Intermonte

DATALOGIC NEUTRAL

Price (Eu): 9.34

Target Price (Eu): 10.50

SECTOR: Industrials

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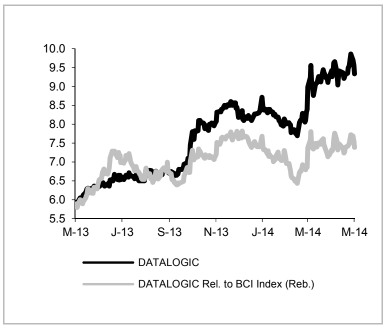
Time To Pause After a Strong Stock Performance

- **In 1Q14, sales were up 6.1% to Eu108.2mn**: this figure had already been released. Looking at breakdown figures, ADC business unit sales increased by 15% to Eu71.9mn, well above competitors' flattish performances in 1Q14. The ADC division continues to benefit from new products launched last year, in particular those in the fixed scanner segment, where the group enjoys global market leadership. On the other hand, the contribution from the Industrial Automation business unit fell 4.4% YoY to Eu30.5mn, despite overall positive trends in the reference market. From a geographical point of view, business trends were good in Italy and Europe and extremely encouraging in emerging countries. Conversely, revenues declined by 12.7% in North America, because a 17% progression achieved by ADC products was more than offset by persistently weak demand in the Transport and Logistics sector.
- **EBITDA closed at Eu15.5mn, up 40% YoY and 5.6% better than expected**. As a reminder, the 1Q13 EBITDA figure provided a quite easy comparison base. Average selling prices decreased by about 2.7%, in line with the normal erosion of about 3%. Notably, research and development expenses amounted to Eu9.7mn in 1Q14 compared to Eu8.3mn in 1Q13 (+90bps as a percentage of sales), once again confirming Datalogic's relentless long-term approach. G&A costs decreased by 10.7% in absolute terms and by 170bps as a percentage of sales. Below EBITDA, D&A and net financial charges came in higher than expected (1Q13 results benefited from foreign exchange gains of Eu3.2mn, but this was not repeated). Conversely, the tax rate amounted to 18.5%, lower than expected. At the bottom line, net profit stood at Eu7.0mn, in line with our expectation and up 13.7% YoY. Finally, **net debt closed at Eu97.4mn**, up just Eu0.3mn from the corresponding level at YE13, because the absorption from NWC (driven by seasonality) was offset by a Eu12.1mn cash-in from the sale of treasury shares and by operating cash flow.
- **Indications from the conference call and change in estimates**. During the call, CEO Romano Volta projected a "cautious optimism". Business trends in the ADC segment are strong and Datalogic might benefit from recent M&A in the sector (Zebra Tech is keen on acquiring Motorola's Enterprise business); furthermore, the quarterly book to bill ratio was a comforting 107%, after total orders of Eu116. Conversely, the Industrial Automation business is suffering in the US: a recovery is expected but the April performance was still weak. We have broadly confirmed our estimates, doing some fine-tuning according to quarterly indications (D&A and financial charges).
- **Recommendation moved to NEUTRAL, target price and estimates unchanged**. After a solid recent stock performance, we are lowering our recommendation to NEUTRAL, in light of limited upside implied in our target. Positively, the ADC business (66% of total sales) is in a good shape thanks to new products and to the hiring of some key salesmen, but Industrial Automation (28% of total sales) and Information Technology (6% of total sales) need some more time to recover.

Key Figures	2012A	2013A	2014E	2015E	2016E
Sales (Eu mn)	462	451	487	526	557
Ebitda (Eu mn)	63	60	69	80	88
Net profit (Eu mn)	10	27	34	43	50
EPS - New (Eu)	0.639	0.556	0.643	0.799	0.905
EPS - Old (Eu)	0.639	0.556	0.659	0.803	0.906
DPS (Eu)	0.150	0.160	0.160	0.160	0.160

Ratios & Multiples	2012A	2013A	2014E	2015E	2016E
P/E	14.6	16.8	14.5	11.7	10.3
Div. Yield	1.6%	1.7%	1.7%	1.7%	1.7%
EV/Ebitda	10.0	10.9	8.8	7.3	6.3
ROCE	6.2%	15.8%	18.7%	22.4%	24.7%

DATALOGIC - 12m Performance



RATING: from OUTPERFORM to NEUTRAL
TARGET PRICE (Eu): Unchanged

Change in EPS est:	2014E	2015E
	-2.5%	-0.4%

STOCK DATA

Reuters code:	DAL.MI
Bloomberg code:	DAL IM

Performance	1m	3m	12m
Absolute	-0.9%	16.5%	60.7%
Relative	0.9%	6.7%	34.3%
12 months H/L:			9.86/5.81

SHAREHOLDER DATA

No. of Ord. shares (mn):	58
Total No. of shares (mn):	58
Mkt Cap Ord (Eu mn):	546
Total Mkt Cap (Eu mn):	546
Mkt Float - ord (Eu mn):	147
Mkt Float (in %):	*26.9%*
Main shareholder:	
Hydra Spa (controlled by Vol	67.1%

BALANCE SHEET DATA	2014
Book value (Eu mn):	212
BVPS (Eu):	3.62
P/BV:	2.6
Net Financial Position (Eu mn):	-67
Enterprise value (Eu mn):	612

DATALOGIC - *KEY FIGURES*		2012A	2013A	2014E	2015E	2016E
	Fiscal year end	31/12/2012	31/12/2013	31/12/2014	31/12/2015	31/12/2016
PROFIT & LOSS (Eu mn)	Sales	462	451	487	526	557
	EBITDA	63	60	69	80	88
	EBIT	16	45	52	63	71
	Financial income (charges)	(4)	(7)	(6)	(4)	(3)
	Associates & Others	0	0	0	0	1
	Pre-tax profit (Loss)	10	36	46	59	69
	Taxes	1	(9)	(12)	(16)	(19)
	Tax rate (%)	-7.6%	24.3%	26.0%	27.0%	28.0%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	10	27	34	43	50
	Total extraordinary items	(27)	(6)	(3)	(3)	(3)
	Ebitda excl. extraordinary items	67	59	69	80	88
	Ebit excl. extraordinary items	53	50	57	68	76
	Net profit restated	37	32	38	47	53
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	58	58	58	58	58
	EPS stated fd	0.175	0.460	0.585	0.742	0.848
	EPS restated fd	0.639	0.556	0.643	0.799	0.905
	BVPS fd	2.967	3.170	3.624	4.206	4.894
	Dividend per share (ord)	0.150	0.160	0.160	0.160	0.160
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	85.6%	34.8%	27.3%	21.6%	18.9%
CASH FLOW (Eu mn)	Gross cash flow	53	46	51	60	67
	Change in NWC	4	2	(8)	(4)	(4)
	Capital expenditure	(14)	(17)	(16)	(17)	(18)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	42	30	28	39	45
	Acquisitions, divestments & others	(104)	0	0	0	0
	Dividend	(9)	(9)	(9)	(9)	(9)
	Equity financing/Buy-back	(3)	0	12	0	0
	Change in Net Financial Position	(62)	24	30	30	35
BALANCE SHEET (Eu mn)	Total fixed assets	291	280	273	272	267
	Net working capital	11	9	17	21	25
	Long term liabilities	(7)	(7)	(12)	(11)	(5)
	Net capital employed	295	282	279	283	287
	Net financial position	(121)	(97)	(67)	(37)	(1)
	Group equity	173	185	212	246	286
	Minorities	0	0	0	0	0
	Net equity	173	185	212	246	286
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	546	546	546	546	546
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(121)	(97)	(67)	(37)	(1)
	Enterprise value	667	643	612	582	547
RATIOS(%)	EBITDA margin*	14.5%	13.1%	14.2%	15.2%	15.7%
	EBIT margin*	11.4%	11.1%	11.8%	12.9%	13.6%
	Gearing - Debt/equity	69.8%	52.4%	31.6%	15.0%	0.5%
	Interest cover on EBIT	4.4	7.0	8.3	17.0	23.5
	Debt/Ebitda	1.92	1.62	0.96	0.46	0.02
	ROCE*	6.2%	15.8%	18.7%	22.4%	24.7%
	ROE*	6.0%	15.0%	17.2%	19.0%	18.6%
	EV/CE	2.5	2.2	2.2	2.1	1.9
	EV/Sales	1.4	1.4	1.3	1.1	1.0
	EV/Ebit	12.6	12.8	10.7	8.6	7.2
	Free Cash Flow Yield	7.7%	5.5%	5.0%	7.2%	8.2%
GROWTH RATES (%)	Sales	8.6%	-2.5%	8.0%	8.0%	6.0%
	EBITDA*	13.1%	-12.1%	17.9%	15.0%	9.8%
	EBIT*	8.5%	-5.3%	14.6%	18.1%	11.3%
	Net profit	-60.5%	162.6%	27.2%	26.8%	14.2%
	EPS restated	9.3%	-13.0%	15.6%	24.4%	13.2%

** Excluding extraordinary items*

Source: Intermonte SIM estimates

Details

Datalogic - Quarterly figures								
(Eu mn)	**1Q13A**	**1Q14A**	***YoY***	**1Q14A**	***A vs. E***	**2013 A**	**2014E**	***YoY***
Net sales	**102.0**	**108.2**	6.1%	**108.2**	0.0%	**450.7**	**486.8**	8.0%
EBITDA adj.	**11.0**	**15.5**	40.3%	**14.7**	5.6%	**60.0**	**69.1**	15.2%
Ebitda margin	10.8%	14.3%		13.5%		13.3%	14.2%	
Non recurring	0.0	0.0		0.0		1.2	0.0	
D&A	(3.8)	(4.2)		(3.7)		(15.6)	(15.7)	
EBIT	**7.3**	**11.3**	55.7%	**11.0**	3.1%	**45.5**	**53.4**	17.3%
Ebit margin	**7.1%**	**10.4%**		**10.1%**		**10.1%**	**11.0%**	
Net financials	(1.9)	(2.4)		(1.9)		(6.5)	(5.6)	
Associates / forex	3.2	(0.4)		0.1		(3.4)	0.3	
Pre tax profit	**8.5**	**8.5**	0.2%	**9.2**	-6.8%	**35.5**	**48.1**	35.3%
Taxes	(2.4)	(1.6)		(2.3)		(8.6)	(12.5)	
Tax rate	*22.0%*	*25.0%*		*25.0%*		*24.3%*	*26.0%*	
Minorities	0.0	0.0		0.0		0.0	0.0	
Net profit	**6.1**	**7.0**	13.7%	**6.9**	1.3%	**26.9**	**35.6**	32.2%

Source: Company data and Intermonte SIM estimates

Sales up 6.1% to Eu108.2mn in 1Q14: this figure had already been released. Looking at breakdown figures, ADC business unit sales increased by 15% to Eu71.9mn, well above competitors' flattish performances in 1Q14. The ADC division continues to benefit from new products launched last year, in particular those in the fixed scanner segment, where the group enjoys global market leadership. On the other hand, the contribution from the Industrial Automation business unit fell 4.4% YoY to Eu30.5mn. From a geographical point of view, business trends were good in Italy and Europe and extremely encouraging in emerging countries. Conversely, revenues declined by 12.7% in North America, because a 17% progression achieved by ADC products was more than offset by persistently weak demand in the Transport and Logistics sector.

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Below EBITDA, D&A and net financial charges came in higher than expected (1Q13 results benefited from foreign exchange gains of Eu3.2mn, but this was not repeated). Conversely, the tax rate amounted to 18.5%, lower than expected. At the bottom line, net profit stood at Eu7.0mn, in line with our expectation and up 13.7% YoY..

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Datalogic –Quarterly breakdown figures

Datalogic - Sales breakdown by business

	2012A	1Q13A	2Q13	1H13	3Q13	4Q13	2013A	1Q14A
ADC	**297.9**	**62.5**	**71.6**	**134.2**	**68.4**	**79.8**	**282.4**	**71.9**
YoY growth	0.1%	-14.5%	-5.1%	-9.7%	-7.0%	5.3%	-5.2%	15.1%
% on sales	64.5%	61.3%	61.3%	61.3%	61.1%	66.5%	62.7%	66.4%
Industrial Automation	**130.6**	**31.9**	**37.1**	**69.0**	**35.9**	**32.9**	**137.8**	**30.5**
YoY growth	35.7%	-2.7%	-0.4%	-1.5%	24.1%	4.1%	5.5%	-4.4%
% on sales	28.3%	31.3%	31.8%	31.6%	32.1%	27.4%	30.6%	28.2%
Informatics	**34.1**	**7.6**	**8.1**	**15.7**	**7.8**	**7.4**	**30.8**	**6.1**
YoY growth	6.1%	-20.9%	-9.2%	-15.3%	-6.1%	-0.3%	-9.8%	-18.9%
% on sales	7.4%	7.4%	6.9%	7.2%	6.9%	6.1%	6.8%	5.7%
DL SpA	**22.2**	**5.1**	**6.1**	**11.2**	**6.0**	**4.4**	**21.6**	**6.0**
YoY growth	44.2%	4.8%	10.3%	7.8%	16.4%	-34.3%	-2.8%	18.7%
% on sales	4.8%	5.0%	5.2%	5.1%	5.4%	3.6%	4.8%	5.6%
adjusments	**-22.6**	**-5.1**	**-6.1**	**-11.2**	**-6.1**	**-4.4**	**-21.8**	**-6.4**
Consolidated net sales	**462.3**	**102.0**	**116.8**	**218.8**	**112.0**	**120.0**	**450.7**	**108.2**
YoY	8.6%	-11.6%	-3.9%	-7.6%	1.2%	4.6%	-2.5%	6.1%

Source: Company data and Intermonte SIM estimates

Datalogic - EBITDA breakdown by business

	2012A	1Q13A	2Q13	1H13	3Q13	4Q13	2013A	1Q14A
ADC	**46.3**	**9.0**	**10.7**	**19.7**	**10.9**	**19.8**	**50.4**	**14.0**
YoY growth	15.3%	-1.5%	-35.3%	-23.3%	3.5%	96.5%	8.9%	55.8%
% margin	15.5%	14.4%	15.0%	14.7%	15.9%	24.8%	17.9%	19.5%
Industrial Automation	**7.4**	**0.6**	**2.1**	**2.6**	**3.7**	**1.7**	**8.0**	**0.7**
YoY growth	-45.9%	-89.9%	-43.0%	-71.2%	nm	nm	7.4%	26.4%
% margin	5.7%	1.7%	5.6%	3.8%	10.2%	5.2%	5.8%	2.3%
Informatics	**4.1**	**0.8**	**0.7**	**1.5**	**0.6**	**0.4**	**2.5**	**0.1**
YoY growth	1.1%	-40.6%	-30.2%	-36.1%	-33.4%	-49.5%	15.0%	-87.9%
% margin	12.1%	10.7%	8.9%	9.8%	7.4%	5.9%	8.3%	1.6%
DL SpA	**5.5**	**0.7**	**1.6**	**2.3**	**1.8**	**-5.2**	**-1.1**	**0.6**
YoY growth	199.5%	-73.8%	64.6%	-34.3%	12.5%	-1571%	-119.3%	-2.3%
% margin	24.6%	12.8%	27.1%	12.0%	29.8%	-118.4%	-4.9%	10.6%
adjusments	**-0.2**	**0.0**	**0.1**	**0.1**	**0.1**	**0.0**	**0.1**	**0.0**
Consolidated EBITDA	**63.2**	**11.0**	**15.2**	**26.2**	**17.0**	**16.8**	**60.0**	**15.5**
% margin	13.9%	10.8%	13.0%	12.0%	15.2%	14.0%	13.3%	14.3%

Source: Company data and Intermonte SIM estimates

Datalogic - Sales breakdown by area

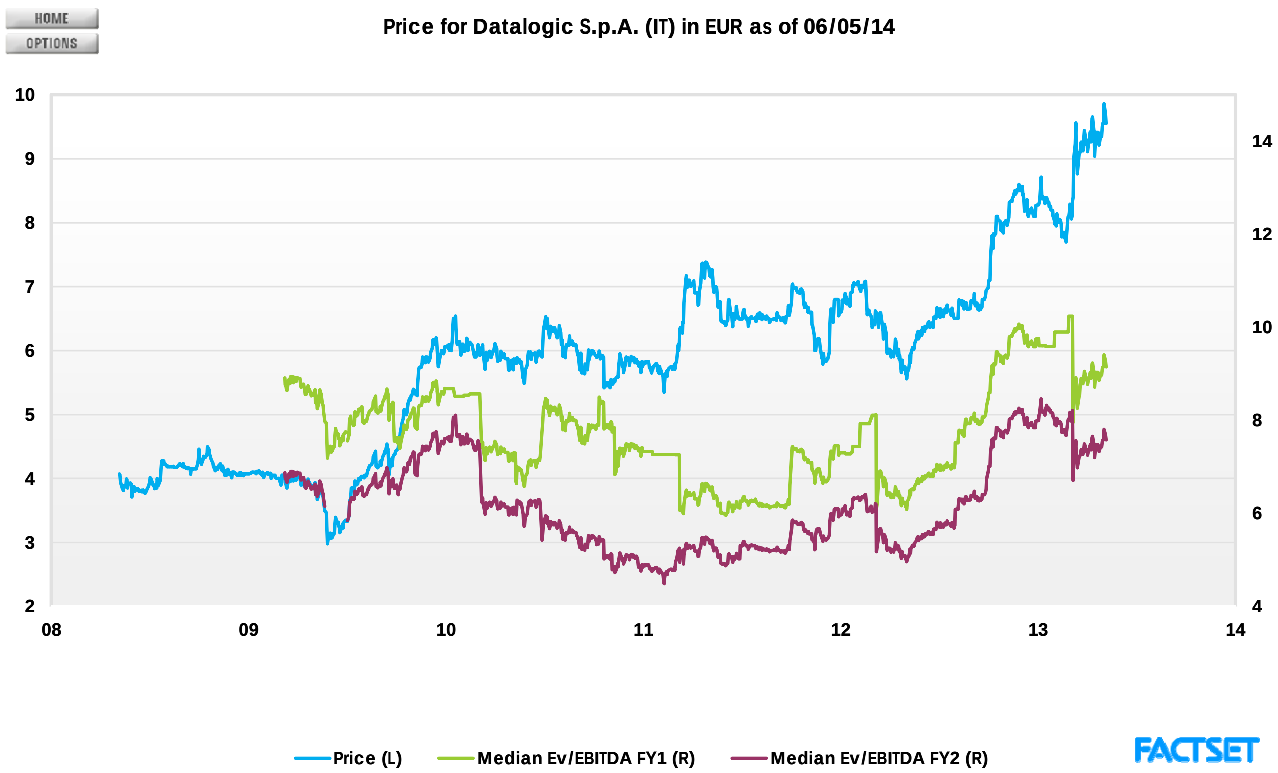
(Eu mn)	2012A	1Q13A	2Q13	1H13	3Q13	4Q13	2013A	1Q14A
Italy	**39.0**	**9.5**	**11.2**	**20.8**	**8.3**	**9.0**	**38.0**	**12.0**
YoY growth	-14.4%	-6.6%	5.5%	-0.4%	2.8%	-10.6%	-2.4%	25.8%
% on sales	8.4%	9.4%	9.6%	9.5%	7.4%	7.5%	8.4%	11.1%
Europe	**172.4**	**41.4**	**37.7**	**79.1**	**44.7**	**59.9**	**183.8**	**46.9**
YoY growth	2.9%	-13.3%	-16.4%	-14.8%	-3.4%	80.4%	6.6%	13.4%
% on sales	37.3%	40.6%	32.3%	36.2%	39.9%	50.0%	40.8%	43.4%
North America	**159.2**	**34.5**	**40.9**	**75.3**	**33.8**	**34.7**	**143.9**	**30.1**
YoY growth	29.3%	-10.0%	-9.0%	-9.5%	-5.9%	-13.3%	-9.6%	-12.7%
% on sales	34.4%	33.8%	35.0%	34.4%	30.2%	28.9%	31.9%	27.8%
Asia Pacific	**52.7**	**11.1**	**16.3**	**27.4**	**15.4**	**13.7**	**56.5**	**11.9**
YoY growth	3.3%	-9.8%	19.0%	5.3%	14.5%	3.1%	7.1%	7.2%
% on sales	11.4%	10.9%	13.9%	12.5%	13.7%	11.4%	12.5%	11.0%
RoW	**38.9**	**5.5**	**10.7**	**16.2**	**9.8**	**2.6**	**28.6**	**7.3**
YoY growth	1.7%	-18.5%	48.9%	16.2%	41.7%	-85.5%	-26.6%	32.5%
% on sales	8.4%	5.4%	9.1%	7.4%	8.7%	2.2%	6.3%	6.7%
Consolidated net sales	**462.3**	**102.0**	**116.7**	**218.8**	**112.0**	**120.0**	**450.7**	**108.2**
YoY growth	8.6%	-11.6%	-3.9%	-7.6%	1.2%	4.6%	-2.5%	6.1%

Source: Company data and Intermonte SIM estimates

Datalogic - Change in estimates

	New Estimates			Old Estimates			% change		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
Net sales	**486.8**	**525.7**	**557.3**	**486.8**	**525.7**	**557.3**	0.0%	0.0%	0.0%
YoY growth	8.0%	8.0%	6.0%	8.0%	8.0%	6.0%			
EBITDA reported	**69.3**	**79.7**	**87.5**	**69.1**	**79.3**	**87.2**	0.4%	0.5%	0.3%
Ebitda margin	**14.2%**	**15.2%**	**15.7%**	**14.2%**	**15.1%**	**15.6%**			
YoY growth	15.6%	15.0%	9.8%	15.2%	14.8%	9.9%			
D&A tang	(7.9)	(7.9)	(8.0)	(7.7)	(7.8)	(7.9)			
Goodwill	(5.0)	(5.0)	(5.0)	(4.4)	(4.4)	(4.4)			
D&A intang.	(4.0)	(4.0)	(4.0)	(3.6)	(3.7)	(3.8)			
EBIT reported	**52.4**	**62.8**	**70.5**	**53.4**	**63.4**	**71.1**	-1.8%	-0.9%	-0.8%
Ebit margin	**10.8%**	**11.9%**	**12.7%**	**11.0%**	**12.1%**	**12.8%**			
YoY growth	15.3%	19.8%	12.2%	17.3%	18.8%	12.1%			
Net financials	(6.3)	(3.7)	(3.0)	(5.6)	(3.5)	(3.0)			
Associates	0.1	0.3	1.3	0.3	0.3	1.3			
FOREX	0.0	0.0	0.0	0.0	0.0	0.0			
Pre tax profit	**46.2**	**59.4**	**68.8**	**48.1**	**60.2**	**69.4**	-3.8%	-1.3%	-0.9%
Taxes	(12.0)	(16.0)	(19.3)	(12.5)	(16.3)	(19.4)			
tax rate	26.0%	27.0%	28.0%	26.0%	27.0%	28.0%			
Minorities	0.0	0.0	0.0	0.0	0.0	0.0			
Net income	**34.2**	**43.4**	**49.5**	**35.6**	**44.0**	**50.0**	-3.8%	-1.3%	-0.9%
Rest. Net Income	**37.6**	**46.7**	**52.9**	**38.5**	**46.9**	**52.9**	-2.5%	-0.4%	-0.1%
YoY growth	15.6%	24.4%	13.2%	18.6%	21.7%	12.8%			

Source: Intermonte SIM estimates



DATALOGIC Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
DATALOGIC	**9.3**	**EUR**	**545.6**	**-0.9%**	**16.5%**	**15.6%**	**12.7%**	**60.7%**	**28.4%**
INTERMEC	---	USD	---	---	---	---	---	---	---
ZEBRA TECH	74.7	USD	3,771.3	10.4%	36.8%	47.3%	38.2%	60.1%	98.8%
ZETES INDUST	21.7	EUR	111.9	-2.5%	17.0%	25.1%	24.4%	44.6%	46.1%
Mean performance				**2.3%**	**23.4%**	**29.3%**	**25.1%**	**55.1%**	**57.8%**
Italy Fixed	21,240.7	EUR	271,693	-3.4%	7.9%	12.6%	12.0%	24.1%	48.8%

Source: FactSet

DATALOGIC Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	EV/Sales 2014	EV/Sales 2015	EV/Ebitda 2014	EV/Ebitda 2015	EV/Ebit 2014	EV/Ebit 2015	P/E 2014	P/E 2015	Div Yield 2014	Div Yield 2015
DATALOGIC	**9.3**	**EUR**	**545.6**	**1.3**	**1.1**	**8.8**	**7.3**	**10.7**	**8.6**	**14.5**	**11.7**	**1.7%**	**1.7%**
INTERMEC		USD											
ZEBRA TECH	74.7	USD	3,771.3							20.7	19.2	0.0%	0.0%
ZETES INDUST	21.7	EUR	111.9	0.5	0.5	6.8	5.7	14.1	9.8	19.7	14.7	2.5%	2.6%
Median				**0.9**	**0.8**	**7.8**	**6.5**	**12.4**	**9.2**	**19.7**	**14.7**	**1.7%**	**1.7%**

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

DATALOGIC - Estimates Comparison with Consensus

	2014			2015		
(Eu mn)	**Intermonte**	**Consensus**	**%diff**	**Intermonte**	**Consensus**	**%diff**
Revenues	486.8	490.8	-0.8%	525.7	531.6	-1.1%
Ebitda	69.3	68.3	1.5%	79.7	77.9	2.4%
Net Profit	34.2	35.3	-3.2%	43.4	43.0	0.8%
EPS	0.6	0.6	2.0%	0.8	0.8	4.6%
Net Debt	(66.8)	(73.9)	-9.5%	(36.8)	(48.3)	-23.9%

Source: Intermonte SIM estimates and Factset consensus estimates

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DETAILS ON STOCKS RECOMMENDATION

Stock NAME	DATALOGIC		
Current Recomm:	NEUTRAL	Previous Recomm:	OUTPERFORM
Current Target (Eu):	10.50	Previous Target (Eu):	10.50
Current Price (Eu):	9.34	Previous Price (Eu):	8.99
Date of report:	08/05/2014	Date of last report:	07/03/2014

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