

DATALOGIC

NEUTRAL

SECTOR: Industrials

Price (Eu): 3.89

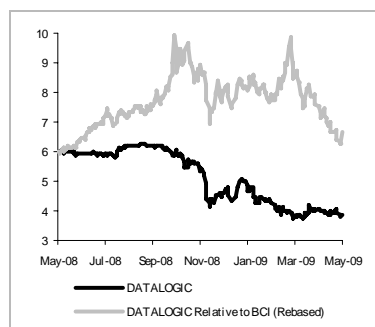
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Target Price (Eu): 3.70

Weak 1Q09 Results But Cost Saving Actions Are On Track

- **Weak revenues in 1Q09, as expected, but EBITDA falls to zero.** Revenues in 1Q09 came in at Eu73mn, as expected, a very weak figure down about 30% YoY on an organic comparison. Operating leverage brought EBITDA down to a negative result of Eu0.5mn (we estimated Eu4mn). At the bottom line, a Eu5.5mn loss was recorded (we estimated a loss of Eu1.6mn). Net debt closed at Eu116.6mn (from Eu107mn at the end of 2008), after Eu2.9mn of CAPEX and a Eu11.6mn non-recurring cash-out.
- **Focus on cash, but without compromising the future.** In such a terrible 2009, management's focus has been on sustaining cash: net of the non-recurring cash-out (the main item was a Eu9.4mn compensation package for the outgoing CEO), the quarterly cash balance would have almost Eu2mn in the black. This was made by 12% shrinkage in operating costs. Yet at the same time, Datalogic has kept on investing in R&D (9.3% of total revenues) to keep its catalogue innovative. According to the management, Datalogic is defending its market share well and could even show an increase during the ongoing market slowdown.
- **Looking ahead to FY2009.** During the conference call, management indicated that the company will not burn cash even in the current negative scenario. A number of actions, which are being implemented both in US and in Europe, are expected to lower the cash breakeven point to Eu22-23mn of monthly revenues starting from the second part of the year. Based on orders acquired, management expects a QoQ increase of roughly 10% in revenues in 2Q09, to reach about Eu80mn.
- **Cut in 2009 estimates.** In light of the dramatic macro scenario we have severely cut our 2009 estimates, now assuming a 20% drop in organic revenue. We forecast that the EBITDA margin will suffer from the operating leverage, but will improve in 2H09 thanks to a severe cut in labour costs and to savings via structural rationalisation. All in all, we now expect the 2009 bottom line to record a net loss of Eu2.5mn. As for 2010 and 2011, we are adjusting our previous EPS estimates downwards by 10% on 2010 and by 7% on 2011, since we assume there will be an economic recovery.
- **NEUTRAL confirmed, target price Eu3.7.** Visibility remains extremely poor but Datalogic should be able to protect cash thanks to a number of actions implemented to curtail labour costs and general expenses. We consider the current negative market conditions to be extraordinary, and believe that Datalogic will benefit from the economic recovery in 2010 and 2011, since it is defending its leading market share well and there is no dumping on prices. Through a valuation based on EV/ROACE and DCF methodology we obtain a mean fair value of Eu3.7, which we set as our new target price.

DATALOGIC - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): from 4.00 to 3.70

Change in EPS est: 2009E 2010E
-64.3% -8.0%

STOCK DATA

Reuters code: DAL.MI
Bloomberg code: DAL IM

Performance	1m	3m	12m
Absolute	-4.7%	-8.4%	-34.9%
Relative	-12.8%	-15.0%	6.8%
12 months H/L:	6.29/3.70		

SHAREHOLDER DATA

No. of Ord. shares (mn):	58
Total No. of shares (mn):	58
Mkt Cap Ord (Eu mn):	227
Total Mkt Cap (Eu mn):	227
Mkt Float - ord (Eu mn):	68
Mkt Float (in %):	30.0%
Main shareholder:	
Hydra Spa	65.6%

BALANCE SHEET DATA

	2009
Book value (Eu mn):	131
BVPS (Eu):	2.25
P/BV:	1.7
Net Financial Position (Eu mn):	-109
Enterprise value (Eu mn):	336

Key Figures	2007A	2008A	2009E	2010E	2011E
Sales (Eu mn)	404	380	335	360	378
Ebitda (Eu mn)	47	48	22	42	49
Net profit (Eu mn)	18	18	-2	11	17
EPS - New (Eu)	0.37	0.36	0.07	0.24	0.33
EPS - Old (Eu)	0.37	0.36	0.21	0.26	0.35
DPS (Eu)	0.07	0.04	0.00	0.02	0.03
Ratios & Multiples	2007A	2008A	2009E	2010E	2011E
P/E	10.4	10.8	52.8	16.3	11.7
Div. Yield	1.8%	0.9%	0.0%	0.5%	0.7%
EV/Ebitda	5.8	6.9	12.2	7.6	6.2
ROCE	12.9%	12.8%	1.6%	10.3%	13.4%

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DATALOGIC - KEY FIGURES

		2007A	2008A	2009E	2010E	2011E
	Fiscal year end	31/12/2007	31/12/2008	31/12/2009	31/12/2010	31/12/2011
PROFIT & LOSS (Eu mn)	Sales	404	380	335	360	378
	EBITDA	47	48	22	42	49
	EBIT	31	31	4	25	31
	Financial income (charges)	(5)	(6)	(8)	(7)	(6)
	Associates & Others	0	1	0	0	0
	Pre-tax profit (Loss)	27	26	(4)	18	26
	Taxes	(9)	(8)	1	(6)	(9)
	Tax rate (%)	32.1%	31.1%	36.0%	36.0%	36.0%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	18	18	-2	11	17
	Total extraordinary items	3	1	6	0	0
	Ebitda excl. extraordinary items	50	48	28	42	49
	Ebit excl. extraordinary items	38	36	14	29	36
Net profit restated	23	21	4	14	19	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	58	58	58	58	58
	EPS stated fd	0.30	0.31	-0.04	0.19	0.28
	EPS restated fd	0.37	0.36	0.07	0.24	0.33
	BVPS fd	2.87	2.32	2.25	2.44	2.70
	Dividend per share (ord)	0.07	0.04	0.00	0.02	0.03
	Dividend per share (sav)	0.00	0.00	0.00	0.00	1.00
	Dividend pay out ratio (%)	22.6%	11.5%	0.0%	10.0%	10.0%
CASH FLOW (Eu mn)	Gross cash flow	30	34	15	29	34
	Change in NWC	10	6	(6)	(3)	(3)
	Capital expenditure	(14)	(9)	(9)	(10)	(12)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	27	30	(0)	16	19
	Acquisitions, divestments & others	0	(44)	0	0	0
	Dividend	(4)	(4)	(2)	0	(1)
	Equity financing/Buy-back	(29)	(23)	0	0	0
Change in Net Financial Position	(4)	(44)	(2)	16	18	
BALANCE SHEET (Eu mn)	Total fixed assets	186	197	183	177	173
	Net working capital	57	54	60	63	66
	Long term liabilities	(7)	(8)	(3)	(4)	(6)
	Net capital employed	236	243	240	236	233
	Net financial position	(63)	(107)	(109)	(93)	(75)
	Group equity	173	136	131	143	158
	Minorities	0	0	0	0	0
	Net equity	173	136	131	143	158
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	227	227	227	227	227
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(63)	(107)	(109)	(93)	(75)
	Enterprise value	290	334	336	321	303
RATIOS(%)	EBITDA margin*	12.4%	12.8%	8.2%	11.7%	13.0%
	EBIT margin*	9.4%	9.4%	4.2%	7.9%	9.4%
	Gearing - Debt/equity	36.0%	78.7%	83.1%	65.4%	47.7%
	Interest cover on EBIT	6.4	5.5	0.5	3.4	5.6
	Debt/Ebitda	1.32	2.24	5.05	2.22	1.54
	ROCE*	12.9%	12.8%	1.6%	10.3%	13.4%
	ROE*	10.1%	11.5%	-1.8%	8.2%	11.1%
	EV/CE	1.2	1.4	1.4	1.3	1.3
	EV/Sales	0.7	0.9	1.0	0.9	0.8
	EV/Ebit	7.7	9.4	24.0	11.2	8.5
Free Cash Flow Yield	11.8%	13.3%	-0.1%	7.0%	8.3%	
GROWTH RATES (%)	Sales	5.9%	-6.0%	-11.8%	7.5%	5.0%
	EBITDA*	31.0%	-3.2%	-43.0%	52.1%	16.6%
	EBIT*	44.9%	-6.0%	-60.5%	103.9%	24.2%
	Net profit	331.3%	-1.3%	nm	nm	48.5%
	EPS restated	84.5%	-3.5%	-79.6%	223.9%	39.0%

* Excluding extraordinary items

Source: Intermonte SIM estimates

Datalogic - 1Q09 results

(Eu mn)	1Q08A	1Q09E	YoY	1Q09E	A vs. E
Net Sales	96.0	73.1	-23.9%	73.9	-1.1%
EBITDA	11.6	(0.5)	-104.4%	4.1	
Ebitda margin	12.1%	-0.7%		5.5%	
D&A	(3.9)	(4.3)		(4.3)	
EBIT	7.7	(5.1)	-166.7%	(0.2)	
Ebit margin	8.0%	-7.0%		-0.3%	
Net financials	(1.1)	(1.7)		(2.1)	
Associates		0.1		0.1	
Pre tax profit	6.7	(6.8)	-202.0%	(2.2)	
Taxes	(2.4)	1.3		0.6	
Tax rate	35.5%	18.7%		27.5%	
Minorities					
Net profit	4.3	(5.5)	-228.5%	(1.6)	

Source: Company data and Intermonte SIM estimates

Datalogic - Sales breakdown by business

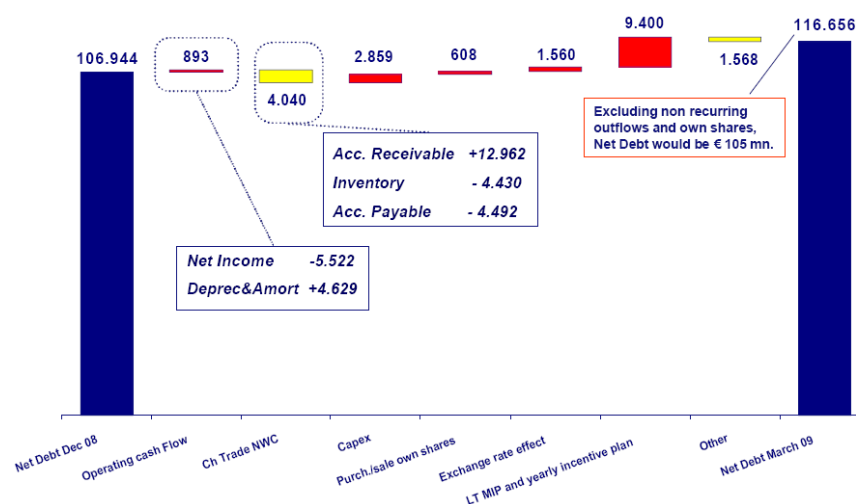
	1Q08	2Q08	3Q08	4Q08	1Q09
Mobile	22.0	24.2	20.0	21.2	16.1
% on sales	22.9%	24.8%	22.0%	22.2%	22.1%
Automation	19.7	16.3	14.8	19.3	15.8
% on sales	20.5%	16.8%	16.3%	20.2%	21.6%
Scanning	45.4	47.4	46.0	46.5	34.7
% on sales	47.2%	48.6%	50.6%	48.7%	47.5%
Development	11.6	10.6	11.4	9.4	6.7
% on sales	12.0%	10.8%	12.5%	9.8%	9.1%
adjustments	-2.5	-0.9	-1.3	-0.9	-0.2
Consolidated net sales	96.0	97.5	90.8	95.5	73.1

Datalogic - Sales breakdown by area

(Eu mn)	1Q08	2Q08	3Q08	4Q08	1Q09
Italy	10.5	10.3	7.8	10.3	9.8
YoY growth	-5.0%	10.8%	9.9%	-15.8%	-20.0%
% on sales	10.9%	10.6%	8.6%	10.8%	13.4%
Europe	44.1	42.1	37.1	36.1	30.5
YoY growth	1.1%	0.2%	2.5%	-22.1%	-30.0%
% on sales	45.9%	43.2%	40.9%	37.9%	41.7%
North America	21.8	25.4	27.2	25.5	18.8
YoY growth	-30.7%	-9.6%	-3.6%	-11.1%	-20.0%
% on sales	22.7%	26.1%	30.0%	26.7%	25.8%
RoW	19.7	19.7	18.7	23.6	14.0
YoY growth	9.2%	27.8%	-30.9%	22.6%	-25.0%
% on sales	20.5%	20.2%	20.6%	24.7%	19.2%
Consolidated net sales	96.0	97.5	90.8	95.5	73.1
YoY growth	-7.8%	2.8%	-7.9%	-10.3%	-23.9%

Source: Company data

Datalogic – Cash flows during the quarter



Datalogic - Change in estimates

	NEW ESTIMATES			OLD ESTIMATES			% change		
	2009E	2010E	2011	2009E	2010E	2011	2009	2010	2011
Net sales	335.0	360.0	378.0	354.8	365.3	383.5	-5.6%	-1.4%	-1.4%
YoY growth	-11.8%	7.5%	5.0%	-6.6%	2.9%	5.0%			
EBITDA reported	21.6	42.0	49.0	40.1	43.6	50.7	-46.0%	-3.6%	-3.4%
Ebitda margin	6.5%	11.7%	13.0%	11.3%	11.9%	13.2%			
YoY growth	-54.7%	94.4%	16.6%	-16.1%	8.8%	16.3%			
D&A tang	(9.7)	(9.6)	(9.8)	(9.7)	(9.7)	(9.8)			
Goodwill	(4.1)	(4.1)	(4.1)	(4.1)	(4.1)	(4.1)			
D&A intang.	(3.9)	(3.8)	(3.7)	(3.9)	(3.8)	(3.7)			
EBIT reported	3.9	24.5	31.4	22.3	26.0	33.1	-82.4%	-5.8%	-5.0%
Ebit margin	1.2%	6.8%	8.3%	6.3%	7.1%	8.6%			
YoY growth	-87.2%	522.3%	28.2%	-27.3%	16.6%	27.1%			
Net financials	(8.0)	(7.2)	(5.6)	(8.0)	(6.8)	(5.2)			
Associates	0.2	0.2	0.2	0.2	0.2	0.2			
Pre tax profit	-3.8	17.5	26.0	14.6	19.4	28.1	nm	-9.8%	-7.4%
Taxes	1.4	(6.3)	(9.4)	(5.2)	(7.0)	(10.1)			
	36.0%	36.0%	36.0%	36.0%	36.0%	36.0%			
Disc. operations	0.0	0.0	0.0	0.0	0.0	0.0			
Minorities	0.0	0.0	0.0	0.0	0.0	0.0			
Net income	(2.5)	11.2	16.7	9.3	12.4	18.0	nm	-9.8%	-7.4%

Datalogic - DCF

(Eu mn)	2009E	2010E	2011E	Terminal year
Ebitda	21.6	42.0	49.0	50.0
<i>Ebitda margin (%)</i>	6.5%	11.7%	13.0%	13.0%
<i>YoY growth rate</i>	-54.7%	94.4%	16.6%	2.0%
Amortization & Depreciation	(13.6)	(13.4)	(13.4)	(13.9)
<i>YoY growth rate</i>	9.3%	-1.3%	0.3%	3.0%
Ebit	8.0	28.6	35.5	36.1
<i>Ebit margin (%)</i>	2.4%	8.0%	9.4%	9.4%
<i>YoY growth rate</i>	-77.2%	256.0%	24.2%	1.6%
Change in Working Capital	(6.3)	(2.7)	(3.2)	(1.3)
Capex	(9.0)	(10.1)	(12.1)	(13.9)
Taxes on EBIT	(2.9)	(10.3)	(12.8)	(13.0)
Operating Free Cash Flow	3.4	18.9	20.9	21.8
<i>Discounting Factor</i>	1.00	0.93	0.86	0.80
Discounted Free Cash Flow	3.4	17.5	17.9	17.3
	2009	2010	2011	2012
WACC	8.5%	8.1%	8.1%	7.9%
Terminal growth (g)				2.0%

Actual Value Free Cash Flow	39
Terminal Value	369
Actual Terminal Value	294
Enterprise Value	333
(+) net debt 2008	(106.9)
(+) minorities	0.0

Total Equity Value	226
N. of shares (mn):	58.45
Fair value per share (€):	3.9

Source: Intermonte estimates

Datalogic - EV / ROACE

(Eu mn)	2010
CE	235.7
avg CE	238.1
Ebit	28.6
Taxes on Ebit	(10.3)
Ebit post tax	18.3
<i>Roace</i>	12.0%
<i>tax rate</i>	36.0%
<i>Roace post tax</i>	7.7%
Wacc post tax	8.1%
<i>TG</i>	2.0%
<i>Required return</i>	6.1%
EV/Invested Capital	1.3
Enterprise Value	297.3
(+) Net Debt	(93.2)
(+/-) Minorities /Associates	0.0
Fair Equity Value (Eu mn)	204.1
Number of shares (mn)	58.4
Fair Value per share (Eu)	3.5

Source: Intermonte estimates

SHORT SALES: CONSOB EXTENDS AND AMENDS PROHIBITION TO 31 MAY 2009

The National Commission for Companies and the Stock Market (CONSOB) decided to extend the ban on short selling, which was due to expire on 28th February 2009, to 31st May 2009, leaving the nature of the ban unchanged.

The sale of shares listed and traded on a regulated market and issued by banks, insurance companies or their relevant holding companies, as well as those issued by companies increasing their capital, shall be supported, from the moment of the order until the transaction settlement date, by both the availability and the ownership of the relevant securities by the ordering party.

Therefore, the terms in force as of October 29, 2008 will continue to apply only to shares issued by the companies appearing on the list provided by CONSOB. For all other shares listed and traded on a regulated market, the sale shall be supported by the availability of the securities.

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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.

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As at March 31st 2008 Intermonte's Research Department covered 142 companies. Intermonte's distribution of stock ratings is as follows:

BUY: 21.83%

OUTPERFORM: 21.13%

NEUTRAL: 36.43%

UNDERPERFORM: 17.61%

SELL: 2.82%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (21 in total) is as follows:

BUY: 38.10%

OUTPERFORM: 14.29%

NEUTRAL: 47.61%

UNDERPERFORM: 0.00%

SELL: 0.00%

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- 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.

DETAILS ON STOCK RECOMMENDATION

Stock NAME	DATALOGIC		
Current Recomm:	NEUTRAL	Previous Recomm:	NEUTRAL
Current Target (Eu):	3.70	Previous Target (Eu):	4.00
Current Price (Eu):	3.89	Previous Price (Eu):	4.07
Date of report:	15/05/2009	Date of last report:	17/04/2009

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Further information is available