

DATALOGIC

OUTPERFORM

SECTOR: Industrials

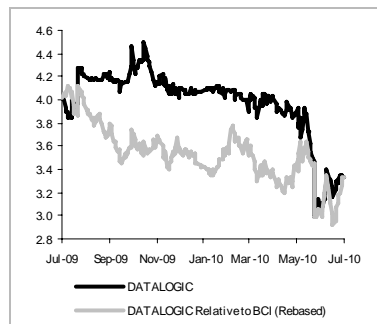
Price (Eu): **3.33**
 Target Price (Eu): **4.80**

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Strong Results and New Technology Ahead

- Acquisition of a new technology.** On July 2nd, 2010, Datalogic acquired, through its subsidiary Datalogic Scanning Holdings, the entire share capital of Evolution Robotics Retail, a company located in California with unique expertise in visual pattern recognition technology for use currently in retail loss prevention and productivity applications, for a price of \$25.5mn (Eu20.4mn). Evolution Robotics Retail has no debt and Datalogic funded the acquisition by means of its own financial resources. The value of the transaction consists mainly of intangible assets such as patents, trade secrets, copyrights and other intellectual property rights, licensing agreements and customer portfolios.
- Strong newsflow expected from 2Q10 results.** Datalogic will release half-yearly results on August 2nd, 2010. We expect a very positive reporting season, with revenues confirming the strong recovery trend experienced in 1Q10 and closing above Eu95mn, posting a 25% YoY increase partly thanks to the dollar vs. euro appreciation. Favourable operating leverage should offset the negative impact on margins entailed by a stronger dollar, taking the EBITDA margin to 12% and EBITDA to Eu11.4mn. We expect net profit to close around Eu3.7mn.
- Change in estimates.** The newly acquired company will not have a significant impact on Datalogic's P&L in the short term, but does improve visibility on our long-term view on the company because with this acquisition Datalogic is flanking its core skills in the still growing bar code application field with a new and promising technology. We also expect 2Q10 results to reinforce the encouraging recovery signals showed by 1Q10 figures and we therefore raise our estimates on 2010, lifting EBITDA by 7.6% and reported net profit by 18.7%. We have broadly confirmed our 2011 and 2012 estimates.
- Conclusion: positive view on the stock confirmed. OUTPERFORM, target Eu4.8.** After the completion of the restructuring plan, Datalogic seems to enjoy a stronger competitive positioning than it had before the start of the crisis; moreover, with the present acquisition, Datalogic is enriching its skills with a new promising technological stream. Positive newsflow will support our view on the stock: we expect strong 2Q10 results while the management is likely to present a 3-year business plan in September or October.

DATALOGIC - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): Unchanged

Change in EPS est:	2010E	2011E
	14.5%	-0.6%

STOCK DATA

Reuters code: DAL.MI
 Bloomberg code: DAL IM

Performance	1m	3m	12m
Absolute	8.7%	-17.1%	-17.1%
Relative	9.9%	-1.0%	-17.2%
12 months H/L:	4.50/2.98		

SHAREHOLDER DATA

No. of Ord. shares (mn):	58
Total No. of shares (mn):	58
Mkt Cap Ord (Eu mn):	195
Total Mkt Cap (Eu mn):	195
Mkt Float - ord (Eu mn):	52
Mkt Float (in %):	26.9%
Main shareholder:	
Hydra Spa	67.1%

BALANCE SHEET DATA

Book value (Eu mn):	128
BVPS (Eu):	2.19
P/BV:	1.5
Net Financial Position (Eu mn):	-104
Enterprise value (Eu mn):	299

Key Figures	2008A	2009A	2010E	2011E	2012E
Sales (Eu mn)	380	312	362	383	402
Ebitda (Eu mn)	48	12	41	49	53
Net profit (Eu mn)	18	-12	11	17	20
EPS - New (Eu)	0.36	-0.03	0.24	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	9.2	nm	14.0	10.1	8.6
Div. Yield	1.1%	0.0%	0.6%	0.8%	1.0%
EV/Ebitda	6.2	15.0	7.2	5.7	5.0
ROCE	12.8%	-2.4%	10.8%	13.8%	15.6%

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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
PROFIT & LOSS (Eu mn)	Sales	380	312	362	383	402
	EBITDA	48	12	41	49	53
	EBIT	31	(6)	24	32	36
	Financial income (charges)	(6)	(7)	(7)	(6)	(5)
	Associates & Others	1	(0)	0	0	0
	Pre-tax profit (Loss)	26	(13)	18	26	31
	Taxes	(8)	1	(6)	(9)	(11)
	Tax rate (%)	31.1%	10.0%	36.5%	36.0%	36.0%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	18	-12	11	17	20
	Total extraordinary items	1	8	0	0	0
	Ebitda excl. extraordinary items	48	20	41	49	53
	Ebit excl. extraordinary items	36	6	28	36	40
Net profit restated	21	(2)	14	19	23	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	58	58	58	58	58
	EPS stated fd	0.31	-0.21	0.19	0.28	0.34
	EPS restated fd	0.36	-0.03	0.24	0.33	0.39
	BVPS fd	2.32	2.00	2.19	2.45	2.76
	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%
CASH FLOW (Eu mn)	Gross cash flow	34	5	28	33	37
	Change in NWC	6	15	(5)	(3)	(4)
	Capital expenditure	(11)	(7)	(9)	(11)	(12)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	29	13	15	19	20
	Acquisitions, divestments & others	(44)	0	(20)	0	0
	Dividend	(4)	(2)	0	(1)	(2)
	Equity financing/Buy-back	(23)	0	0	0	0
Change in Net Financial Position	(44)	6	(4)	18	19	
BALANCE SHEET (Eu mn)	Total fixed assets	197	186	192	186	177
	Net working capital	54	39	44	46	50
	Long term liabilities	(8)	(8)	(3)	(3)	1
	Net capital employed	243	217	232	229	229
	Net financial position	(107)	(100)	(104)	(86)	(67)
	Group equity	136	117	128	143	161
	Minorities	0	0	0	0	0
	Net equity	136	117	128	143	161
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	195	195	195	195	195
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(107)	(100)	(104)	(86)	(67)
	Enterprise value	302	295	299	281	262
RATIOS(%)	EBITDA margin*	12.8%	6.3%	11.4%	12.7%	13.1%
	EBIT margin*	9.4%	2.1%	7.8%	9.4%	9.9%
	Gearing - Debt/equity	78.7%	86.1%	81.6%	60.1%	41.8%
	Interest cover on EBIT	5.5	nm	3.5	5.0	6.9
	Debt/Ebitda	2.24	8.56	2.52	1.76	1.28
	ROCE*	12.8%	-2.4%	10.8%	13.8%	15.6%
	ROE*	11.5%	-9.6%	9.1%	12.2%	13.0%
	EV/CE	1.3	1.3	1.3	1.2	1.1
	EV/Sales	0.8	0.9	0.8	0.7	0.7
	EV/Ebit	8.5	nm	10.5	7.8	6.6
Free Cash Flow Yield	14.8%	6.8%	7.5%	10.0%	10.4%	
GROWTH RATES (%)	Sales	-6.0%	-17.9%	16.0%	5.8%	5.0%
	EBITDA*	-3.2%	-59.5%	110.8%	18.0%	7.6%
	EBIT*	-6.0%	-82.0%	343.0%	26.7%	10.6%
	Net profit	-1.3%	nm	nm	47.5%	20.0%
	EPS restated	-3.5%	nm	nm	38.2%	17.2%

* Excluding extraordinary items

Source: Intermonte SIM estimates

Acquisition of Evolution Robotics Retail

On July 2nd, 2010, Datalogic acquired, through its subsidiary Datalogic Scanning Holdings, the entire share capital of **Evolution Robotics Retail**, a company located in California with unique expertise in visual pattern recognition technology for use currently in retail loss prevention and productivity applications. The entire management and technical team of Evolution Robotics Retail will remain with the company and continue to drive innovation in the retail sector while also working with Datalogic to promote its visual pattern recognition technology in other commercial and industrial areas.

The transaction price was \$25.5mn (Eu20.4mn). Evolution Robotics Retail has no debt and Datalogic funded the acquisition by means of its own financial resources (Datalogic net debt was equal to Eu97.7mn by the end of 1Q10 and after this acquisition we expect net debt will be about Eu104mn by the year end, i.e. about 2.5x expected 2010 EBITDA). In FY09, Evolution Robotics Retail achieved revenues of \$5.1mn and a negative EBITDA of \$2.7mn. The value of the transaction consists mainly of intangible assets such as patents, trade secrets, copyrights and other intellectual property rights, licensing agreements and customer portfolios.

The acquisition provides for a broadening of Datalogic's solution-based offerings, adds an innovative and key technological capability and offers a high-growth business prospect. Furthermore, the aforesaid transaction will allow Datalogic to strengthen its own research activities thanks to the skills of world renowned vision technology experts and also to pursue a primary role in the promising visual pattern recognition industrial sector. The acquisition of patents and expertise in the area of vision-based technologies will allow Datalogic to develop a wide range of solutions based on visual pattern recognition.

Datalogic – Examples of visual pattern recognition



Recognition with partial occlusion



Recognition with different position



Recognition at a distance



Recognition at an angle with partial occlusion

Evolution Robotics ViPR (visual pattern recognition) technology provides a reliable and robust vision solution that truly gives electronic devices the ability to detect and recognize complex visual patterns - in effect, to see.

Datalogic – A visual patter recognition device



Lighting/Camera Unit



Checkout Unit

A ViPR-enabled device can automatically detect and recognize visual patterns using low- or high-end camera sensors. The algorithms that make up the technology are particularly robust and provide an unprecedented level of reliability even with heavy distortions that can be introduced by the imaging device, a wide range of lighting conditions, and pattern occlusions.

Quarterly preview

Datalogic - 2Q10 results						
(Eu mn)	2Q09A	2Q10E	YoY	1H09A	1H10E	YoY
Net Sales	76.0	95.0	25.0%	149.1	184.5	23.8%
	-22.1%	25.0%		-23.0%	23.8%	
				41.2%		
EBITDA	4.3	11.4	164%	3.8	22.0	478%
Ebitda margin	5.7%	12.0%		2.6%	11.9%	
Non recurring	(7.9)	0.0		(7.9)	0.0	
D&A	(4.8)	(4.2)		(9.4)	(8.1)	
EBIT	(8.3)	7.2	nm	(13.5)	13.9	nm
Ebit margin	-11.0%	7.6%		-9.0%	7.5%	
Net financials	(1.6)	(1.5)		(3.3)	(2.9)	
Associates	(0.3)	0.1		(0.2)	1.0	
Pre tax profit	(10.2)	5.8	nm	(17.0)	12.0	nm
Taxes	1.2	(2.1)		2.5	(4.1)	
<i>Tax rate</i>	<i>11.6%</i>	<i>36.0%</i>		<i>14.5%</i>	<i>34.7%</i>	
Minorities						
Net profit	(9.0)	3.7	nm	(14.5)	7.8	nm

Source: Company data and Intermonte SIM estimates

We expect a very positive second quarter, with revenues confirming the strong recovery trend experienced in 1Q10 and closing above Eu95mn, thanks partly to the dollar vs. euro appreciation. Operating leverage should offset the negative impact on margins entailed by a stronger dollar, taking EBITDA margin to 12% and EBITDA to Eu11.4mn. We expect net profit to close around Eu3.7mn.

Change in estimates

Datalogic - Change in estimates

	NEW ESTIMATES			OLD ESTIMATES			% change		
	2010E	2011	2012	2010E	2011	2012	2010	2011	2012
Net sales	362.0	383.0	402.2	345.0	379.5	398.5	4.9%	0.9%	0.9%
YoY growth	16.0%	5.8%	5.0%	10.6%	10.0%	5.0%			
EBITDA reported	41.4	48.8	52.6	38.5	48.5	52.1	7.6%	0.8%	0.8%
Ebitda margin	11.4%	12.7%	13.1%	11.1%	12.8%	13.1%			
YoY growth	110.8%	18.0%	7.6%	95.9%	26.0%	7.6%			
D&A tang	(8.5)	(8.6)	(8.7)	(8.5)	(8.5)	(8.6)			
Goodwill	(4.1)	(4.1)	(4.1)	(4.1)	(4.1)	(4.1)			
D&A intang.	(4.5)	(4.3)	(4.1)	(4.5)	(4.2)	(4.1)			
EBIT reported	24.3	31.9	35.7	21.4	31.6	35.3	13.5%	1.0%	1.0%
Ebit margin	6.7%	8.3%	8.9%	6.2%	8.3%	8.9%			
YoY growth	-536.2%	31.2%	11.9%	-484.4%	47.3%	12.0%			
Net financials	(6.9)	(6.4)	(5.2)	(6.9)	(5.9)	(4.6)			
Associates	0.2	0.3	0.4	0.2	0.3	0.4			
Pre tax profit	17.6	25.8	30.9	14.7	26.0	31.1	19.6%	-0.7%	-0.6%
Taxes	(6.4)	(9.3)	(11.1)	(5.3)	(9.4)	(11.2)			
	36.5%	36.0%	36.0%	36.0%	36.0%	36.0%			
Minorities	0.0	0.0	0.0	0.0	0.0	0.0			
Net income	11.2	16.5	19.8	9.4	16.6	19.9	18.7%	-0.7%	-0.6%

The newly acquired company will not have a significant impact on Datalogic P&L in the short term, but does improve visibility on our long-term view on the company because with this acquisition Datalogic is flanking its core competence in the still growing bar code field with a very new and promising technology. Furthermore, we expect 2Q10 results to reinforce the encouraging recovery signals showed by 1Q10 figures and we therefore raise our estimates on 2010, lifting EBITDA by 7.6% and reported net profit by 18.7%. We have broadly confirmed our 2011 and 2012 estimates.

Peer comparison

Datalogic - Peer comparison

Minibase in EUR as of 01/07/10

Company	Price (Eu)	Mkt Cap (Eu mn)	EV/EBITDA			P/E		
			2010	2011	2012	2010	2011	2012
Intermec Inc.	8.0	494	13.6x	6.0x		64.6x	18.4x	
Zebra Technologies C	19.8	1,142	8.7x	7.4x		16.4x	14.2x	
Mean	13.9	818	11.2x	6.7x		40.5x	16.3x	
Datalogic*	3.3	195	7.2x	5.4x	4.6x	16.0x	10.1x	8.6x

Source: Factset data and (*) Intermonte SIM estimates

Peer group stock performance

Minibase in EUR as of 01/07/10

Company	Price (Eu)	Cap. (Eu mn)	% ch. 1M	% ch. 3M	% ch. 6M	% ch. 1Y
Intermec Inc.	8.0	494	-10.5%	-18.9%	-10.8%	-9.0%
Zebra Technologi	19.8	1,142	-11.1%	-10.5%	0.1%	17.2%
Psion PLC	0.9	125	-1.1%	-5.1%	-18.6%	9.6%
Datalogic S.p.A.	3.3	194	8.7%	-17.2%	-18.2%	-17.1%
mean performance (market weighted)			-8.3%	-12.9%	-5.6%	6.7%
simple mean performance			-3.5%	-12.9%	-11.9%	0.2%

Source: JCF time series data

SHORT SALES: PROHIBITION REVOKED, WITH EXCEPTIONS

SHORT SALES: PROHIBITION REVOKED, WITH EXCEPTIONS

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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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BUY: 19.69%

OUTPERFORM: 32.28%

NEUTRAL: 35.01%

UNDERPERFORM: 11.02%

SELL: 2.36%

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BUY: 30.0%

OUTPERFORM: 13.33%

NEUTRAL: 56.67%

UNDERPERFORM: 0.00%

SELL: 0.00%

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DETAILS ON STOCKS RECOMMENDATION

Stock NAME	DATALOGIC		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	4.80	Previous Target (Eu):	4.80
Current Price (Eu):	3.33	Previous Price (Eu):	3.74
Date of report:	05/07/2010	Date of last report:	11/05/2010

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