	45.4%	7.1%	4.7%
	Net profit	nm	43.7%	75.2%	0.8%	10.5%
	EPS restated	nm	68.1%	36.2%	3.9%	9.9%

* Excluding extraordinary items

Source: Intermonte SIM estimates

Details

Datalogic - Quarterly figures					
(Eu mn)	2Q11A	2Q12A	YoY	2Q12E	A vs. E
Net sales	105.3	121.5	15.4%	121.4	0.1%
Gross profit	49.4	60.0		56.5	
EBITDA adj.	16.9	22.2	31.3%	20.2	9.9%
Ebitda margin	16.0%	18.2%		16.6%	
D&A	(3.6)	(4.4)		(4.6)	
EBIT	5.8	16.1	177.4%	15.6	3.8%
Ebit margin	5.5%	13.3%		12.8%	
Net financials	(1.4)	(3.3)		(2.6)	
Associates / forex	(0.7)	8.7		0.0	
Pre tax profit	3.7	21.6	483.3%	13.0	66.7%
Taxes	(1.5)	(5.1)		(3.5)	
Tax rate	41.7%	23.5%		27.0%	
Minorities	0.0	0.0		0.0	
Net profit	2.2	16.5	665.1%	9.5	74.7%

Source: Company data and Intermonte SIM estimates

Sales were up 15.4% to Eu121.5mn: This figure was already released and includes the contribution from the recent acquisitions of Accu-Sort (Eu10.0mn in 2Q12) and PPT (Eu1.1mn in 2Q12), net of which turnover would have increased by 4.8% YoY, better than the reference market trend in the quarter (which was flattish based on main competitors' results). Accu-Sort's revenues were below our expectations because a number of large contracts ("special projects") were postponed due to more acute global economic uncertainty. The situation is expected to improve in 2H12.

EBITDA closed at Eu22.2mn, up 31% YoY and 10% ahead of estimates. Despite weaker than expected sales volumes, Datalogic's gross margin stood at 49.4%, up 250bps YoY thanks to a positive price environment, new products and better operating efficiency gained through the company's new supply chain. Notably, R&D spending amounted to 6.5% on sales, even higher than in 2Q11. Looking at figures before the contribution of new acquisitions, we can single out impressive EBITDA of Eu21.9mn (EBITDA margin of 19.8%). On the other hand, the weak revenue result for Accu-Sort led to very small EBITDA. However, it is worth remembering that in 1H12 the integration process of Accu-Sort and PPT was completed, hence this partially explains the decrease in margin.

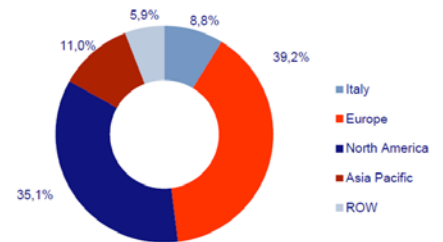
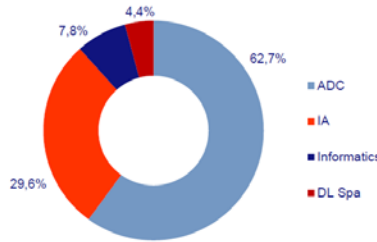
Below EBITDA, Eu1.6mn of non-recurring charges were booked, more than offset by about Eu8.7mn of foreign exchange gains. As a consequence, net profit stood at Eu16.5mn, compared to just Eu2.2mn in 2Q11 and almost 75% better than forecast thanks in part to a lower tax load.

Finally, net debt closed at Eu171.8mn, broadly in line with the corresponding figure as of March 2012, although slightly higher than expected because of some severance costs, higher tax payments and a Eu2.8mn cash-out to acquire treasury shares.

Datalogic – Revenue breakdown by division and by area

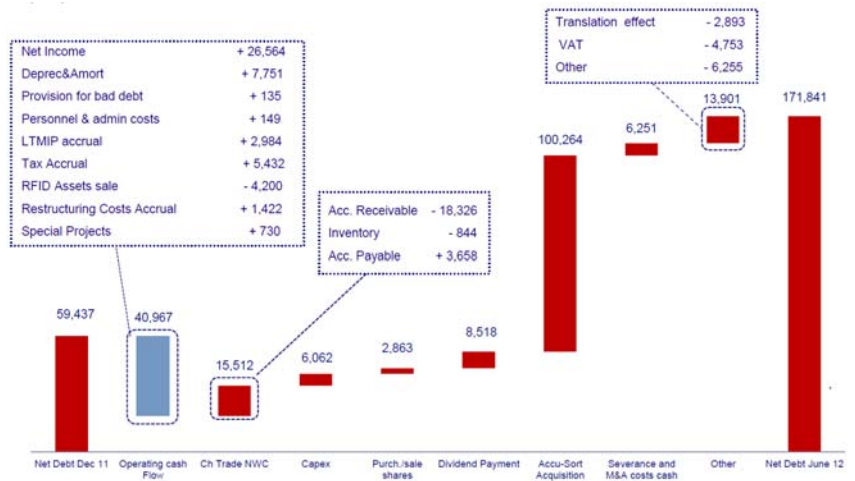
REVENUES BY DIVISION			
€000	H12011	H12012	Var %
Automatic Data Capture	145,938	148,628	1.8%
Industrial Automation	48,773	70,079	43.7%
Informatics	15,766	18,477	17.2%
Datalogic S.p.A.	7,422	10,359	39.6%
Adjustments	(7,652)	(10,683)	39.6%
Total revenues	210,247	236,860	12.7%

REVENUES BY AREA			
€000	H12011	H12012	Var %
Italy	23,710	20,845	(12.1%)
Europe	84,281	92,887	10.2%
North America	61,878	83,218	34.5%
Asia Pacific	25,382	25,999	2.4%
ROW	14,996	13,911	(7.2%)
Total revenues	210,247	236,860	12.7%



The contribution from Accu-Sort has been booked in the Industrial Automation division; turnover is mainly generated in North America. Italian revenues represent about 9% of consolidated turnover.

Datalogic –half-yearly net debt trend



Change in estimates

Datalogic - Change in estimates

	New Estimates			Old estimates			% change		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Net sales	508.8	541.9	562.0	515.5	545.9	566.1	-1.3%	-0.7%	-0.7%
YoY growth	19.6%	6.5%	3.7%	21.1%	5.9%	3.7%			
EBITDA reported	83.3	90.1	93.8	83.5	89.7	92.5	-0.2%	0.5%	1.4%
Ebitda margin	16.4%	16.6%	16.7%	16.2%	16.4%	16.3%			
YoY growth	63.9%	8.1%	4.1%	64.3%	7.4%	3.2%			
D&A tang	(17.9)	(18.1)	(18.2)	(17.8)	(17.9)	(18.0)			
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0			
D&A intang.	0.0	0.0	0.0	0.0	0.0	0.0			
EBIT reported	65.4	72.0	75.6	65.7	71.7	74.5	-0.5%	0.3%	1.4%
Ebit margin	12.9%	13.3%	13.4%	12.7%	13.1%	13.2%			
YoY growth	79.4%	10.1%	5.0%	80.4%	9.2%	3.8%			
Net financials	(9.9)	(9.7)	(6.7)	(9.9)	(9.7)	(6.7)			
Associates	0.3	0.4	0.4	0.4	0.4	0.4			
FOREX	4.0	0.0	0.0	0.0	0.0	0.0			
Pre tax profit	59.7	62.7	69.2	56.2	62.5	68.2	6.3%	0.3%	1.5%
Taxes	(14.3)	(16.9)	(18.7)	(15.2)	(16.9)	(18.4)			
tax rate	24.0%	27.0%	27.0%	27.0%	27.0%	27.0%			
Minorities	0.0	0.0	0.0	0.0	0.0	0.0			
Net income	45.4	45.7	50.6	41.0	45.6	49.8	10.7%	0.3%	1.5%
Rest. Net Income	46.6	48.4	53.2	43.7	48.2	52.4	6.6%	0.3%	1.5%
YoY growth	36.2%	3.9%	9.9%	27.8%	10.5%	8.7%			

Source: Intermonte SIM estimates

In light of quarterly results we are changing our 2012 estimates: in particular, we are reducing expected revenues (-1.3% or Eu6.7mn) but we are confirming our EBITDA forecast, thanks to higher margins. We have also aligned our FY12 tax rate to the higher end of management's indications (23%-24%), entailing a 6.6% upward revision in 2012 EPS. We have also included forex gains booked in 1H12 in our model, but have adjusted restated net profit for this contribution. As for 2013, we have left our estimates broadly unchanged.

DATALOGIC Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
DATALOGIC	6.6	EUR	384.0	1.2%	-10.0%	16.5%	14.3%	2.8%	62.8%
INTERMEC	6.0	USD	359.3	-3.4%	12.6%	-28.6%	-12.7%	-44.4%	-43.0%
PSION	0.9	GBP	123.2	0.0%	56.3%	107.1%	99.4%	12.9%	12.9%
ZEBRA TECH	35.6	USD	1,844.0	3.5%	-8.3%	-6.0%	-0.6%	-11.1%	29.6%
ZETES INDUST	14.0	EUR	74.1	3.2%	-7.0%	-11.3%	-11.7%	-16.7%	-11.3%
Mean performance				0.9%	8.7%	15.5%	17.7%	-11.3%	10.2%
Italy Fixed	13,978.0	EUR	171,200	-2.1%	-4.2%	-11.3%	-7.4%	-24.2%	-33.5%

Source: FactSet

DATALOGIC Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	EV/Sales	EV/Sales	EV/Ebitda	EV/Ebitda	EV/Ebit	EV/Ebit	P/E	P/E	Div Yield	Div Yield
				2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
DATALOGIC	6.6	EUR	384.0	1.0	0.9	6.2	5.4	7.4	6.5	8.2	7.9	2.3%	2.3%
INTERMEC	6.0	USD	359.3	0.4	0.3	7.2	4.2		14.1	399.3	16.9		
PSION	0.9	GBP	123.2	0.6	0.6	8.1	6.4	22.4	15.1	33.9	20.3	4.6%	3.9%
ZEBRA TECH	35.6	USD	1,844.0							13.9	12.6		
ZETES INDUST	14.0	EUR	74.1	0.3	0.3	4.0	3.2	6.2	5.2	11.6	10.4	3.9%	3.9%
Median				0.5	0.5	6.7	4.8	7.4	10.3	13.9	12.6	3.9%	3.9%

Source: Intermonte SIM estimates for covered companies, FactSet consensus estimates for peer group

DATALOGIC - Estimates Comparison with Consensus

(Eu mn)	2012			2013		
	Intermonte	Consensus	%diff	Intermonte	Consensus	%diff
Revenues	508.8	519.2	-2.0%	541.9	556.6	-2.6%
Ebitda	83.3	83.7	-0.5%	90.1	93.0	-3.1%
Net Profit	45.4	44.6	1.8%	45.7	51.4	-11.0%
EPS	0.8	0.8	5.2%	0.8	0.9	-6.7%
Net Debt	(143.5)	(138.4)	3.7%	(105.8)	(96.8)	9.2%

Source: Intermonte SIM estimates and Factset consensus estimates

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

The stock price indicated is the reference price on the day prior to the publication of the report.

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OUTPERFORM: 31.25%

NEUTRAL: 35.94%

UNDERPERFORM: 11.72%

SELL: 0.00%

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BUY: 21.88%

OUTPERFORM: 46.88%

NEUTRAL: 31.24%

UNDERPERFORM: 0.00%

SELL: 0.00%

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DETAILS ON STOCKS RECOMMENDATION

Stock NAME	DATALOGIC		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	9.50	Previous Target (Eu):	9.50
Current Price (Eu):	6.57	Previous Price (Eu):	6.50
Date of report:	31/07/2012	Date of last report:	13/07/2012

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