

Datalogic

Strong Net Income in 1H12

Datalogic - Key estimates and data				
Y/E December		2011A	2012E	2013E
Revenues	EUR M	425.53	522.08	556.01
EBITDA	EUR M	59.19	85.80	99.02
EBIT	EUR M	36.44	69.50	82.60
Net income	EUR M	25.92	44.17	53.72
Dividend ord.	EUR	0.15	0.15	0.15
Adj. EPS	EUR	0.44	0.76	0.92
EV/EBITDA	x	7.42	5.98	4.76
Adj. P/E	x	14.66	8.60	7.07

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

- 1H12A revenue grew double digit.** 1H12A revenue increased by 12.7% to EUR 236.9M (+7.7% at stable FX) and included the Accu-Sort Systems and PPT Vision consolidation for a total of around EUR 21M. In particular: 1) Automatic Data Capture revenues grew by 1.8% to EUR 148.6M; 2) Industrial Automation revenues were EUR 70.1M, +43.7% yoy, and +3.2% on a like-for-like basis (i.e. ex Accu-Sort and PPT vision); 3) Informatics revenue grew by 17.2% to EUR 18.5M. The order backlog at 1H12A was around EUR 250M, +13.5% yoy.
- Profitability up, driven by gross margin.** 1H12A EBITDA came in at EUR 40.6M, +28%. The EBITDA margin was 17.2% (vs. 15.1% in 1H11A). Net income came in at EUR 26.6M. Net debt came in at EUR 171.8M, incorporating the acquisition cost of Accu-Sort (EUR 103M) and around an EUR 8.5M dividend.
- Estimates and valuation.** In light of the 1H12A results, we acknowledge that our 2012E revenue estimates could look overly optimistic by around EUR 10-15M, but net income seems well on track to reach our target. For the time being we confirm our 2012E estimates, considering that: 1) the acquisition of Accu-Sort introduced a higher dependence on "special projects" orders, which were delayed in 1H12 but could partially recover in the second part of the year; 2) management will present a business plan update at the end of September/beginning of October. We value Datalogic with a DCF model, a 9.1% WACC, and a 0% terminal value growth. **We obtain a target price of EUR 9.90/share and rate the company a BUY.**
- Key risks.** The Datalogic reference market is fragmented and characterised by intense competition. To survive in these markets, substantial R&D investments are needed (at a sure cost) and the launch of successful innovative commercial products is uncertain. The ongoing delocalisation of some important clients could require entry into the Latin American and Asian (Chinese and Indian) markets. The company is exposed to foreign currency translation effects: around 50% of revenues are non-EUR denominated.

31 July 2012

BUY

Target Price: EUR 9.90

IT & Technology
Results Note

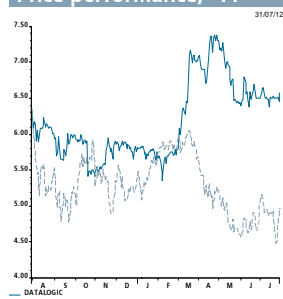
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Price performance, -1Y



Source: Thomson Reuters

Data priced on 24.07.2012

Target price (€)	9.90
Target upside (%)	52.47
Market price (€)	6.50
52-week range (€)	7.4/5.4
Market cap (€M)	379.90
No. of shares (M)	58.45
Free float (%)	24.6
Major shareholder (%)	Hydra SpA, 66.9
Reuters	DAL.MI
Bloomberg	DAL IM
FTSE It All Shares	13427

Performance %			
	Absolute	Rel. to FTSE All Sh	
-1M	-1.4	-1M	6.7
-3M	-11.4	-3M	0.3
-12M	3.2	-12M	36.5

Source: Intesa Sanpaolo Research estimates and Thomson Reuters

2Q12 Results

Datalogic's 2Q12A revenues were EUR 121.5M, up 15.4% yoy (+8.6% at stable FX) and included the Accu-Sort Systems and PPT Vision consolidation for a total of EUR 11M. In particular:

- Automatic Data Capture revenues were EUR 75.2M, +4% (stable in 1Q12);
- Industrial Automation revenues were EUR 37.2M, +53.7% yoy, and +7.8% on a like-for-like basis (-4.9% in 1Q12);
- Informatics revenue grew by 5% to EUR 8.9M.

The company recorded an acceleration vs. 1Q12 when revenues were EUR 115.4M, +9.9% yoy (+7.8% at stable FX).

The order backlog at 2Q12A was EUR 115M, +2% yoy.

2Q12A EBITDA came in at EUR 22.2M, +31.3%, the EBITDA margin was 18.2% (+220bps vs. 2Q11A).

Datalogic - Key 2Q12A results data									
EUR M	1Q11A	2Q11A	1H11A	3Q11A	4Q11A	FY11A	1Q12A	2Q12A	1H12A
Revenue	105	105.3	210.3	107.1	108.1	425.5	115.4	121.5	236.9
Gross operating margin	49.4	53.3	102.7	49.9	44	196.6	53.2	60.0	113.1
Gross operating margin/revenue (%)	47.1	50.6	48.8	46.6	40.7	46.2	46.1	49.3	47.8
EBITDA	14.9	16.9	31.8	16.8	10.6	59.2	18.5	22.2	40.6
EBITDA margin	14.2	16	15.1	15.7	9.8	13.9	16.0	18.2	17.2
EBIT	11.1	5.8	16.9	13.1	6.4	36.4	15.2	16.1	31.3
Net income	5.7	2.2	7.9	9.4	8.6	25.9	10.0	16.5	26.6
Net debt	71.2	71.9	71.9	70.9	59.4	59.4	172.1	171.8	171.8

A: actual; Source: Company data and Intesa Sanpaolo Research

Net income came in at EUR 16.5M. Net debt was EUR 171.8M, incorporating the acquisition cost of Accu-Sort (EUR 103M) and an around EUR 8.5M dividend.

Outlook and estimates

In light of 1H12A results, we acknowledge that our 2012E revenue estimates could look overly optimistic by around EUR 10-15M, but net income seems well on track to reach our target. For the time being we confirm our 2012E estimates, considering that:

- The acquisition of Accu-Sort introduced a higher dependence on "special projects" orders, which were delayed in 1H12 but could partially recover in the second part of the year;
- Management will present a business plan update at the end of September/beginning of October.

Valuation

We value Datalogic with a DCF model, using the following key assumptions in our valuation:

DCF valuation

- A risk-free rate of 5.5%, an equity risk premium of 6%;
- A gearing of around 26%;
- A conservative 0% terminal value growth;
- LT EBIT is calculated starting from 2013E EBITDA, and depreciation equals capex.

We obtain a target price of EUR 9.90/share and rate the company a BUY.

Datalogic – DCF calculation (2012E-13E)			
	2012E	2013E	LT
EBIT	69.5	82.6	87.9
Tax	-16.3	-19.9	-21.3
Depreciation	16.3	16.4	0.0
NOPAT	69.5	79.1	66.6
WC	-9.3	0.3	0.0
Capex	-10.4	-11.1	0.0
FCF	49.7	68.4	66.6
Discounted FCF	49.7	62.7	56.0
WACC (%)	9.1		
TV growth (%)	0.0		
Sum	112		
TV	616		
EV	729		
Debt FY11A	161		
Treasury shares	10		
Equity	578		
Shares	58.4		
Target price	9.9		

E: estimates; Source: Intesa Sanpaolo Research estimates

Datalogic - Key figures

Sector	IT & Technology	Mkt price EUR/Share			Ordinary	Rating
REUTERS CODE	DAL.MI	Target price EUR/Share		6.50	BUY	
Values per share (EUR)		2010A	2011A	2012E	2013E	
No. ordinary shares (M)		58.45	58.45	58.45	58.45	
No. NC saving/preferred shares (M)		-	-	-	-	
Total no. of shares (M)		58.45	58.45	58.45	58.45	
Adj. EPS		0.31	0.44	0.76	0.92	
CFPS		0.58	0.69	1.03	1.20	
BVPS		2.40	2.91	3.45	4.06	
Dividend Ord		0.15	0.15	0.15	0.15	
Dividend SAV Nc		-	-	-	-	
Income statement (EUR M)		2010A	2011A	2012E	2013E	
Sales		392.74	425.53	522.08	556.01	
EBITDA		49.76	59.19	85.80	99.02	
EBIT		34.68	36.44	69.50	82.60	
Pre-tax income		28.18	33.21	60.50	73.59	
Net income		18.03	25.92	44.17	53.72	
Adj. net income		18.03	25.92	44.17	53.72	
Cash flow (EUR M)		2010A	2011A	2012E	2013E	
Net income before minorities		18.03	25.92	44.17	53.72	
Depreciation and provisions		15.90	14.38	16.30	16.42	
Change in working capital		20.17	7.73	-9.35	0.34	
Operating cash flow		54.11	48.02	51.12	70.48	
Capital expenditure		-7.86	-13.59	-10.44	-11.12	
Other (uses of Funds)		-22.25	-9.24	-101.75	-	
Free cash flow		24.00	25.19	-61.07	59.36	
Dividends and equity changes		-	-8.13	-12.96	-17.67	
Net cash flow		24.00	17.06	-74.03	41.69	
Balance sheet (EUR M)		2010A	2011A	2012E	2013E	
Net capital employed		216.66	229.69	334.93	329.29	
of which associates		-	-	-	-	
Net debt/-cash		76.50	59.44	133.46	91.77	
Minorities		-	-	-	-	
Net equity		140.16	170.25	201.46	237.51	
Market cap		379.90	379.90	379.90	379.90	
Minorities value		-	-	-	-	
Enterprise value (*)		456.40	439.34	513.37	471.68	
Stock market ratios (x)		2010A	2011A	2012E	2013E	
Adj. P/E		21.07	14.66	8.60	7.07	
P/CEPS		11.20	9.43	6.28	5.42	
P/BVPS		2.71	2.23	1.89	1.60	
Dividend yield (% ord)		2.31	2.31	2.31	2.31	
Dividend yield (% sav)		-	-	-	-	
EV/sales		1.16	1.03	0.98	0.85	
EV/EBITDA		9.17	7.42	5.98	4.76	
EV/EBIT		13.16	12.06	7.39	5.71	
EV/CE		2.11	1.91	1.53	1.43	
D/EBITDA		1.54	1.00	1.56	0.93	
D/EBIT		2.21	1.63	1.92	1.11	
Profitability & financial ratios (%)		2010A	2011A	2012E	2013E	
EBITDA margin		12.67	13.91	16.44	17.81	
EBIT margin		8.83	8.56	13.31	14.86	
Tax rate		36.03	21.96	27.00	27.00	
Net income margin		4.59	6.09	8.46	9.66	
ROE		12.86	15.22	21.92	22.62	
Debt/equity ratio		0.55	0.35	0.66	0.39	
Growth (%)			2011A	2012E	2013E	
Sales			8.35	22.69	6.50	
EBITDA			18.95	44.97	15.40	
EBIT			5.07	90.74	18.83	
Pre-tax income			17.84	82.19	21.62	
Net income			43.75	70.44	21.62	
Adj. net income			43.75	70.44	21.62	

(*) EV = Mkt cap+ Net Debt + Minorities Value - Associates A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

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ADD	If the target price is 10%-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10%-20% lower than the market price
SELL	If the target price is 20% lower than the market price
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Equity rating key (short-term horizon: 3M)

Equity rating key (short-term horizon: 3M)	
Short-term rating	Definition
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