

# DATALOGIC

# BUY

Price (Eu):

6.91

Target Price (Eu):

9.00

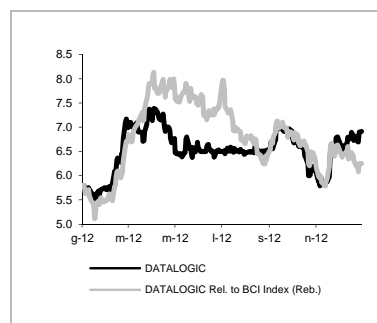
SECTOR: Industrials

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## 4Q12 Improves QoQ, But Less Than Expected

- **4Q12 revenues up YoY and QoQ, but 10% below our estimates.** At market close yesterday Datalogic reported preliminary 4Q12 revenues, which amounted to Eu114.3mn, up 5.6% YoY but 10% below our estimate of Eu127.5mn. To the best of our understanding, results fell short of estimates due to a lower contribution from the newly acquired Accu-Sort, which also disappointed expectations in 9M12. On the other hand, we expect Datalogic's traditional activities to have recorded sales broadly in line YoY. Importantly, 4Q12 sales were up 3.3% QoQ, confirming that a recovery has started, but not at the rate we expected. Market consensus estimates did not provide a significant term of comparison.
- **Order collection up YoY.** On the plus side, the value of orders collected in the quarter rose 11% YoY to Eu116mn. CEO Sacchetto said that the macroeconomic scenario is still extremely volatile, but that Datalogic will be able to grow thanks to the strategic choices made both in terms of efficiency and in anticipating future scenarios.
- **Change in estimates.** We have factored the lower than expected top line into our estimates, assuming a weaker performance from the newly acquired Accu-Sort in particular. Operating leverage is a significant factor for Datalogic, and for this reason we have also trimmed our margins estimates. At the same time, we are confident that management's focus on achieving further efficiencies and maintaining strict cost control will continue to entail some margin improvements. We have revised 2013 and 2014 top line estimates by 3% and 4% respectively; our revenue growth expectations are driven by a projected rebound at Accu-Sort, which has suffered severely in 2012. At bottom line, we are cutting 2012 and 2013 EPS by 10.2% and 7.6% respectively, while reducing 2014 EPS by 4.8%.
- **BUY confirmed, target price unchanged.** Quarterly revenues announced yesterday reflect a deteriorating scenario characterised by growing uncertainty. Recent macro data, however, are quite encouraging, and we believe a global company such as Datalogic will be able to win back growth during the year, partly thanks to the contribution of new products and the integration with newly acquired companies. By rolling our valuation forward by one year and factoring in a lower risk-free rate (now at 4.5%, in line with the 10-year Italian government bond yield) we are leaving our target price unchanged, despite the lower estimates. The stock is trading at very attractive multiples: 9.3x 2013 P/E. In the shorter term, after two unexciting quarters, we cannot rule out a lack of momentum. We believe the situation may improve after the presentation of FY12 results, scheduled for 7<sup>th</sup> March 2013.

DATALOGIC - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): Unchanged

Change in EPS est:	2012E	2013E
	-10.2%	-7.6%

### STOCK DATA

 Reuters code: DAL.MI  
 Bloomberg code: DAL IM

Performance	1m	3m	12m
Absolute	1.6%	-0.8%	20.2%
Relative	-6.2%	-10.4%	8.5%
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):	404
Total Mkt Cap (Eu mn):	404
Mkt Float - ord (Eu mn):	109
Mkt Float (in %):	26.9%
Main shareholder:	
Hydra Spa (controlled by Voli)	67.1%

### BALANCE SHEET DATA

	2013
Book value (Eu mn):	208
BVPS (Eu):	3.56
P/BV:	1.9
Net Financial Position (Eu mn):	-122
Enterprise value (Eu mn):	526

Key Figures	2010A	2011A	2012E	2013E	2014E
Sales (Eu mn)	393	426	462	504	549
Ebitda (Eu mn)	50	51	65	79	89
Net profit (Eu mn)	18	26	30	40	48
EPS - New (Eu)	0.348	0.585	0.624	0.744	0.877
EPS - Old (Eu)		0.585	0.695	0.805	0.921
DPS (Eu)	0.150	0.150	0.150	0.150	0.150
Ratios & Multiples	2010A	2011A	2012E	2013E	2014E
P/E	19.9	11.8	11.1	9.3	7.9
Div. Yield	2.2%	2.2%	2.2%	2.2%	2.2%
EV/Ebitda	9.8	7.8	8.1	6.6	5.5
ROCE	16.0%	16.3%	16.4%	19.2%	21.9%

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**DATALOGIC - KEY FIGURES**

		2010A	2011A	2012E	2013E	2014E
	Fiscal year end	31/12/2010	31/12/2011	31/12/2012	31/12/2013	31/12/2014
<b>PROFIT &amp; LOSS (Eu mn)</b>	Sales	393	426	462	504	549
	EBITDA	50	51	65	79	89
	EBIT	35	36	46	63	72
	Financial income (charges)	(7)	(4)	(9)	(10)	(7)
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	28	33	37	54	66
	Taxes	(10)	(7)	(7)	(13)	(18)
	Tax rate (%)	36.0%	22.0%	20.0%	25.0%	27.0%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	18	26	30	40	48
	Total extraordinary items	(2)	(8)	(7)	(3)	(3)
	Ebitda excl. extraordinary items	49	59	69	79	89
<b>PER SHARE DATA (Eu)</b>	Ebit excl. extraordinary items	38	49	54	68	77
	Net profit restated	20	34	36	43	51
	Total shares out (mn) - average fd	58	58	58	58	58
	EPS stated fd	0.308	0.443	0.510	0.692	0.825
	EPS restated fd	0.348	0.585	0.624	0.744	0.877
	BVPS fd	2.398	2.913	3.013	3.555	4.231
	Dividend per share (ord)	0.150	0.150	0.150	0.150	0.150
<b>CASH FLOW (Eu mn)</b>	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	48.6%	33.8%	29.4%	21.7%	18.2%
	Gross cash flow	34	40	46	57	65
	Change in NWC	22	3	(9)	(2)	(2)
	Capital expenditure	(10)	(14)	(13)	(15)	(15)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	46	30	24	40	47
	Acquisitions, divestments & others	(20)	(4)	(104)	0	0
<b>BALANCE SHEET (Eu mn)</b>	Dividend	0	(8)	(9)	(9)	(9)
	Equity financing/Buy-back	0	0	(3)	0	0
	Change in Net Financial Position	24	17	(94)	31	38
	Total fixed assets	206	222	308	305	299
	Net working capital	17	14	23	25	27
	Long term liabilities	(7)	(7)	(1)	(0)	5
	Net capital employed	217	230	330	330	332
	Net financial position	(76)	(59)	(154)	(122)	(84)
<b>ENTERPRISE VALUE (Eu mn)</b>	Group equity	140	170	176	208	247
	Minorities	0	0	0	0	0
	Net equity	140	170	176	208	247
	Average mkt cap - current	404	404	404	404	404
<b>RATIOS(%)</b>	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(76)	(59)	(154)	(122)	(84)
	Enterprise value	480	463	557	526	488
	EBITDA margin*	12.5%	13.9%	15.0%	15.8%	16.2%
<b>GROWTH RATES (%)</b>	EBIT margin*	9.7%	11.5%	11.7%	13.5%	14.0%
	Gearing - Debt/equity	54.6%	34.9%	87.2%	58.9%	34.1%
	Interest cover on EBIT	5.0	10.1	5.1	6.5	10.8
	Debt/Ebitda	1.54	1.17	2.35	1.54	0.95
	ROCE*	16.0%	16.3%	16.4%	19.2%	21.9%
	ROE*	14.0%	16.7%	17.2%	21.1%	21.2%
	EV/CE	2.2	2.1	2.0	1.6	1.5
	EV/Sales	1.2	1.1	1.2	1.0	0.9
	EV/Ebit	12.6	9.5	10.3	7.8	6.3
	Free Cash Flow Yield	11.3%	7.3%	5.8%	9.9%	11.6%
	Sales	25.9%	8.3%	8.5%	9.1%	9.1%
<b>GROWTH RATES (%)</b>	EBITDA*	149.2%	21.0%	16.9%	14.6%	11.9%
	EBIT*	500.6%	27.9%	11.1%	25.1%	13.5%
	Net profit	nm	43.7%	15.1%	35.7%	19.2%
	EPS restated	nm	68.1%	6.7%	19.3%	17.8%

\* Excluding extraordinary items

Source: Intermonte SIM estimates

## Datalogic - Change in estimates

	New Estimates			Old estimates			% change		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
<b>Net sales</b>	<b>461.7</b>	<b>503.6</b>	<b>549.4</b>	<b>475.0</b>	<b>520.4</b>	<b>572.4</b>	<b>-2.8%</b>	<b>-3.2%</b>	<b>-4.0%</b>
YoY growth	8.5%	9.1%	9.1%	11.6%	9.6%	10.0%			
<b>EBITDA reported</b>	<b>65.4</b>	<b>79.3</b>	<b>88.8</b>	<b>72.2</b>	<b>84.3</b>	<b>92.5</b>	<b>-9.4%</b>	<b>-5.8%</b>	<b>-4.1%</b>
<b>Ebitda margin</b>	<b>14.2%</b>	<b>15.8%</b>	<b>16.2%</b>	<b>15.2%</b>	<b>16.2%</b>	<b>16.2%</b>			
YoY growth	28.7%	21.3%	11.9%	42.0%	16.7%	9.8%			
D&A tang	(7.7)	(8.1)	(8.5)	(7.8)	(8.2)	(8.7)			
Goodwill	(4.5)	(4.5)	(4.5)	(4.5)	(4.5)	(4.5)			
D&A intang.	(3.6)	(3.5)	(3.4)	(3.6)	(3.5)	(3.4)			
<b>EBIT reported</b>	<b>45.9</b>	<b>63.3</b>	<b>72.4</b>	<b>52.5</b>	<b>68.0</b>	<b>76.0</b>	<b>-12.6%</b>	<b>-7.0%</b>	<b>-4.7%</b>
<b>Ebit margin</b>	<b>9.9%</b>	<b>12.6%</b>	<b>13.2%</b>	<b>11.1%</b>	<b>13.1%</b>	<b>13.3%</b>			
YoY growth	25.9%	37.9%	14.4%	44.1%	29.6%	11.6%			
Net financials	(9.0)	(9.7)	(6.7)	(9.0)	(9.7)	(6.7)			
Associates	0.4	0.4	0.4	0.3	0.4	0.4			
FOREX	0.0	0.0	0.0	0.0	0.0	0.0			
<b>Pre tax profit</b>	<b>37.3</b>	<b>54.0</b>	<b>66.1</b>	<b>43.8</b>	<b>58.7</b>	<b>69.6</b>	<b>-14.8%</b>	<b>-8.1%</b>	<b>-5.1%</b>
Taxes	(7.5)	(13.5)	(17.8)	(9.6)	(14.7)	(18.8)			
tax rate	20.0%	25.0%	27.0%	22.0%	25.0%	27.0%			
Minorities	0.0	0.0	0.0	0.0	0.0	0.0			
<b>Net income</b>	<b>29.8</b>	<b>40.5</b>	<b>48.2</b>	<b>34.1</b>	<b>44.0</b>	<b>50.8</b>	<b>-12.6%</b>	<b>-8.1%</b>	<b>-5.1%</b>
<b>Rest. Net Income</b>	<b>36.5</b>	<b>43.5</b>	<b>51.2</b>	<b>40.6</b>	<b>47.1</b>	<b>53.8</b>	<b>-10.2%</b>	<b>-7.6%</b>	<b>-4.8%</b>
YoY growth	6.7%	19.3%	17.8%	18.8%	15.9%	14.4%			

Source: Intermonte SIM estimates

## Datalogic - Quarterly figures

(Eu mn)	4Q11A	4Q12E	YoY	2011 A	2012 E	YoY
<b>Net sales</b>	<b>108.2</b>	<b>114.3</b>	5.6%	<b>425.5</b>	<b>461.7</b>	8.5%
<b>EBITDA adj.</b>	<b>10.6</b>	<b>12.7</b>	19.8%	<b>59.2</b>	<b>65.4</b>	10.5%
<b>Ebitda margin</b>	9.8%	11.1%		13.9%	14.2%	
Non recurring	(0.8)	0.0		(8.4)	(3.8)	
D&A	(3.3)	(4.3)		(14.4)	(15.7)	
<b>EBIT</b>	<b>6.4</b>	<b>8.5</b>	31.2%	<b>36.4</b>	<b>45.9</b>	25.9%
<b>Ebit margin</b>	<b>6.0%</b>	<b>7.4%</b>		<b>8.6%</b>	<b>9.9%</b>	
Net financials	1.6	(3.4)		(3.6)	(9.0)	
Associates / forex	0.2	0.1		0.4	0.4	
<b>Pre tax profit</b>	<b>8.2</b>	<b>5.2</b>	-37.3%	<b>33.2</b>	<b>37.3</b>	12.2%
Taxes	0.4	(3.9)		(7.3)	(7.5)	
<i>tax rate</i>	<i>-5.4%</i>	<i>76.1%</i>		<i>22.0%</i>	<i>20.0%</i>	
Minorities	0.0	0.0		0.0	0.0	
<b>Net profit</b>	<b>8.7</b>	<b>1.2</b>	-85.8%	<b>25.9</b>	<b>29.8</b>	15.1%

Source: Company data and Intermonte SIM estimates

#### DATALOGIC Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
DATALOGIC	6.9	EUR	403.9	1.6%	-0.8%	6.3%	4.6%	20.2%	13.3%
INTERMEC	9.9	USD	590.9	0.0%	41.7%	71.6%	-0.1%	25.2%	-14.8%
ZEBRA TECH	41.5	USD	2,153.6	4.5%	14.7%	18.1%	5.6%	10.5%	9.8%
ZETES INDUST	15.9	EUR	83.3	11.0%	14.1%	19.2%	5.5%	1.6%	-11.0%
<b>Mean performance</b>				<b>4.3%</b>	<b>17.4%</b>	<b>28.8%</b>	<b>3.9%</b>	<b>14.4%</b>	<b>-0.7%</b>
<b>Italy Fixed</b>	17,632.0	EUR	200,163	7.9%	11.2%	34.9%	8.3%	12.8%	-20.2%

Source: FactSet

#### DATALOGIC Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	EV/Sales 2013	EV/Sales 2014	EV/Ebitda 2013	EV/Ebitda 2014	EV/Ebit 2013	EV/Ebit 2014	P/E 2013	P/E 2014	Div Yield 2013	Div Yield 2014
DATALOGIC	6.9	EUR	403.9	1.0	0.9	6.6	5.5	7.8	6.3	9.3	7.9	2.2%	2.2%
INTERMEC	9.9	USD	590.9	0.7	0.6	8.1	6.0	22.8	12.5	24.9	18.9		
ZEBRA TECH	41.5	USD	2,153.6	1.6		7.4		8.8		15.1	14.0		
ZETES INDUST	15.9	EUR	83.3	0.3	0.3	4.5	3.4	8.4	5.8	14.2	10.0	3.5%	3.5%
<b>Median</b>				<b>0.9</b>	<b>0.6</b>	<b>7.0</b>	<b>5.5</b>	<b>8.6</b>	<b>6.3</b>	<b>14.7</b>	<b>12.0</b>	<b>2.8%</b>	<b>2.8%</b>

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

#### DATALOGIC - Estimates Comparison with Consensus

(Eu mn)	2013			2014		
	Intermonte	Consensus	%diff	Intermonte	Consensus	%diff
Revenues	503.6	522.6	-3.6%	549.4	591.0	-7.0%
Ebitda	79.3	86.3	-8.1%	88.8	99.3	-10.5%
Net Profit	40.5	46.0	-12.1%	48.2	55.5	-13.1%
EPS	0.7	0.8	-7.1%	0.9	1.0	-12.1%
Net Debt	(122.5)	(114.0)	7.5%	(84.3)	(72.7)	16.0%

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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Intermonte's distribution of stock ratings is as follows:

BUY: 16,15%

OUTPERFORM: 32,31%

NEUTRAL: 43,85%

UNDERPERFORM: 7,69%

SELL: 0,00%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (26 in total) is as follows:

BUY: 15,38%

OUTPERFORM: 50,00%

NEUTRAL: 34,62%

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):	9.00	Previous Target (Eu):	9.00
Current Price (Eu):	6.91	Previous Price (Eu):	6.00
Date of report:	22/01/2013	Date of last report:	13/11/2012

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