

DATALOGIC

BUY

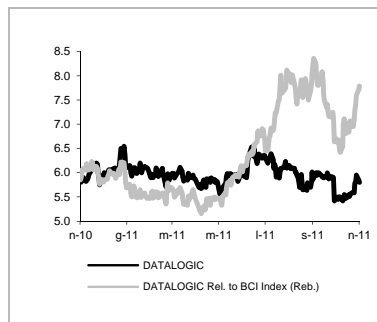
SECTOR: Industrials
Price (Eu):
5.80
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Target Price (Eu):
8.50

Acquisition of Accu-Sort Systems For \$135mn

- Acquisition of Accu-Sort Systems to be completed in 1Q12.** Yesterday, Datalogic announced an agreement to acquire the US industrial automation specialist Accu-Sort Systems for US\$135mn. In 1H11 the company generated \$51.4mn in turnover and EBITDA of \$11.3mn. The acquisition, which should be completed in 1Q12, will be financed through debt in dollars (we estimate net debt at the end of 2012 will still be below 1.5x EBITDA following this deal). This seems like very good news, as it completes management's strategic plan and the transaction will go through at highly advantageous multiples, just over 6x 2011 EBITDA, in line with the multiples at which Datalogic was trading yesterday.
- Very sound strategic rationale.** Accu-Sort serves the leading players in parcel, postal and retail distribution and it offers field-proven solutions for airport baggage handling, as well as the beverage, entertainment, automotive and meat/poultry industries. Thanks to this acquisition, Datalogic will double its presence in the industrial automation industry (from a turnover of Eu80mn to Eu160mn). The contribution from US business will increase from almost 30% of the total to almost 40%. Moreover, Datalogic's expertise will improve in the very promising transport and logistics sector, where the group will be able to offer a complete package of solutions. Finally, the acquisition will not entail major overlapping with its current business. Accu-Sort's management will be retained and included in group's long-term incentive plan.
- Very meaningful contribution :we estimate a potential 18.5% boost to 2012 EPS.** In order to provide a preliminary estimate on the potential impact on the group's EPS, we make the following assumptions: (a) full 12-month consolidation in 2012 (the acquisition should be completed in 1Q12); (b) a 1.30 USD/EUR average exchange rate in 2012; (c) 2% YoY organic top line growth in 2012; (d) a 19% EBITDA margin (100bps lower than in 2011E); (e) a 5.5% cost of financing; (f) a 30% tax rate (this rate will benefit from goodwill deductibility). Under these assumptions, Accu-Sort should contribute a net Eu6.1mn in 2012, corresponding to 18.5% of our previous net profit expectation for the group. Our estimates are detailed on the following page. For the time being, we are not yet including the acquisition in our automatically generated tables.
- BUY, target price Eu8.5.** Once again, the management has been able to deliver on its strategic goals. The acquisition seems to be a very nice strategic match and at the same time is expected to boost EPS starting from 2012 by 18.5%. We partially include this acquisition in our fair value, lifting our target from Eu8.0 to Eu8.5, which takes our recommendation up to BUY. According to the company, negotiations with primary credit institutions are underway for a bridge loan of approximately \$120mn to be subsequently converted into a mid/long-term loan. The transaction is subject to the approval of antitrust authorities, although this step should not present any problems.

DATALOGIC - 12m Performance



Eu/USD: 1.4 2011; 1.3 2012/13

RATING: from OUTPERFORM to BUY
TARGET PRICE (Eu): from 8.00 to 8.50
Change in EPS est:

	2011E	2012E
	0.0%	0.0%

STOCK DATA

 Reuters code: DAL.MI
 Bloomberg code: DAL IM

Performance	1m	3m	12m
Absolute	5.6%	-5.7%	-0.9%
Relative	14.5%	-2.9%	24.6%
12 months H/L:	6.54/5.42		

SHAREHOLDER DATA

No. of Ord. shares (mn):	58
Total No. of shares (mn):	58
Mkt Cap Ord (Eu mn):	339
Total Mkt Cap (Eu mn):	339
Mkt Float - ord (Eu mn):	91
Mkt Float (in %):	26.9%
Main shareholder:	
Hydra Spa (controlled by Voli)	67.1%

BALANCE SHEET DATA

	2011
Book value (Eu mn):	151
BVPS (Eu):	2.58
P/BV:	2.3
Net Financial Position (Eu mn):	-53
Enterprise value (Eu mn):	392

Key Figures	2009A	2010A	2011E	2012E	2013E
Sales (Eu mn)	312	393	423	441	463
Ebitda (Eu mn)	12	50	54	72	76
Net profit (Eu mn)	-12	18	19	33	37
EPS - New (Eu)	-0.034	0.348	0.504	0.611	0.677
EPS - Old (Eu)		0.348	0.504	0.611	0.677
DPS (Eu)	0.000	0.150	0.099	0.169	0.188

Ratios & Multiples	2009A	2010A	2011E	2012E	2013E
P/E	nm	16.7	11.5	9.5	8.6
Div. Yield	0.0%	2.6%	1.7%	2.9%	3.2%
EV/Ebitda	22.4	8.5	6.0	5.0	4.4
ROCE	-2.4%	16.0%	17.6%	27.2%	29.7%

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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	423	441	463
	EBITDA	12	50	54	72	76
	EBIT	(6)	35	37	55	59
	Financial income (charges)	(7)	(7)	(8)	(5)	(3)
	Associates & Others	(0)	0	0	0	0
	Pre-tax profit (Loss)	(13)	28	30	51	56
	Taxes	1	(10)	(10)	(18)	(20)
	Tax rate (%)	5.2%	36.0%	35.0%	35.0%	35.0%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	-12	18	19	33	37
	Total extraordinary items	(10)	(2)	(10)	(3)	(3)
	Ebitda excl. extraordinary items	20	49	65	72	76
Ebit excl. extraordinary items	6	38	52	59	63	
Net profit restated	(2)	20	29	36	40	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	58	58	58	58	58
	EPS stated fd	-0.208	0.308	0.329	0.562	0.628
	EPS restated fd	-0.034	0.348	0.504	0.611	0.677
	BVPS fd	1.997	2.398	2.577	3.040	3.499
	Dividend per share (ord)	0.000	0.150	0.099	0.169	0.188
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
Dividend pay out ratio (%)	0.0%	48.7%	30.0%	30.0%	30.0%	
CASH FLOW (Eu mn)	Gross cash flow	5	34	36	50	54
	Change in NWC	15	22	(2)	(1)	(1)
	Capital expenditure	(7)	(10)	(13)	(13)	(13)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	13	46	22	36	39
	Acquisitions, divestments & others	0	(20)	0	0	0
	Dividend	(2)	0	(9)	(6)	(10)
	Equity financing/Buy-back	0	0	0	0	0
Change in Net Financial Position	6	24	24	30	29	
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)	(18)	(14)	(14)
	Net capital employed	217	217	203	200	198
	Net financial position	(101)	(76)	(53)	(23)	7
	Group equity	117	140	151	178	205
	Minorities	0	0	0	0	0
Net equity	117	140	151	178	205	
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	339	339	339	339	339
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(101)	(76)	(53)	(23)	7
	Enterprise value	440	415	392	362	332
RATIOS(%)	EBITDA margin*	6.3%	12.5%	15.3%	16.3%	16.5%
	EBIT margin*	2.0%	9.7%	12.4%	13.4%	13.7%
	Gearing - Debt/equity	86.2%	54.6%	35.0%	12.8%	-3.3%
	Interest cover on EBIT	nm	5.0	4.9	11.7	19.0
	Debt/Ebitda	8.57	1.54	0.98	0.32	nm
	ROCE*	-2.4%	16.0%	17.6%	27.2%	29.7%
	ROE*	-9.6%	14.0%	13.2%	20.0%	19.2%
	EV/CE	1.9	1.9	1.9	1.8	1.7
	EV/Sales	1.4	1.1	0.9	0.8	0.7
	EV/Ebit	nm	10.9	7.5	6.1	5.2
Free Cash Flow Yield	3.9%	13.5%	6.4%	10.5%	11.6%	
GROWTH RATES (%)	Sales	-17.9%	25.9%	7.7%	4.3%	5.0%
	EBITDA*	-59.5%	149.2%	32.6%	10.6%	6.2%
	EBIT*	-82.1%	500.6%	37.0%	13.1%	7.4%
	Net profit	nm	nm	6.6%	70.8%	11.7%
	EPS restated	nm	nm	44.9%	21.2%	10.8%

* Excluding extraordinary items

Source: Intermonte SIM estimates

Accu-Sort acquisition: effects on estimates and valuation

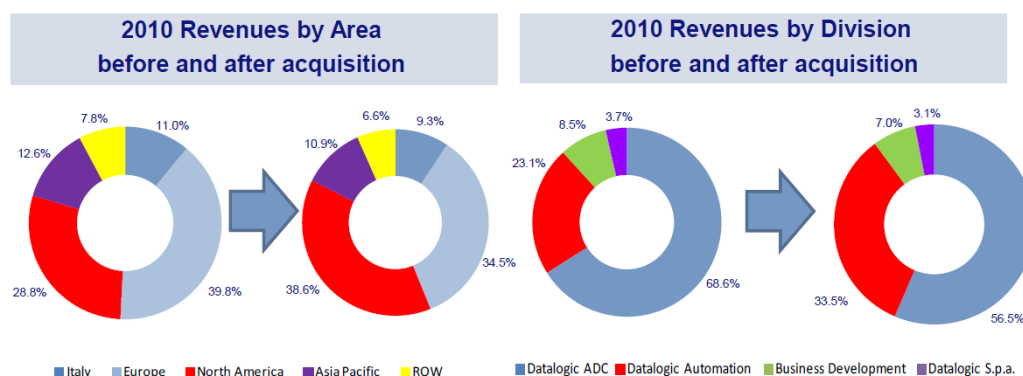
Datalogic - Accu Sort preliminary estimates

P&L (Eu mn)	2011E	2012E	2013E
Total Sales	72.9	80.0	84.0
YoY	10.5%	9.8%	5.0%
EBITDA	14.6	15.2	16.0
EBITDA margin	20.0%	19.0%	19.0%
YoY	14.6%	4.4%	5.0%
D&A	(0.7)	(0.8)	(0.8)
on sales	1.0%	1.0%	1.0%
EBIT	13.9	14.4	15.1
EBIT margin	19.0%	18.0%	18.0%
YoY		4.0%	5.0%
Financial Charges		(5.7)	(5.4)
Profit before taxes		8.7	9.7
Taxes		(2.6)	(2.9)
tax rate		30.0%	30.0%
Net profit		6.1	6.8
on sales		7.6%	8.1%
YoY			
\$ vs Eu exchange rate	1.4	1.3	1.3

Datalogic - Combination of Datalogic + Accu Sort (on a 12-month basis)

P&L (Eu mn)	Datalogic	Accu-Sort	Combined	% change
	2012E	2012E	2012E	
Total Sales	441.0	80.0	521.0	18.1%
EBITDA	71.8	15.2	87.0	21.2%
EBITDA margin	16.3%	19.0%	16.7%	
D&A	(17.0)	(0.8)	(17.8)	
on sales	3.8%	1.0%	3.4%	
EBIT	54.8	14.4	69.2	26.3%
EBIT margin	12.4%	18.0%	13.3%	
Financial Charges	(4.3)	(5.7)	(10.0)	
Profit before taxes	50.5	8.7	59.2	
Taxes	(17.7)	(2.6)	(20.3)	
tax rate	35.0%	30.0%	34.3%	
Net profit	32.8	6.1	38.9	18.5%
on sales	7.4%	7.6%	7.5%	
Net debt	(22.7)	(100.0)	(122.7)	
Share price	5.8		5.8	
Num of shares	58.4		58.4	
Equity value	337.8		337.8	
	Datalogic	Combined		
PE	10.29 x	8.68 x		
EV/EBITDA	5.02 x	5.29 x		
Net Debt / EBITDA	0.32 x	1.41 x		

Source: Intermonte SIM estimates



Source: Company data

Peer Comparison

Datalogic Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
Datalogic S.p.A.	5.80	EUR - Euro	339	5.6%	-5.7%	-0.2%	-4.2%	-0.9%	43.2%
Intermec Inc.	7.2	USD - US Dol	427	-2.5%	6.7%	-40.4%	-43.4%	-38.8%	-43.4%
Zebra Technologies Corp. CI A	35.3	USD - US Dol	1,834	1.2%	10.4%	-16.4%	-7.1%	-4.6%	29.3%
Zetes Industries S.A.	15.6	EUR - Euro	84	-1.3%	-3.4%	-16.4%	-10.6%	-9.1%	-7.3%
Psion PLC	52.8	GBP - UK Po	74	2.9%	-10.2%	-41.4%	-44.5%	-44.8%	-46.7%
Simple mean performance				0.1%	0.9%	-28.6%	-26.4%	-24.3%	-17.0%
Italy FTSE Italia All-Share	726.4	EUR - Euro	208,339	-11.0%	-4.1%	-31.6%	-28.1%	-28.4%	-34.4%
Italy FTSE MIB	14,285.9	EUR - Euro	169,561	-11.4%	-3.9%	-32.7%	-29.2%	-29.9%	-36.6%

Source: Factset

Datalogic Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	EV/Sale s 2011	EV/Sale s 2012	EV/Ebitd a 2011	EV/Ebitd a 2012	EV/Ebit 2011	EV/Ebit 2012	P/E 2011	P/E 2012	Div Yield 2011	Div Yield 2012
Datalogic S.p.A.	5.80	EUR - Euro	339	0.93	0.82	6.0	5.0	7.5	6.1	11.5	9.5	1.7%	2.9%
Intermec Inc.	7.2	SD - US Doll€	427	0.40	0.42	5.6	4.4	0.0	8.6	20.5	12.3		
Zebra Technologies Corp. CI A	35.3	SD - US Doll€	1,834	1.79	1.60	8.4	7.1	9.6	8.5	14.7	13.6		
Zetes Industries S.A.	15.6	EUR - Euro	84	0.35	0.34	4.2	4.0	7.3	6.8	11.6	10.3	2.9%	2.9%
Psion PLC	52.8	UK Pound St	74	0.27	0.29	3.7	3.3	41.1	6.4		27.9	8.0%	8.2%
Median				0.38	0.38	4.9	4.2	8.4	7.7	14.7	13.0	5.4%	5.5%

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

Datalogic - Estimates Comparison with Consensus

(Eu mn)	2011E			2012E		
	ntermonte	Consensu	% diff	ntermonte	Consensu	% diff
Revenues	423.0	420.1	0.7%	441.0	446.2	-1.2%
Ebitda	53.9	57.0	-5.5%	71.8	74.0	-3.0%
Net Profit	19.2	19.0	1.2%	32.8	34.5	-4.8%
EPS	0.5	0.3	53.1%	0.6	0.6	0.1%
Net Debt	52.7	59.3	-11.1%	22.7	25.6	-11.3%

Source: Intermonte SIM estimates and Factset (45 days 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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OUTPERFORM: 31.25%

NEUTRAL: 35.94%

UNDERPERFORM: 11.72%

SELL: 0.00%

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BUY: 21.88%

OUTPERFORM: 46.88%

NEUTRAL: 31.24%

UNDERPERFORM: 0.00%

SELL: 0.00%

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DETAILS ON STOCKS RECOMMENDATION

Stock NAME	DATALOGIC		
Current Recomm:	BUY	Previous Recomm:	OUTPERFORM
Current Target (Eu):	8.50	Previous Target (Eu):	8.00
Current Price (Eu):	5.80	Previous Price (Eu):	5.51
Date of report:	23/11/2011	Date of last report:	10/11/11

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