

# DATALOGIC

# OUTPERFORM

SECTOR: Industrials

Price (Eu):

3.87

 Andrea Randone +39-02-77115.364  
 e-mail: andrea.randone@intermonte.it

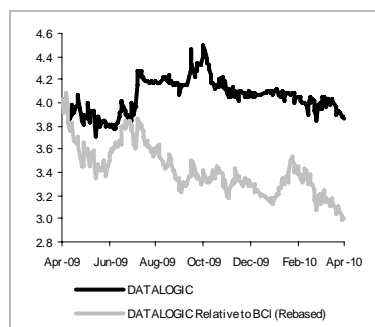
Target Price (Eu):

4.80

## Positive Newsflow Expected, Starting With 1Q10 Results

- We expect strong quarterly results.** After the encouraging signals recorded in 4Q09, we expect 1Q10 results to substantiate the recovery trend. We estimate 20% YoY revenue growth, thanks partly to an easy comparison, as sales fell 30% YoY in 1Q09. A positive effect from operating leverage, coupled with benefits from the cost saving plan carried out in 2009, should take the EBITDA margin above 11% in 1Q10, compared to a red figure in the corresponding period in 2009. At the bottom line, we expect a net profit of Eu2.8mn. Net debt should close at about Eu95mn.
- Change in estimates.** We are revising our estimate upwards, now projecting a 10% YoY growth in FY2010, a 300bp increase from our previous estimate. Looking back in time, revenues peaked in 2007 at Eu435mn (if we adjust for Datasensor, acquired in 4Q08), hence our 2012 estimate is still almost 10% below the peak. All in all, we are raising our 2010 and 2011 EPS by 10% and 4% respectively.
- 2010 management indications.** During the 4Q09 results conference call, management indicated that there are encouraging signs of a recovery in 1Q10, which could be even better than 4Q09 (generally, 4Q is a stronger season). As for FY10, management indicated a turnover increase of 7-8% YoY, so our estimates are now slightly above management indications. CAPEX are expected to remain low (about 2.5% of revenues).
- Positive newsflow ahead: target lifted to Eu4.8, recommendation OUTPERFORM.** In light of strong expected quarterly results and, more generally, a significant recovery trend in 2010 for both revenues and margins, we have raised our estimates and recommendation. Comparing Datalogic's YTD stock performance with the FTSE Italia index, we note an underperformance of about 6.5%. A year ago, Datalogic's poor stock performance was justified by very disappointing results (in both 1Q09 and 2Q09) that led to downwards estimate revisions. After that, however, the stock has not benefited from the margin improvement created by the efficiency plan, remaining around Eu4 per share. Multiples therefore look attractive now. A possible trigger in the near future could be an updated 2010 outlook from management after the presentation of 1Q10 results on May 10<sup>th</sup>.

### DATALOGIC - 12m Performance



RATING: from NEUTRAL to OUTPERFORM

TARGET PRICE (Eu): from 4.40 to 4.80

 Change in EPS est:      2010E    2011E  
                                      8.0%    3.2%

#### STOCK DATA

 Reuters code: DAL.MI  
 Bloomberg code: DAL IM

Performance	1m	3m	12m
Absolute	-3.5%	-5.9%	-4.1%
Relative	-6.8%	-5.4%	-33.1%
12 months H/L:	4.50/3.71		

#### SHAREHOLDER DATA

No. of Ord. shares (mn):	58
Total No. of shares (mn):	58
Mkt Cap Ord (Eu mn):	226
Total Mkt Cap (Eu mn):	226
Mkt Float - ord (Eu mn):	61
Mkt Float (in %):	26.9%
Main shareholder:	
Hydra Spa	67.1%

#### BALANCE SHEET DATA

Book value (Eu mn):	126
BVPS (Eu):	2.16
P/BV:	1.8
Net Financial Position (Eu mn):	-83
Enterprise value (Eu mn):	309

Key Figures	2008A	2009A	2010E	2011E	2012E
Sales (Eu mn)	380	312	345	380	398
Ebitda (Eu mn)	48	12	38	48	52
Net profit (Eu mn)	18	-12	9	17	20
EPS - New (Eu)	0.36	-0.03	0.21	0.33	0.39
EPS - Old (Eu)	0.36	-0.03	0.19	0.32	0.38
DPS (Eu)	0.04	0.00	0.02	0.03	0.03
Ratios & Multiples	2008A	2009A	2010E	2011E	2012E
P/E	10.7	nm	18.6	11.7	10.0
Div. Yield	0.9%	0.0%	0.4%	0.7%	0.9%
EV/Ebitda	6.9	16.6	8.0	6.0	5.2
ROCE	12.8%	-2.4%	10.0%	15.1%	17.0%

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein, and of any of its parts, is strictly prohibited. None of the contents of this document may be shared with third parties without Company authorization.

**DATALOGIC - KEY FIGURES**

		2008A	2009A	2010E	2011E	2012E
	Fiscal year end	31/12/2008	31/12/2009	31/12/2010	31/12/2011	31/12/2012
<b>PROFIT &amp; LOSS (Eu mn)</b>	Sales	380	312	345	380	398
	EBITDA	48	12	38	48	52
	EBIT	31	(6)	21	32	35
	Financial income (charges)	(6)	(7)	(7)	(6)	(5)
	Associates & Others	1	(0)	0	0	0
	Pre-tax profit (Loss)	26	(13)	15	26	31
	Taxes	(8)	1	(5)	(9)	(11)
	Tax rate (%)	31.1%	10.0%	36.0%	36.0%	36.0%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	18	-12	9	17	20
	Total extraordinary items	1	8	0	0	0
	Ebitda excl. extraordinary items	48	20	38	48	52
	Ebit excl. extraordinary items	36	6	26	36	39
Net profit restated	21	(2)	12	19	23	
<b>PER SHARE DATA (Eu)</b>	Total shares out (mn) - average fd	58	58	58	58	58
	EPS stated fd	0.31	-0.21	0.16	0.28	0.34
	EPS restated fd	0.36	-0.03	0.21	0.33	0.39
	BVPS fd	2.32	2.00	2.16	2.43	2.74
	Dividend per share (ord)	0.04	0.00	0.02	0.03	0.03
	Dividend per share (sav)	0.00	0.00	0.00	1.00	2.00
	Dividend pay out ratio (%)	11.5%	0.0%	10.0%	10.0%	10.0%
<b>CASH FLOW (Eu mn)</b>	Gross cash flow	34	5	26	34	37
	Change in NWC	6	15	(3)	(4)	(4)
	Capital expenditure	(11)	(7)	(9)	(11)	(12)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	29	13	15	18	20
	Acquisitions, divestments & others	(44)	0	0	0	0
	Dividend	(4)	(2)	0	(1)	(2)
	Equity financing/Buy-back	(23)	0	0	0	0
Change in Net Financial Position	(44)	6	17	17	19	
<b>BALANCE SHEET (Eu mn)</b>	Total fixed assets	197	186	171	166	157
	Net working capital	54	39	42	46	50
	Long term liabilities	(8)	(8)	(3)	(3)	1
	Net capital employed	243	217	209	208	208
	Net financial position	(107)	(100)	(83)	(66)	(47)
	Group equity	136	117	126	142	160
	Minorities	0	0	0	0	0
	Net equity	136	117	126	142	160
<b>ENTERPRISE VALUE (Eu mn)</b>	Average mkt cap - current	226	226	226	226	226
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(107)	(100)	(83)	(66)	(47)
	Enterprise value	333	327	309	292	273
<b>RATIOS(%)</b>	EBITDA margin*	12.8%	6.3%	11.1%	12.8%	13.1%
	EBIT margin*	9.4%	2.1%	7.4%	9.4%	9.9%
	Gearing - Debt/equity	78.7%	86.1%	66.0%	46.7%	29.6%
	Interest cover on EBIT	5.5	nm	3.1	5.4	7.7
	Debt/Ebitda	2.24	8.56	2.17	1.37	0.91
	ROCE*	12.8%	-2.4%	10.0%	15.1%	17.0%
	ROE*	11.5%	-9.6%	7.8%	12.4%	13.2%
	EV/CE	1.4	1.4	1.5	1.4	1.3
	EV/Sales	0.9	1.0	0.9	0.8	0.7
	EV/Ebit	9.4	nm	12.1	8.2	6.9
Free Cash Flow Yield	12.7%	5.9%	6.7%	7.9%	9.1%	
<b>GROWTH RATES (%)</b>	Sales	-6.0%	-17.9%	10.6%	10.0%	5.0%
	EBITDA*	-3.2%	-59.5%	95.9%	26.0%	7.6%
	EBIT*	-6.0%	-82.0%	298.0%	39.8%	10.6%
	Net profit	-1.3%	nm	nm	76.3%	19.9%
	EPS restated	-3.5%	nm	nm	59.2%	17.1%

\* Excluding extraordinary items

Source: Intermonte SIM estimates

### We expect strong quarterly results

Datalogic - 1Q10 results			
(Eu mn)	1Q09A	1Q10E	YoY
<b>Net Sales</b>	<b>73.1</b>	<b>87.7</b>	20.0%
<b>EBITDA</b>	<b>(0.5)</b>	<b>9.9</b>	nm
Ebitda margin	-0.7%	11.3%	
Non recurring	0.0	0.0	
D&A	(4.6)	(4.2)	
<b>EBIT</b>	<b>(5.1)</b>	<b>5.7</b>	nm
<b>Ebit margin</b>	<b>-7.0%</b>	<b>6.5%</b>	
Net financials	(1.7)	(1.7)	
Associates	0.1	0.1	
<b>Pre tax profit</b>	<b>(6.8)</b>	<b>4.0</b>	nm
Taxes	1.3	(1.2)	
<i>Tax rate</i>	<i>18.7%</i>	<i>30.0%</i>	
Minorities			
<b>Net profit</b>	<b>(5.5)</b>	<b>2.8</b>	nm

Source: Company data and Intermonte SIM estimates

After the encouraging signals recorded in 4Q09, we expect 1Q10 results to substantiate the recovery trend. We estimate 20% YoY revenue growth, thanks partly to an easy comparison, as sales fell 30% YoY in 1Q09. A positive effect from operating leverage, coupled with benefits from the cost saving plan carried out in 2009, should take the EBITDA margin above 11% in 1Q10, compared to a red figure in the corresponding period in 2009. At the bottom line, we expect a net profit of Eu2.8mn. Net debt should close at about Eu95mn.

### Change in estimates

We are revising our estimate upwards, now projecting a 10% YoY growth in FY2010, a 300bp increase from our previous estimate. Looking back in time, revenues peaked in 2007 at Eu435mn (if we adjust for Datasensor, acquired in 4Q08), hence our 2012 estimate is still almost 10% below the peak. All in all, we are raising our 2010 and 2011 EPS by 16% and 11% respectively.

	NEW ESTIMATES			OLD ESTIMATES			% change		
	2010E	2011	2012	2010E	2011	2012	2010	2011	2012
<b>Net sales</b>	<b>345.0</b>	<b>379.5</b>	<b>398.5</b>	<b>335.0</b>	<b>368.5</b>	<b>386.9</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>
YoY growth	10.6%	10.0%	5.0%	7.4%	10.0%	5.0%			
<b>EBITDA reported</b>	<b>38.5</b>	<b>48.5</b>	<b>52.1</b>	<b>36.8</b>	<b>47.3</b>	<b>51.0</b>	<b>4.5%</b>	<b>2.5%</b>	<b>2.3%</b>
<b>Ebitda margin</b>	<b>11.1%</b>	<b>12.8%</b>	<b>13.1%</b>	<b>11.0%</b>	<b>12.8%</b>	<b>13.2%</b>			
YoY growth	95.9%	26.0%	7.6%	87.5%	28.5%	7.8%			
D&A tang	(8.5)	(8.5)	(8.6)	(9.0)	(9.0)	(9.1)			
Goodwill	(4.1)	(4.1)	(4.1)	(4.1)	(4.1)	(4.1)			
D&A intang.	(4.5)	(4.2)	(4.1)	(3.7)	(3.6)	(3.6)			
<b>EBIT reported</b>	<b>21.4</b>	<b>31.6</b>	<b>35.3</b>	<b>20.0</b>	<b>30.5</b>	<b>34.2</b>	<b>7.0%</b>	<b>3.4%</b>	<b>3.3%</b>
<b>Ebit margin</b>	<b>6.2%</b>	<b>8.3%</b>	<b>8.9%</b>	<b>6.0%</b>	<b>8.3%</b>	<b>8.8%</b>			
YoY growth	-484.4%	47.3%	12.0%	-459.1%	52.5%	12.0%			
Net financials	(6.9)	(5.9)	(4.6)	(6.9)	(5.9)	(4.6)			
Associates	0.2	0.3	0.4	0.2	0.4	0.4			
<b>Pre tax profit</b>	<b>14.7</b>	<b>26.0</b>	<b>31.1</b>	<b>13.3</b>	<b>25.0</b>	<b>30.0</b>	<b>10.6%</b>	<b>3.7%</b>	<b>3.8%</b>
Taxes	(5.3)	(9.4)	(11.2)	(4.8)	(9.0)	(10.8)			
	36.0%	36.0%	36.0%	36.0%	36.0%	36.0%			
Minorities	0.0	0.0	0.0	0.0	0.0	0.0			
<b>Net income</b>	<b>9.4</b>	<b>16.6</b>	<b>19.9</b>	<b>8.5</b>	<b>16.0</b>	<b>19.2</b>	<b>10.6%</b>	<b>3.7%</b>	<b>3.8%</b>

### Potential upside from the new plant in Vietnam

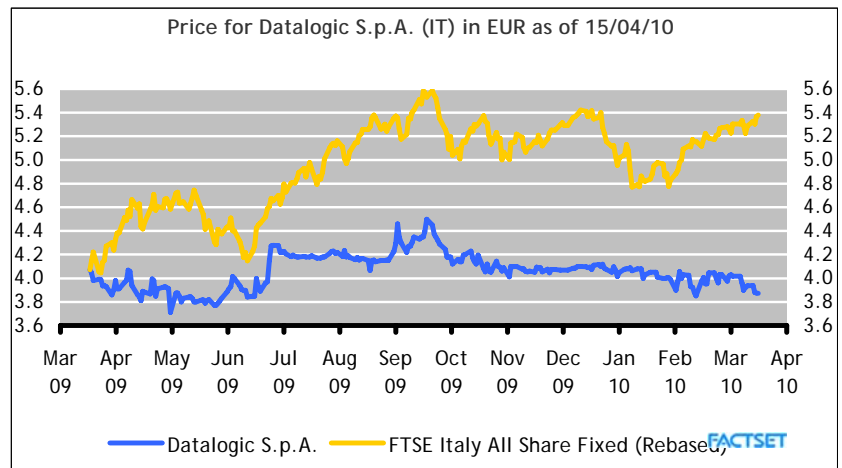
On July 10<sup>th</sup>, 2009, Datalogic inaugurated its new facilities in Saigon, Vietnam. The new factory is expected to lead to remarkable developments in terms of product quality, improved service levels and consistent cost reductions. This new investment will also allow the company to work close-up with all the stakeholders in the region, developing products designed specifically for the needs of customers in this important Asian market.

More specifically, the new factory will manufacture about 60% of future production for the Scanning division, gradually replacing the more costly US plant. In the short term this will save on labour costs and minor component supply costs. In the medium term, the goal is to become a reference player in the growing Far Eastern markets.

Benefits are expected to be fully appreciated within three years, yielding a gross margin increase of about 200bps.

### Disappointing recent stock performance

Comparing Datalogic's YTD stock performance with the FTSE Italia index, we note an underperformance of about 6.5%. A year ago, Datalogic's poor stock performance was justified by very disappointing results (in both 1Q09 and 2Q09) that led to downwards estimate revisions. After that, however, the stock has not benefited from the margin improvement created by the efficiency plan, remaining around Eu4 per share.



### Datalogic - Peer comparison

Minibase in EUR as of 15/04/10

Company	Price (Eu)	Mkt Cap (Eu mn)	EV/EBITDA			P/E		
			2010	2011	2012	2010	2011	2012
Intermec Inc.	9.9	609	10.9x	6.1x		31.9x	19.4x	
Zebra Technologies	22.4	1,296	10.6x	9.4x		21.8x	18.1x	
Mean	16.1	953	10.8x	7.7x		26.9x	18.8x	
Datalogic*	3.9	226	8.1x	6.0x	5.3x	18.6x	11.7x	10.0x

Source: Factset data and (\*) Intermonte SIM estimates

#### SHORT SALES: PROHIBITION REVOKED, WITH EXCEPTIONS

With resolution no. 16 971 dated 28/07/09, the National Commission for Companies and the Stock Market (CONSOB) revoked the ban on short selling effective 1st August 2009, with the exception of companies increasing their capital on or before 30th November 2009. For these companies, the sale of shares must still be supported by both the availability and the ownership of the relevant securities until the completion of the capital increase operation.  
DISCLAIMER (for more details go to <http://intermonte.it/disclosures.asp>).

DISCLAIMER (for more details go to <http://intermonte.it/disclosures.asp>)

#### IMPORTANT DISCLOSURES

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from Intermonte.

This report is directed exclusively at market professional and other institutional investors (Institutions) and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.  
The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by the Intermonte. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.

This disclaimer is constantly updated on Intermonte's website [www.intermonte.it](http://www.intermonte.it) under **DISCLOSURES**. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question.

#### ANALYST CERTIFICATION

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certify that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.

The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including Intermonte's total profits, a portion of which is generated by Intermonte's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.  
Intermonte's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.

#### GUIDE TO FUNDAMENTAL RESEARCH

Reports on all companies listed on the S&P/MIIB40 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

**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.

#### CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at March 31st 2009 Intermonte's Research Department covered 127 companies. Intermonte's distribution of stock ratings is as follows:

BUY: 19.69%  
OUTPERFORM: 32.28%  
NEUTRAL: 35.01%  
UNDERPERFORM: 11.02%  
SELL: 2.36%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (30 in total) is as follows:

BUY: 30.0%  
OUTPERFORM: 13.33%  
NEUTRAL: 56.67%  
UNDERPERFORM: 0.00%  
SELL: 0.00%

#### CONFLICT OF INTEREST

In order to disclose its possible conflicts of interest Intermonte SIM states that:

-within the last year, Intermonte SIM managed or co-managed/is managing or is co-managing (see companies indicated in bold type) an Institutional Offering of the securities of the following Companies: Arkimedica, Bouty (private placement), Cogeme, Enel, IT Holding (private placement), Pierrel (private placement), TBS Group;

-Intermonte SIM is Sponsor in accordance with the Italian Securities Markets regulations, with the related obligation of coverage and distribution of research, of the following Companies: Arkimedica, Biancamano, Conafi, Omnia Network, Realty Vallog;

-Intermonte SIM is Specialist (Market Maker), Advisor, in accordance with the Italian Securities Markets regulations, with the related obligation of coverage and distribution of research, of the following Companies: Arkimedica, Biancamano, B&C Speakers, Buongiorno, Cementir, Cogeme, Datalogic, DeA Capital, Digital Bros, Dmail, EEMS, Eurotech, Fiera Milano, Fintel Energia Group, Gefran, IGD, IW Bank, Kinexia, Kerself, M&C Management e Capitali, Pierrel, QF Alpha Immobiliare, OF Beta Immobiliare, Reno de Medici, Saes Getters, Servizi Italia, TBS Group, Ternienergia, Vittoria Assicurazioni, VR Way.

-Intermonte SIM SpA and its subsidiaries do not hold a stake of equal to or over 1% in any class of common equity securities of the subject company;

-Intermonte SIM SpA acts as Financial Advisor to the following companies: Cattolica Assicurazioni.

#### DETAILS ON STOCK RECOMMENDATION

Stock NAME	DATALOGIC		
Current Recomm:	OUTPERFORM	Previous Recomm:	NEUTRAL
Current Target (Eu):	4.80	Previous Target (Eu):	4.40
Current Price (Eu):	3.87	Previous Price (Eu):	4.03
Date of report:	19/04/2010	Date of last report:	09/03/10

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website [www.intermonte.it/mifid](http://www.intermonte.it/mifid)

Further information is available