

DATALOGIC

BUY

Price (Eu):

7.00

Target Price (Eu):

9.50

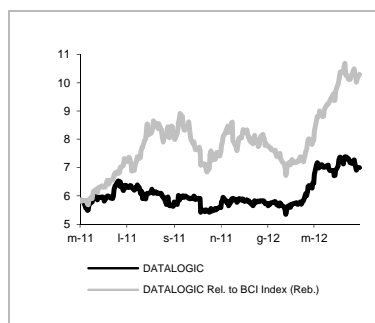
SECTOR: Industrials

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Ongoing Recovery After A Weak Start To The Year

- **Datalogic's performance was consistent with a weaker than expected global reference market.** 1Q12 sales came in at Eu115.4mn, up 9.9%: this figure was already released and includes the contribution from the recent acquisitions of Accu-Sort (Eu8.6mn in 1Q12) and PPT (Eu1.1mn in 1Q12), net of which turnover would have been slightly up YoY, in line with the reference market trend in the quarter. More precisely, the market performed below expectations because a number of large contracts (so called "special projects") were postponed in January 2012 due to the worsening of global economic uncertainty. The situation subsequently improved significantly in March and this positive upturn continued in April.
- **EBITDA closed at Eu18.5mn, up 24% and 5% ahead of estimates.** Looking at figures before the contribution of new acquisitions, we can single out impressive EBITDA of Eu19.3mn (EBITDA margin 18.3%). According to the press release, however, EBITDA benefited from about Eu5.5mn in revenue related to the sale of a non-core business, consisting of RFID devices and solutions. Net of this non-recurring item, Datalogic's EBITDA margin pre-acquisitions would have come to about 13.8%, broadly in line with the margin recorded in 1Q11.
- **Net debt closed at Eu172mn after the Eu103mn cash out for acquiring Accu-Sort,** Eu10mn above estimates because of higher NWC absorption. More precisely, the above mentioned turnover acceleration in March has increased the amount of receivables, explaining the higher than expected cash absorption from NWC in 1Q12 (Eu28.6mn). This trend is expected to normalise in 2Q12. On the positive side, in 1Q12 there was a Eu4.2mn cash-in that represented the first installment of the Eu5.5mn disposal of RFID related activities.
- **CEO Sacchetto expressed confidence in meeting 2012 consensus** (slightly above our estimates) even after a weaker than expected start to the year. The quarterly order backlog was comforting, amounting to Eu135mn, up 26% compared to the corresponding figure in 1Q11; this should allow revenues to pick up in 2Q12, both YoY and QoQ. Management confirmed an update to the 3-year business plan will be provided over the summer (either in July or September).
- **BUY confirmed, target price and estimates unchanged.** Considering that in 1Q12 the group carried out a major acquisition and that the impact of the new supply chain in Vietnam will begin to be witnessed as of 2Q12, we take a positive view on quarterly results and remain confident for the remainder of the year. The contribution of activities disposed was immaterial, hence we are leaving our estimates unchanged.

DATALOGIC - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): Unchanged

Change in EPS est:	2012E	2013E
	0.0%	0.0%

STOCK DATA

 Reuters code: DAL.MI
 Bloomberg code: DAL IM

Performance	1m	3m	12m
Absolute	1.4%	25.0%	19.5%
Relative	5.8%	38.7%	52.1%
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):	409
Total Mkt Cap (Eu mn):	409
Mkt Float - ord (Eu mn):	110
Mkt Float (in %):	26.9%
Main shareholder:	
Hydra Spa (controlled by Voli)	67.1%

BALANCE SHEET DATA

	2012
Book value (Eu mn):	190
BVPS (Eu):	3.25
P/BV:	2.2
Net Financial Position (Eu mn):	-140
Enterprise value (Eu mn):	549

Key Figures	2010A	2011A	2012E	2013E	2014E
Sales (Eu mn)	393	426	516	546	566
Ebitda (Eu mn)	50	51	83	90	93
Net profit (Eu mn)	18	26	41	46	50
EPS - New (Eu)	0.348	0.585	0.747	0.825	0.897
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	20.1	12.0	9.4	8.5	7.8
Div. Yield	2.1%	2.1%	2.1%	2.1%	2.1%
EV/Ebitda	9.9	7.9	6.6	5.7	5.1
ROCE	16.0%	16.3%	23.5%	21.7%	22.6%

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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
PROFIT & LOSS (Eu mn)	Sales	393	426	516	546	566
	EBITDA	50	51	83	90	93
	EBIT	35	36	66	72	74
	Financial income (charges)	(7)	(4)	(10)	(10)	(7)
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	28	33	56	62	68
	Taxes	(10)	(7)	(15)	(17)	(18)
	Tax rate (%)	36.0%	22.0%	27.0%	27.0%	27.0%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	18	26	41	46	50
	Total extraordinary items	(2)	(8)	(3)	(3)	(3)
	Ebitda excl. extraordinary items	49	59	83	90	93
PER SHARE DATA (Eu)	Ebit excl. extraordinary items	38	49	70	76	78
	Net profit restated	20	34	44	48	52
	Total shares out (mn) - average fd	58	58	58	58	58
	EPS stated fd	0.308	0.443	0.702	0.780	0.852
	EPS restated fd	0.348	0.585	0.747	0.825	0.897
	BVPS fd	2.398	2.913	3.254	3.885	4.586
	Dividend per share (ord)	0.150	0.150	0.150	0.150	0.150
CASH FLOW (Eu mn)	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	48.6%	33.8%	21.4%	19.2%	17.6%
	Gross cash flow	34	40	59	64	68
	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	32	46	51
	Acquisitions, divestments & others	(20)	(4)	(104)	0	0
BALANCE SHEET (Eu mn)	Dividend	0	(8)	(9)	(9)	(9)
	Equity financing/Buy-back	0	0	0	0	0
	Change in Net Financial Position	24	17	(81)	37	42
	Total fixed assets	206	222	314	313	311
	Net working capital	17	14	26	27	28
	Long term liabilities	(7)	(7)	(9)	(10)	(11)
	Net capital employed	217	230	330	330	329
	Net financial position	(76)	(59)	(140)	(103)	(61)
ENTERPRISE VALUE (Eu mn)	Group equity	140	170	190	227	268
	Minorities	0	0	0	0	0
	Net equity	140	170	190	227	268
	Average mkt cap - current	409	409	409	409	409
RATIOS(%)	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(76)	(59)	(140)	(103)	(61)
	Enterprise value	486	469	549	512	470
	EBITDA margin*	12.5%	13.9%	16.2%	16.4%	16.3%
GROWTH RATES (%)	EBIT margin*	9.7%	11.5%	13.5%	13.9%	13.9%
	Gearing - Debt/equity	54.6%	34.9%	73.7%	45.3%	22.6%
	Interest cover on EBIT	5.0	10.1	6.6	7.4	11.2
	Debt/Ebitda	1.54	1.17	1.68	1.15	0.66
	ROCE*	16.0%	16.3%	23.5%	21.7%	22.6%
	ROE*	14.0%	16.7%	22.8%	21.9%	20.1%
	EV/CE	2.2	2.1	2.0	1.6	1.4
	EV/Sales	1.2	1.1	1.1	0.9	0.8
	EV/Ebit	12.7	9.6	7.9	6.8	6.0
	Free Cash Flow Yield	11.1%	7.2%	7.8%	11.3%	12.4%
	Sales	25.9%	8.3%	21.1%	5.9%	3.7%
GROWTH RATES (%)	EBITDA*	149.2%	21.0%	41.1%	7.4%	3.2%
	EBIT*	500.6%	27.9%	42.9%	8.6%	3.6%
	Net profit	nm	43.7%	58.3%	11.1%	9.2%
	EPS restated	nm	68.1%	27.8%	10.5%	8.7%

* Excluding extraordinary items

Source: Intermonte SIM estimates

Details

Datalogic - Quarterly figures					
(Eu mn)	1Q11A	1Q12A	YoY	1Q12E	A vs. E
Net sales	105.0	115.4	9.9%	117.0	-1.4%
Gross profit	49.4	53.2		53.8	
EBITDA adj.	14.9	18.5	24.2%	17.6	5.4%
Ebitda margin	14.2%	16.0%		15.0%	
D&A	(3.8)	(3.3)		(4.3)	
EBIT	11.1	15.2	36.7%	13.3	14.6%
Ebit margin	10.6%	13.2%		11.3%	
Net financials	(1.5)	(0.6)		(2.2)	
Associates / forex	(1.4)	(4.2)		0.0	
Pre tax profit	8.2	10.4	27.1%	11.1	-5.8%
Taxes	(2.5)	(0.4)		(3.3)	
Tax rate	30.9%	3.5%		30.0%	
Minorities	0.0	0.0		0.0	
Net profit	5.7	10.0	77.5%	7.7	29.9%

Source: Company data and Intermonte SIM estimates

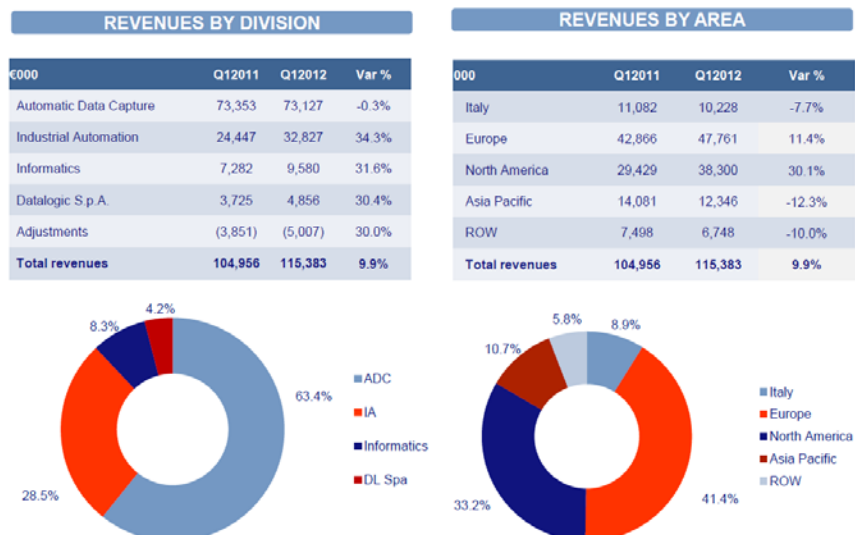
Sales were up 9.9% to Eu115.4mn: this figure was already released and includes the contribution from the recent acquisitions of Accu-Sort (Eu8.6mn in 1Q12) and PPT (Eu1.1mn in 1Q12), net of which turnover would have increased slightly YoY, in line with the reference market trend in the quarter. More precisely, the market fell below expectations because a number of large contracts (so called "special projects") were postponed in January 2012 due to the worsening of the global economic uncertainty. The situation subsequently improved significantly in March, an upturn that continued in April.

EBITDA closed at Eu18.5mn, up 24% and 5% ahead of estimates. Looking at figures before the contribution of new acquisitions, we can single out impressive EBITDA of Eu19.3mn (EBITDA margin of 18.3%). According to the press release, however, EBITDA benefited from about Eu5.5mn in revenue related to the sale of a non-core business, consisting of RFID devices and solutions. Net of this non-recurring item, Datalogic's *EBITDA margin* prior to acquisitions would have come to about 13.8%, broadly in line with the margin recorded in 1Q11. This does not change our positive take on 1Q12 results, because the group carried out a large acquisition in the quarter and the impact of the new Supply Chain in the ADC segment will begin to show as of 2Q12. In addition, research and development expenses amounted to Eu8mn in 1Q12, or 6.9% of revenues, compared to 6.5% in 1Q11, once again confirming Datalogic's relentless long-term approach.

Below EBITDA, financial charges decreased to Eu0.6mn compared to Eu1.5mn in 1Q11, but foreign exchange losses unexpectedly amounted to Eu4.2mn (Eu1.6mn in 1Q11). At bottom line, net profit stood at Eu10mn, up 77% YoY and almost 30% better than forecast thanks to a much lower tax load, which benefitted from tax income related to the fiscal effect of the establishment of Datalogic IP Tech (partially booked in 4Q11).

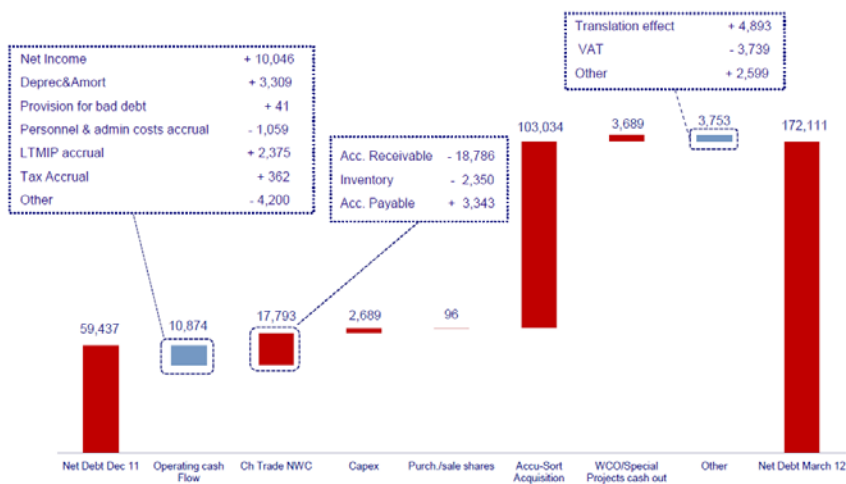
Finally, net debt closed at Eu172mn after the Eu103mn cash out for acquiring Accu-Sort, Eu10mn above estimates because of higher NWC absorption. More precisely, net working capital amounted to Eu58.4mn as at 31st March 2012; an increase of Eu28.6mn compared to the position as at 31st December 2011. The turnover acceleration in March also had the effect of increasing the amount of receivables, explaining the higher than expected cash absorption from NWC in 1Q12. This trend is expected to normalise in 2Q12. On the positive side, a cash-in of Eu4.2mn in 1Q12 represented the first installment from the Eu5.5mn disposal of RFID related activities.

Datalogic – Revenue breakdown by division and by area



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

Datalogic –quarterly net debt trend



Peer comparison

Datalogic Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
Datalogic S.p.A.	6.94	EUR	406	0.6%	23.9%	23.9%	20.7%	18.4%	78.9%
Intermec Inc.	5.6	USD	333	-15.5%	-26.8%	-24.8%	-19.0%	-53.6%	-54.8%
Zebra Technologies Corp. Cl A	36.8	USD	1,907	-3.3%	-5.2%	-1.1%	2.9%	-12.4%	29.6%
Zetes Industries S.A.	14.8	EUR	79	-8.7%	-6.2%	-8.0%	-7.0%	-20.7%	-12.8%
Psion PLC	55.0	GBP	77	-2.2%	12.2%	3.3%	25.4%	-40.9%	-33.7%
Simple mean performance				-7.4%	-6.5%	-7.6%	0.6%	-31.9%	-17.9%
FTSE Italy All Share (IT)	15,097.7	EUR - Euro		-1.7%	-13.5%	-7.1%	-4.7%	-32.9%	-26.0%
FTSE Italy Star (IT)	10,272.3	EUR - Euro		-2.9%	-2.5%	5.9%	9.5%	-16.5%	-3.7%

Source: Factset

Datalogic Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	EV/Sales 2012	EV/Sales 2013	EV/Ebitda 2012	EV/Ebitda 2013	EV/Ebit 2012	EV/Ebit 2013	P/E 2012	P/E 2013	Div Yield 2012
Datalogic S.p.A.	6.94	EUR	406	1.07	0.94	6.6	5.7	7.9	6.8	9.4	8.5	2.1%
Intermec Inc.	5.6	USD	333								23.2	
Zebra Technologies Corp. Cl A	36.8	USD	1,907							14.4	13.2	
Zetes Industries S.A.	14.8	EUR	79	0.31	0.27	3.8	3.2	6.4	5.2	10.5	9.9	3.5%
Psion PLC	55.0	GBP	77	0.34	0.34	4.4	3.8	14.8	9.6	26.4	12.2	7.3%
Median				0.33	0.30	4.1	3.5	10.6	7.4	14.4	12.7	5.4%

Source: Intermonte SIM estimates for Datalogic and Factset consensus estimates for peer group

Datalogic - Estimates Comparison with Consensus

(Eu mn)	2011E			2012E		
	Intermonte	Consensus	% diff	Intermonte	Consensus	% diff
Revenues	515.5	519.0	-0.7%	545.9	551.0	-0.9%
Ebitda	83.5	84.4	-1.1%	89.7	94.5	-5.1%
Net Profit	41.0	42.6	-3.7%	45.6	50.6	-9.9%
EPS	0.7	0.8	-0.8%	0.8	0.9	-10.6%
Net Debt	140.2	129.4	8.3%	102.8	87.4	17.6%

Source: Intermonte SIM estimates and Factset (45 days consensus estimates)

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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;
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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):	7.00	Previous Price (Eu):	7.36
Date of report:	15/05/2012	Date of last report:	19/04/12

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