

DATALOGIC

OUTPERFORM

SECTOR: *Industrials*

Price (Eu):

5.84

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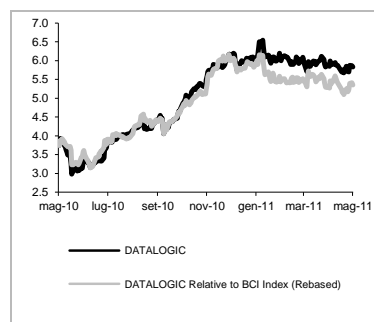
Target Price (Eu):

7.30

Quarterly Results Suggest 2011 Will Be Another Satisfying Year

- Excellent 41% YoY EBITDA growth.** Net revenues, announced to the market on April 12th in advance of results, came in at Eu105mn, up 17% YoY. All business units contributed to this result, demonstrating the group's strong position in each of its niches, with particularly healthy results in the Automation and Scanning business units. Datalogic was able to grow by 17% while main competitors recorded a top line increase of only around 10-11%. The resulting gain in market share drove growth in consolidated markets (Europe and US) with extremely limited price erosion (about 1-2%). EBITDA stood at Eu14.9mn, 17% better than expected and up 41% YoY with a 14.2% margin on sales, mainly thanks to operating leverage. Below EBITDA, Eu1.6mn of FOREX losses partially offset the positive surprise on EBITDA and took the bottom line to Eu5.7mn, 11% above our estimate.
- Careful working capital management took net debt down to Eu71.2mn,** better than our estimate of Eu76.5mn, thanks in part to a positive FOREX effect of some Eu2.9mn. Notably, trading working capital in 1Q11 closed at 15.4% of sales, down from the 18.4% level recorded in 1Q10, consolidating efficiency actions implemented during 2010.
- Change in estimates.** In light of strong quarterly results, and management's indications of a positive order acquisition trend YTD, we have raised our estimates. Specifically, we have raised our EBITDA margin forecast by 30bp in 2011 and 20bp going forward, consistent with the upward estimate revision of about 3%. At the bottom line, our EPS has been raised by about 7% for 2011-2013. Our 2012 EBITDA estimates are now in line with company targets, indicated on October 4th 2010, while our revenue forecasts are now higher than company indications. During the conference call, group CEO Mr. Sacchetto expressed his confidence in being ahead of targets and confirmed the company's commitment to pursuing the best execution of the business plan, which will be updated during 2011.
- Recommendation from Neutral to OUTPERFORM, target price Eu7.3.** Quarterly results came in better than expected thanks to both a positive trend in the reference market and to Datalogic's constant ability to outperform its competitors. Our target revision is consistent with our change in estimates and drives our recommendation upwards to OUTPERFORM. We believe the stock is trading at attractive multiples and will be supported by strong newsflow going forward, especially from the expected rolling update of the 3-year plan. The completion of a targeted acquisition has still to be finalised and might provide a reason for a degree of uncertainty, but management's careful approach in selecting the target and the strong group balance sheet are important reassuring elements. Our target price is calculated through a DCF model (terminal growth 2%; long-term WACC 8.9%).

DATALOGIC - 12m Performance


RATING: from NEUTRAL to OUTPERFORM
TARGET PRICE (Eu): from 6.60 to 7.30

Change in EPS est:	2011E	2012E
	7.3%	7.0%

STOCK DATA

 Reuters code: DAL.MI
 Bloomberg code: DAL IM

Performance	1m	3m	12m
Absolute	-0.8%	-2.8%	55.9%
Relative	0.8%	-1.9%	46.9%
12 months H/L:	6.54/2.98		

SHAREHOLDER DATA

No. of Ord. shares (mn):	58
Total No. of shares (mn):	58
Mkt Cap Ord (Eu mn):	341
Total Mkt Cap (Eu mn):	341
Mkt Float - ord (Eu mn):	92
Mkt Float (in %):	26.9%
Main shareholder:	
Hydra Spa	67.1%

BALANCE SHEET DATA

	2011
Book value (Eu mn):	155
BVPS (Eu):	2.65
P/BV:	2.2
Net Financial Position (Eu mn):	-59
Enterprise value (Eu mn):	400

Key Figures	2009A	2010A	2011E	2012E	2013E
Sales (Eu mn)	312	393	420	441	463
Ebitda (Eu mn)	12	50	58	62	66
Net profit (Eu mn)	-12	18	23	27	30
EPS - New (Eu)	-0.03	0.35	0.45	0.51	0.56
EPS - Old (Eu)		0.35	0.42	0.47	0.52
DPS (Eu)	0.00	0.15	0.12	0.14	0.15

Ratios & Multiples	2009A	2010A	2011E	2012E	2013E
P/E	nm	16.8	13.0	11.5	10.4
Div. Yield	0.0%	2.6%	2.1%	2.4%	2.6%
EV/Ebitda	22.5	8.5	6.8	6.1	5.4
ROCE	-2.4%	16.0%	19.3%	21.4%	23.2%

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DATALOGIC - KEY FIGURES

		2009A	2010A	2011E	2012E	2013E
	Fiscal year end	31/12/2009	31/12/2010	31/12/2011	31/12/2012	31/12/2013
PROFIT & LOSS (Eu mn)	Sales	312	393	420	441	463
	EBITDA	12	50	58	62	66
	EBIT	(6)	35	42	45	49
	Financial income (charges)	(7)	(7)	(6)	(5)	(3)
	Associates & Others	(0)	0	0	0	0
	Pre-tax profit (Loss)	(13)	28	36	41	46
	Taxes	1	(10)	(13)	(14)	(16)
	Tax rate (%)	5.2%	36.0%	35.0%	35.0%	35.0%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	-12	18	23	27	30
	Total extraordinary items	(10)	(2)	(3)	(3)	(3)
	Ebitda excl. extraordinary items	20	49	58	62	66
	Ebit excl. extraordinary items	6	38	46	50	53
Net profit restated	(2)	20	26	30	33	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	58	58	58	58	58
	EPS stated fd	-0.21	0.31	0.40	0.46	0.51
	EPS restated fd	-0.03	0.35	0.45	0.51	0.56
	BVPS fd	2.00	2.40	2.65	2.99	3.36
	Dividend per share (ord)	0.00	0.15	0.12	0.14	0.15
	Dividend per share (sav)	0.00	0.00	0.00	0.00	0.00
Dividend pay out ratio (%)	0.0%	48.7%	30.0%	30.0%	30.0%	
CASH FLOW (Eu mn)	Gross cash flow	5	34	40	44	47
	Change in NWC	15	22	(1)	(1)	(1)
	Capital expenditure	(7)	(10)	(13)	(13)	(13)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	13	46	26	30	32
	Acquisitions, divestments & others	0	(20)	0	0	0
	Dividend	(2)	0	(9)	(7)	(8)
	Equity financing/Buy-back	0	0	0	0	0
Change in Net Financial Position	6	24	17	23	24	
BALANCE SHEET (Eu mn)	Total fixed assets	186	206	202	194	191
	Net working capital	39	17	19	20	21
	Long term liabilities	(8)	(7)	(7)	(3)	(3)
	Net capital employed	217	217	214	211	208
	Net financial position	(101)	(76)	(59)	(37)	(12)
	Group equity	117	140	155	175	196
	Minorities	0	0	0	0	0
Net equity	117	140	155	175	196	
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	341	341	341	341	341
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(101)	(76)	(59)	(37)	(12)
	Enterprise value	442	418	400	378	353
RATIOS(%)	EBITDA margin*	6.3%	12.5%	13.9%	14.1%	14.2%
	EBIT margin*	2.0%	9.7%	10.9%	11.3%	11.4%
	Gearing - Debt/equity	86.2%	54.6%	38.2%	21.0%	6.2%
	Interest cover on EBIT	nm	5.0	7.0	9.8	15.6
	Debt/Ebitda	8.57	1.54	1.01	0.59	0.19
	ROCE*	-2.4%	16.0%	19.3%	21.4%	23.2%
	ROE*	-9.6%	14.0%	15.8%	16.3%	16.1%
	EV/CE	1.9	1.9	1.9	1.8	1.7
	EV/Sales	1.4	1.1	1.0	0.9	0.8
	EV/Ebit	nm	11.0	8.7	7.6	6.7
Free Cash Flow Yield	3.9%	13.4%	7.7%	8.7%	9.5%	
GROWTH RATES (%)	Sales	-17.9%	25.9%	6.9%	5.0%	5.0%
	EBITDA*	-59.5%	149.2%	19.4%	6.7%	5.2%
	EBIT*	-82.1%	500.6%	20.1%	8.5%	6.4%
	Net profit	nm	nm	29.6%	14.6%	11.4%
	EPS restated	nm	nm	28.9%	13.0%	10.3%

* Excluding extraordinary items

Source: Intermonte SIM estimates

Details

Datalogic - Quarterly figures								
(Eu mn)	1Q10A	1Q11A	YoY	1Q11E	A vs. E	2010 A	2011 E	YoY
Net sales	89.5	105.0	17.2%	104.5	0.5%	392.7	420.0	6.9%
Gross profit	40.5	49.4		47.5		179.2	193.2	
EBITDA	10.6	14.9	40.7%	12.7	17.3%	49.8	58.4	17.4%
Ebitda margin	11.8%	14.2%		12.2%		12.7%	13.9%	
Non recurring	0.0	0.0		0.0		0.0	0.0	
D&A	(3.9)	(3.8)		(4.0)		(15.1)	(16.9)	
EBIT	6.7	11.1	65.2%	8.7	27.7%	34.7	41.5	19.8%
Ebit margin	7.5%	10.6%		8.3%		8.8%	9.9%	
Net financials	(1.4)	(1.5)		(1.4)		(6.9)	(5.9)	
Associates / for	0.9	(1.4)		0.3		0.4	0.3	
Pre tax profit	6.2	8.2	31.8%	7.6	7.7%	28.2	35.9	27.5%
Taxes	(2.1)	(2.5)		(2.5)		(10.2)	(12.6)	
Tax rate	33.4%	30.9%		33.0%		36.0%	35.0%	
Minorities	0.0	0.0		0.0		0.0	0.0	
Net profit	4.1	5.7	36.9%	5.1	11.1%	18.0	23.4	29.6%

Source: Company data and IntermonTE SIM estimates

Net revenues, announced to the market on April 12th in advance of results, came in at Eu105mn, up 17% YoY. All business units contributed to this result, demonstrating the group's strong position in each of its niches, with particularly healthy results in the Automation and Scanning business units. Datalogic was able to grow by 17% while main competitors recorded a top line increase of only around 10-11%. The resulting gain in market share drove growth in consolidated markets (Europe and US) with extremely limited price erosion (about 1-2%). EBITDA stood at Eu14.9mn, 17% better than expected and up 41% YoY with a 14.2% margin on sales, mainly thanks to operating leverage. Below EBITDA, Eu1.6mn of FOREX losses partially offset the positive surprise on EBITDA and took the bottom line to Eu5.7mn, 11% above our estimate.

Datalogic - Sales breakdown by business

	2009 A	1Q10 A	2010 A	1Q11 A
Mobile	68.1	20.6	87.8	21.1
YoY growth	-27.0%	28.0%	28.8%	2.2%
% on sales	21.8%	23.1%	22.3%	20.1%
Automation	67.0	19.0	90.7	24.4
YoY growth	-4.5%	20.7%	35.4%	28.3%
% on sales	21.5%	21.3%	23.1%	23.3%
Scanning	147.0	42.1	181.7	50.9
YoY growth	-20.6%	21.3%	23.6%	21.0%
% on sales	47.1%	47.0%	46.3%	48.5%
Informatics	30.6	7.9	33.4	8.6
YoY growth	-5.0%	18.9%	9.2%	8.4%
% on sales	9.8%	8.9%	8.5%	8.2%
adjustments	-0.6	-0.2	-0.7	-0.1
Consolidated net sales	312.0	89.5	392.7	104.9
adjustments	-17.9%	22.5%	25.9%	17.2%

Datalogic - Sales breakdown by area

(Eu mn)	2009 A	1Q10 A	2010 A	1Q11 A
Italy	39.0	9.1	43.1	11.1
YoY growth		-6.6%	10.4%	21.5%
% on sales	12.5%	10.2%	11.0%	10.6%
Europe	129.9	38.0	156.4	42.9
YoY growth		26.6%	20.4%	12.9%
% on sales	41.6%	42.4%	39.8%	40.8%
North America	93.5	25.0	113.2	29.4
YoY growth		28.0%	21.1%	17.6%
% on sales	30.0%	28.0%	28.8%	28.0%
Asia Pacific	30.2	9.7	49.4	14.1
YoY growth		37.5%	63.5%	45.8%
% on sales	9.7%	10.8%	12.6%	13.4%
RoW	19.3	7.7	30.7	7.5
YoY growth		14.5%	58.7%	-2.9%
% on sales	6.2%	8.6%	7.8%	7.1%
Consolidated net sales	312.0	89.5	392.7	105.0
YoY growth	-17.9%	22.5%	25.9%	17.2%

Source: Company data and IntermonTE SIM estimates

Change in Estimates

Datalogic - Change in estimates

	NEW ESTIMATES			OLD ESTIMATES			% change		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
Net sales	420.0	441.0	463.1	409.0	426.0	447.3	2.7%	3.5%	3.5%
YoY growth	6.9%	5.0%	5.0%	4.1%	5.0%	5.0%			
EBITDA reported	58.4	62.4	65.6	55.6	59.3	62.4	5.0%	5.1%	5.2%
Ebitda margin	13.9%	14.1%	14.2%	13.6%	13.9%	13.9%			
YoY growth	17.4%	6.7%	5.2%	11.8%	6.6%	5.1%			
D&A tang	(8.3)	(8.6)	(8.8)	(8.3)	(8.5)	(8.7)			
Goodwill	(4.3)	(4.3)	(4.3)	(4.3)	(4.3)	(4.3)			
D&A intang.	(4.3)	(4.1)	(4.0)	(4.3)	(4.1)	(4.0)			
EBIT reported	41.5	45.4	48.6	38.8	42.4	45.5	7.1%	7.0%	6.9%
Ebit margin	9.9%	10.3%	10.5%	9.5%	10.0%	10.2%			
YoY growth	19.8%	9.3%	7.0%	11.9%	9.4%	7.1%			
Net financials	(5.9)	(4.6)	(3.1)	(5.9)	(4.6)	(3.1)			
Associates	0.3	0.4	0.4	0.3	0.4	0.4			
Pre tax profit	35.9	41.2	45.9	33.2	38.2	42.7	8.3%	7.8%	7.3%
Taxes	(12.6)	(14.4)	(16.1)	(11.6)	(13.4)	(15.0)			
	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%			
Minorities	0.0	0.0	0.0	0.0	0.0	0.0			
Net income	23.4	26.8	29.8	21.6	24.8	27.8	8.3%	7.8%	7.3%
Rest. Net Income	26.2	29.6	32.7	24.4	27.7	30.6	7.3%	7.0%	6.7%
YoY growth	28.9%	13.0%	10.3%	20.2%	13.4%	10.6%			

Source: Intermonte SIM estimates

In light of strong quarterly results, and management's indications of a positive order acquisition trend YTD, we have raised our estimates. Specifically, we have raised our EBITDA margin forecast by 30bp in 2011 and 20bp going forward, consistent with the upward estimate revision of about 3%. At the bottom line, our EPS has been raised by about 7% for 2011-2013. Our 2012 EBITDA estimates are now in line with company targets, indicated on October 4th 2010, while our revenue forecasts are now higher than company indications. During the conference call, group CEO Mr. Sacchetto expressed his confidence in being ahead of targets and confirmed the company's commitment to pursuing the best execution of the business plan, which will be updated during 2011.

Datalogic - 2010-12 Business Plan and Intermonte Estimates

(Eu mn)	Intermonte			Company targets	Intermonte vs. targets
	2010 A	2011 E	2012 E	2012 E	2012 E
Revenues	392.7	420.0	441.0	420-430	3.8%
EBITDA	49.8	58.4	62.4	60-65	-0.2%
EBITDA margin	12.7%	13.9%	14.1%	14% - 15%	
ROE	12.9%	15.1%	15.3%	18% - 20%	
Net Debt	(76.5)	(59.1)	(36.6)	(35) - (25)	21.9%
\$ vs. Euro	1.4	1.4	1.4	1.37	

Source: Company data and Intermonte SIM estimates

Peer Comparison

Datalogic - Peer comparison			Minibase in EUR as of 09/05/11					
Company	Price (Eu)	Mkt Cap (Eu mn)	EV/EBITDA			P/E		
			2011	2012	2013	2011	2012	2013
Intermec Inc.	8.3	494	9.3x	5.6x		23.1x	16.4x	
Zebra Technologies	29.3	1,601	9.9x	8.3x		17.5x	16.4x	
Psion PLC	1.1	161	6.1x	5.0x	4.6x	37.0x	18.9x	14.7x
Zetes Industries S.A.	18.6	100	4.5x	4.1x	3.9x	10.5x	10.3x	9.8x
Mean		589	7.4x	5.7x	4.3x	22.0x	15.5x	12.3x
Median		327	7.7x	5.3x	4.3x	20.3x	16.4x	12.3x
Datalogic*	5.9	343	6.9x	6.1x	5.4x	13.1x	11.6x	10.5x

Source: Factset data and (*) Intermonte SIM estimates

Peer group stock performance			Minibase in EUR as of 09/05/11			
Company	Price (Eu)	Cap. (Eu mn)	% ch. 1M	% ch. 3M	% ch. 6M	% ch. 1Y
Intermec Inc.	8.3	494	13.0%	-8.7%	-11.1%	-11.3%
Zebra Technologies	29.3	1,601	10.1%	-2.7%	7.0%	32.8%
Psion PLC	1.1	161	-0.8%	8.0%	6.2%	20.1%
Datalogic S.p.A.	5.9	344	0.1%	-1.8%	5.4%	57.4%
Zetes Industries S.A.	18.6	100	1.1%	6.3%	10.3%	9.4%
Fujian Newland Cor	1.8	902	-9.4%	-10.2%	-17.5%	14.5%
mean performance (market weighted)			8.6%	-3.1%	3.3%	26.9%
simple mean performance			5.6%	-1.3%	1.8%	24.7%

Source: JCF time series data

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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;
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DETAILS ON STOCKS RECOMMENDATION

Stock NAME	DATALOGIC		
Current Recomm:	OUTPERFORM	Previous Recomm:	NEUTRAL
Current Target (Eu):	7.30	Previous Target (Eu):	6.60
Current Price (Eu):	5.84	Previous Price (Eu):	5.70
Date of report:	11/05/2011	Date of last report:	27/04/2011

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