

# DATALOGIC

# OUTPERFORM

SECTOR: Industrials

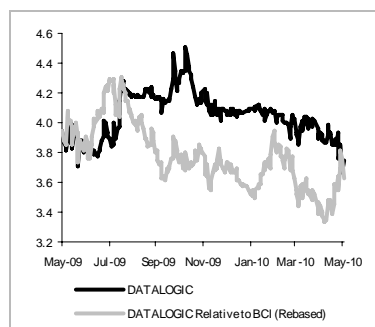
Price (Eu): **3.74**  
 Target Price (Eu): **4.80**

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

## Excellent Top Line, Encouraging Margin Recovery

- Datalogic posted an excellent set of quarterly results, even better than expected:** Turnover came to Eu89.5mn, up 22.5% YoY (+25.7% YoY at constant EUR/USD exchange rate), 2% better than our estimates. EBITDA was Eu10.6mn vs. a Eu0.5mn negative result in 1Q09, almost 7% better than expected. At bottom line, a net profit of Eu4.1mn was recorded, 46% better than our estimate partly thanks to gains on currencies, versus a net loss of Eu5.5mn in 1Q09. Geographically, quarterly turnover nearly doubled in emerging countries, thanks in particular to strong revenue streams in Brazil; conversely, Italian activities remained weak, partly because of a specific issue related to the Italian sales network that has since been solved.
- Net debt closed 1Q10 at Eu97.7mn**, down from the corresponding figure of Eu100.5mn recorded at the end of 2009, despite a Eu5.3mn cash absorption in the quarter entailed by higher working capital, which was required to sustain the swift top line growth after the recession (to offset the risk of a shortage of electronic components).
- Management indications on FY 2010.** During the conference call, Mauro Sacchetto, the group's CEO, confirmed a positive outlook over the upcoming quarters, pointing out that order intake in 1Q10 remained higher than revenues. He also highlighted the great benefits of the restructuring plan completed in 2009, particularly the fact that the company has been able to bring its profit margin back up close to 2007 levels even with lower turnover volumes; marginal profitability of incremental revenues is estimated to be in the region of 35-40%, so Datalogic could benefit significantly from operating leverage.
- Excellent quarter; recommendation and target price confirmed.** Quarterly results sealed the success of the turnaround completed by the management over the last 12 months and showed an encouraging recovery in the top line. This last element is particularly remarkable if we consider that the company's main competitors (e.g. Intermec) posted weak quarterly results and that Datalogic did not experience any significant price compression YoY. This proves that in such a difficult crisis, the group was able to react promptly to a collapsing market without compromising R&D initiatives or market positioning. For the time being, we cautiously confirm our estimates and target price, but expect positive newsflow ahead. The valuation relative to peers and to history is appealing.

DATALOGIC - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): Unchanged

Change in EPS est:	2010E	2011E
	0.0%	0.0%

### STOCK DATA

Reuters code: DAL.MI  
 Bloomberg code: DAL IM

Performance	1m	3m	12m
Absolute	-5.0%	-8.3%	-5.0%
Relative	4.8%	-6.1%	-8.2%
12 months H/L:	4.50/3.67		

### SHAREHOLDER DATA

No. of Ord. shares (mn):	58
Total No. of shares (mn):	58
Mkt Cap Ord (Eu mn):	219
Total Mkt Cap (Eu mn):	219
Mkt Float - ord (Eu mn):	59
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:	1.7
Net Financial Position (Eu mn):	-83
Enterprise value (Eu mn):	302

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	0.21	0.33	0.39
DPS (Eu)	0.04	0.00	0.02	0.03	0.03
Ratios & Multiples	2008A	2009A	2010E	2011E	2012E
P/E	10.4	nm	18.0	11.3	9.6
Div. Yield	0.9%	0.0%	0.4%	0.8%	0.9%
EV/Ebitda	6.7	16.3	7.9	5.9	5.1
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	219	219	219	219	219
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(107)	(100)	(83)	(66)	(47)
	Enterprise value	326	319	302	285	266
<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	1.4	1.4	1.3
	EV/Sales	0.9	1.0	0.9	0.8	0.7
	EV/Ebit	9.2	nm	11.8	8.0	6.7
Free Cash Flow Yield	13.2%	6.1%	6.9%	8.2%	9.4%	
<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

## Datalogic - 1Q10 results

(Eu mn)	1Q09A	1Q10A	YoY	1Q10E	A vs. E
Net Sales	73.1	89.5	22.5%	87.7	2.1%
<b>EBITDA</b>	<b>(0.5)</b>	<b>10.6</b>	nm	<b>9.9</b>	6.8%
Ebitda margin	-0.7%	11.8%		11.3%	
Non recurring	0.0	0.0		0.0	
D&A	(4.6)	(3.9)		(4.2)	
<b>EBIT</b>	<b>(5.1)</b>	<b>6.7</b>	nm	<b>5.7</b>	17.7%
Ebit margin	-7.0%	7.5%		6.5%	
Net financials	(1.7)	(1.4)		(1.7)	
Associates	0.1	0.9		0.1	
<b>Pre tax profit</b>	<b>(6.8)</b>	<b>6.2</b>	nm	<b>4.0</b>	
Taxes	1.3	(2.1)		(1.2)	
Tax rate	18.7%	33.4%		30.0%	
Minorities					
<b>Net profit</b>	<b>(5.5)</b>	<b>4.1</b>	nm	<b>2.8</b>	46.3%

Source: Company data and Intermonte SIM estimates

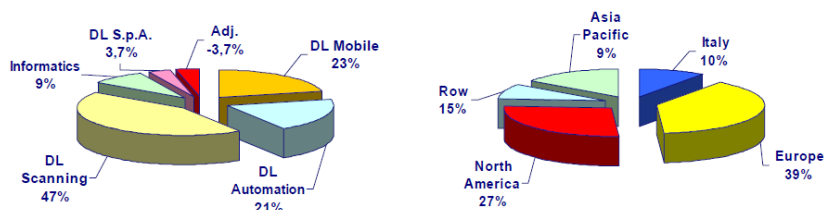
Datalogic posted an excellent set of quarterly results, even better than expected:

- Turnover came to Eu89.5mn, up 22.5% YoY (+25.7% YoY at constant EUR/USD exchange rate), 2% better than our estimates
- EBITDA was Eu10.6mn vs. a Eu0.5mn negative result in 1Q09, almost 7% better than expected
- At bottom line, a net profit of Eu4.1mn was recorded, 46% better than our estimate, versus a net loss of Eu5.5mn in 1Q09

## Datalogic- 1Q10 revenue breakdown

1Q10 Revenues by Division				1Q10 Revenues by Area			
	1Q09	1Q10	Var %		1Q09	1Q10	Var. %
Datalogic Mobile (*)	16.136	20.684	28,2%	Italy	9.763	9.123	-6,6%
Datalogic Automation	15.755	19.024	20,7%	Europe	30.006	34.995	16,6%
Datalogic Scanning	34.696	42.080	21,3%	North America	19.552	24.494	25,3%
Informatics	6.672	7.930	18,9%	Asia Pacific	7.028	7.926	12,8%
Datalogic S.p.A.	3.285	3.291	0,2%	ROW	6.745	12.982	92,5%
Adjustments	-3.450	-3.489	1,1%				
<b>Revenues</b>	<b>73.094</b>	<b>89.520</b>	<b>22,5%</b>	<b>Revenues</b>	<b>73.094</b>	<b>89.520</b>	<b>22,5%</b>

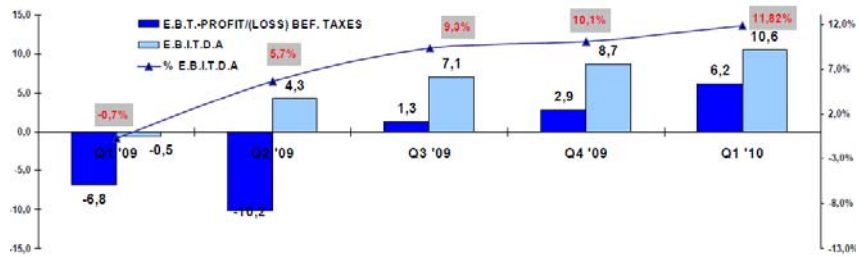
(\*) Datalogic Mobile includes Enterprise Business Solutions BU



Source: Company data

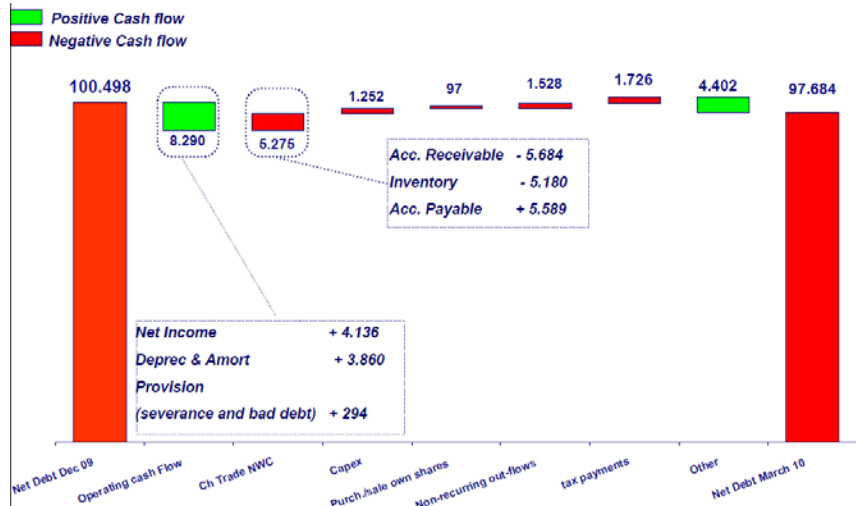
Geographically, quarterly turnover nearly doubled in emerging countries, thanks in particular to strong revenue streams in Brazil; conversely, Italian activities remained weak, partly because of a specific issue related to the Italian sales network that has since been solved.

Datalogic Group - Year 2009 + Q1 2010 - Income Statement figures by quarter ( Euro/000)



During the conference call, Mauro Sacchetto, the group's CEO, confirmed a positive outlook over the upcoming quarters, pointing out that order intake in 1Q10 remained higher than revenues. He also highlighted the great benefits of the restructuring plan completed in 2009, particularly the fact that the company has been able to bring its profit margin back up close to 2007 levels even with lower turnover volumes; marginal profitability of incremental revenues is estimated to be in the region of 35-40%, so Datalogic could benefit significantly from operating leverage.

### Cash Flow and Debt structure



Net debt closed 1Q10 at Eu97.7mn, down from the corresponding figure of Eu100.5mn recorded at the end of 2009, despite a Eu5.3mn cash absorption in the quarter entailed by higher working capital, which was required to sustain the swift top line growth after the recession (to offset the risk of a shortage of electronic components).

### Peer Comparison

Datalogic - Peer comparison			Minibase in EUR as of 07/05/10					
Company	Price (Eu)	Mkt Cap (Eu mn)	EV/EBITDA			P/E		
			2010	2011	2012	2010	2011	2012
Intermec Inc.	9.0	554	11.5x	7.1x		56.8x	18.9x	
Zebra Technologies C	21.3	1,232	9.5x	8.2x		17.9x	15.5x	
<b>Mean</b>	<b>15.2</b>	<b>893</b>	<b>10.5x</b>	<b>7.6x</b>		<b>37.3x</b>	<b>17.2x</b>	
<b>Datalogic*</b>	<b>3.7</b>	<b>219</b>	<b>7.9x</b>	<b>5.9x</b>	<b>5.1x</b>	<b>18.0x</b>	<b>11.3x</b>	<b>9.6x</b>

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

## SHORT SALES: PROHIBITION REVOKED, WITH EXCEPTIONS

With resolution no. 17 078 dated 26/11/09, the National Commission for Companies and the Stock Market (CONSOB) has maintained the ban on short selling effective 1st December 2009, for only those 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>)

## 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&P500 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, QF 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:	OUTPERFORM
Current Target (Eu):	4.80	Previous Target (Eu):	4.80
Current Price (Eu):	3.74	Previous Price (Eu):	3.87
Date of report:	11/05/2010	Date of last report:	19/04/2010

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