

DATALOGIC

NEUTRAL

SECTOR: Industrials

Price (Eu): 6.01

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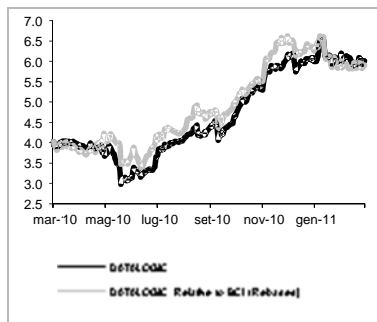
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Target Price (Eu): 6.60

Brilliant Achievements in Working Capital Management

- Not an exciting quarter on the P&L...** Net revenues, announced to the market in advance on 18th January, kept up a strong YTD growth rate: 4Q revenue was €101.5mn, up 17% YoY. EBITDA stood at €10.9mn, up 25% YoY with a 10.8% margin on sales. This was 20% below our estimate of €13.6mn for two main reasons. First, the company booked a €0.7mn extraordinary impairment on the value of inventories in the context of completing restructuring at the Automation division. Second, in 4Q10 Datalogic started certain new large contracts that were awarded at a slightly lower margin. Below EBITDA, higher than expected taxes took the bottom line to €3.5mn, 33% below our estimate.
- ..but Datalogic generated €15.5mn in cash, much better than expected.** This is probably the most remarkable surprise in the fourth quarter. Net debt closed 2010 at €76.5mn (€89mn exp.), down €24mn from the 2009 position, despite a €20.4mn cash-out sustained in July 2010 to acquire Evolution Robotics. Trading working capital was managed very well, decreasing from 19.8% of revenues in 2009 to 14.8% in 2010, a level that according to the management must be considered sustainable even though it will be difficult to improve upon. This very strong result is a consequence of the radical business re-engineering process implemented by the management. The BoD has proposed to distribute a €0.15 dividend per share, pending approval at the forthcoming AGM; this corresponds to a 49% payout rate.
- 2011 management indications.** During the conference call, management indicated that there good visibility for 1H11, as Datalogic is in a position to once again outperform its reference market, which is expected to grow by 4-6% YoY in 2011. For the time being, we confirm our estimates, which are broadly in line with the figures contained in management's 3-year plan presented in October 2010. The contribution from BRIC countries could provide some upside to our current estimates, which currently include 4.1% overall revenue growth in 2011.
- Recommendation confirmed, target price €6.6.** Thanks in part to the strong cash generation achieved in 2010, we have lifted our target price from €6.1 to €6.6, but we confirm our NEUTRAL recommendation given the limited upside. A potential trigger in the coming months, which could compel us to switch back to a positive stance, is an acquisition that management claims could take place in the first half of the year. During the conference call, CEO Sacchetto said at the moment they are considering negotiations to acquire one or more of three possible targets, although they are strongly committed to pay no more than 10x EBITDA. Because working capital has been managed so efficiently, the company could, if needed, take on roughly an additional €110mn in debt without exceeding the threshold of 3x EBITDA.

DATALOGIC - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): from 6.10 to 6.60

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	-1.2%	-2.4%	49.1%
Relative	0.4%	-11.8%	46.3%
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):	351
Total Mkt Cap (Eu mn):	351
Mkt Float - ord (Eu mn):	95
Mkt Float (in %):	26.9%
Main shareholder:	
Hydra Spa	67.1%

BALANCE SHEET DATA

	2011
Book value (Eu mn):	153
BVPS (Eu):	2.62
P/BV:	2.3
Net Financial Position (Eu mn):	-60
Enterprise value (Eu mn):	411

Key Figures	2009A	2010A	2011E	2012E	2013E
Sales (Eu mn)	312	393	409	426	447
Ebitda (Eu mn)	12	50	56	59	62
Net profit (Eu mn)	-12	18	22	25	28
EPS - New (Eu)	-0.03	0.35	0.42	0.47	0.52
EPS - Old (Eu)		0.38	0.42	0.47	
DPS (Eu)	0.00	0.15	0.11	0.13	0.14
Ratios & Multiples	2009A	2010A	2011E	2012E	2013E
P/E	nm	17.3	14.4	12.7	11.5
Div. Yield	0.0%	2.5%	1.8%	2.1%	2.4%
EV/Ebitda	23.0	8.7	7.4	6.6	5.9
ROCE	-2.4%	16.0%	18.1%	20.0%	21.6%

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DATALOGIC - KEY FIGURES

	2009A	2010A	2011E	2012E	2013E	
	31/12/2009	31/12/2010	31/12/2011	31/12/2012	31/12/2013	
Fiscal year end						
PROFIT & LOSS (Eu mn)	Sales	312	393	409	426	447
	EBITDA	12	50	56	59	62
	EBIT	(6)	35	39	42	45
	Financial income (charges)	(7)	(7)	(6)	(5)	(3)
	Associates & Others	(0)	0	0	0	0
	Pre-tax profit (Loss)	(13)	28	33	38	43
	Taxes	1	(10)	(12)	(13)	(15)
	Tax rate (%)	5.2%	36.0%	35.0%	35.0%	35.0%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	-12	18	22	25	28
	Total extraordinary items	(10)	(2)	(3)	(3)	(3)
	Ebitda excl. extraordinary items	20	49	56	59	62
	Ebit excl. extraordinary items	6	38	43	47	50
	Net profit restated	(2)	20	24	28	31
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	58	58	58	58	58
	EPS stated fd	-0.21	0.31	0.37	0.43	0.48
	EPS restated fd	-0.03	0.35	0.42	0.47	0.52
	BVPS fd	2.00	2.40	2.62	2.93	3.28
	Dividend per share (ord)	0.00	0.15	0.11	0.13	0.14
	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	38	42	45
	Change in NWC	15	22	(1)	(3)	(1)
	Capital expenditure	(7)	(10)	(12)	(13)	(13)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	13	46	25	26	31
	Acquisitions, divestments & others	0	(20)	0	0	0
	Dividend	(2)	0	(9)	(6)	(7)
	Equity financing/Buy-back	0	0	0	0	0
	Change in Net Financial Position	6	24	16	20	23
BALANCE SHEET (Eu mn)	Total fixed assets	186	206	202	193	189
	Net working capital	39	17	18	21	22
	Long term liabilities	(8)	(7)	(7)	(3)	(3)
	Net capital employed	217	217	213	212	209
	Net financial position	(101)	(76)	(60)	(41)	(17)
	Group equity	117	140	153	171	192
	Minorities	0	0	0	0	0
	Net equity	117	140	153	171	192
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	351	351	351	351	351
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(101)	(76)	(60)	(41)	(17)
	Enterprise value	452	428	411	392	369
RATIOS(%)	EBITDA margin*	6.3%	12.5%	13.6%	13.9%	13.9%
	EBIT margin*	2.0%	9.7%	10.5%	11.0%	11.1%
	Gearing - Debt/equity	86.2%	54.6%	39.3%	23.7%	9.0%
	Interest cover on EBIT	nm	5.0	6.6	9.2	14.6
	Debt/Ebitda	8.57	1.54	1.08	0.68	0.28
	ROCE*	-2.4%	16.0%	18.1%	20.0%	21.6%
	ROE*	-9.6%	14.0%	14.7%	15.3%	15.3%
	EV/CE	2.0	2.0	1.9	1.8	1.8
	EV/Sales	1.4	1.1	1.0	0.9	0.8
	EV/Ebit	nm	11.2	9.6	8.4	7.4
	Free Cash Flow Yield	3.8%	13.0%	7.2%	7.4%	8.7%
GROWTH RATES (%)	Sales	-17.9%	25.9%	4.1%	4.2%	5.0%
	EBITDA*	-59.5%	149.2%	13.7%	6.6%	5.1%
	EBIT*	-82.1%	500.6%	13.0%	8.5%	6.4%
	Net profit	nm	nm	19.7%	15.1%	11.8%
	EPS restated	nm	nm	20.2%	13.4%	10.6%

* Excluding extraordinary items

Source: Intermonte SIM estimates

Datalogic - Quarterly figures

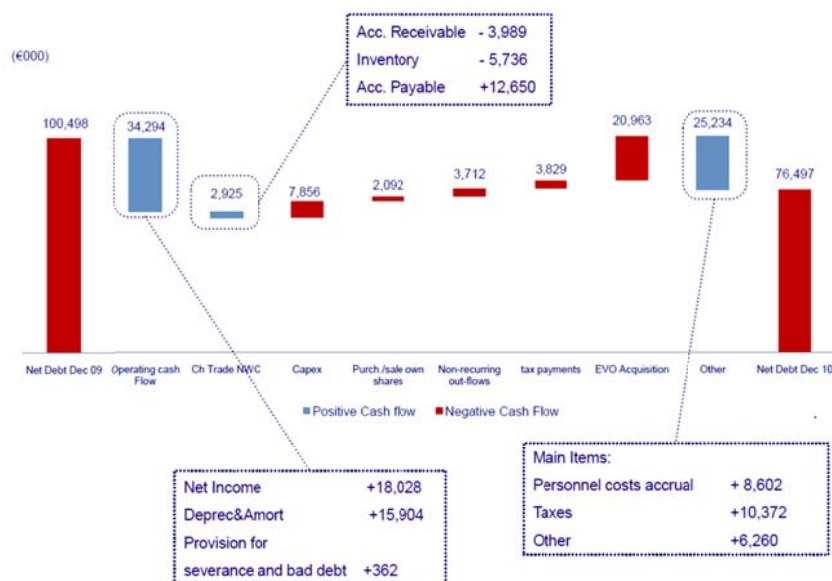
(Eu mn)	4Q09A	4Q10A	YoY	4Q10E	A vs. E	2009 A	2010 A	YoY
Net sales	86.8	101.5	16.9%	101.5	0.0%	312.0	392.7	25.9%
Gross profit	36.8	45.6		46.6		130.4	179.2	
EBITDA	8.8	10.9	24.9%	13.6	-19.7%	19.6	49.8	153.4%
Ebitda margin	10.1%	10.8%		13.4%		6.3%	12.7%	
Non recurring	0.0	0.0		0.0		(7.9)	0.0	
D&A	(3.9)	(3.5)		(5.2)		(17.3)	(15.1)	
EBIT	4.8	7.4	54.1%	8.4	-12.3%	(5.6)	34.7	nm
Ebit margin	5.5%	7.3%		8.3%		-1.8%	8.8%	
Net financials	(1.9)	(2.4)		(1.9)		(7.1)	(6.9)	
Associates / for	(0.0)	1.1		(0.0)		(0.2)	0.4	
Pre tax profit	2.9	6.1	112.2%	6.5	-6.8%	(12.8)	28.2	nm
Taxes	(1.1)	(2.5)		(1.3)		0.7	(10.2)	
<i>Tax rate</i>	<i>37.7%</i>	<i>41.7%</i>		<i>19.2%</i>		<i>5.2%</i>	<i>36.0%</i>	
Minorities	0.0	0.0		0.0		0.0	0.0	
Net profit	1.8	3.5	98.7%	5.3	-32.7%	(12.2)	18.0	nm

Source: Company data and Intermonte SIM estimates

Net revenues, announced to the market in advance on January 18th, kept up a strong YTD growth rate: 4Q revenue was equal to Eu101.5mn, up 17% YoY. All business units contributed to this result, demonstrating the group's strong position in each of its niches. In FY10, Datalogic was able to grow by 23% organic while main competitors recorded a top line increase of only around 10%. Hence, a gain in market share drove growth in consolidated markets (Europe and US) while the results from emerging countries are terrific (+60% YoY in Asia Pacific, and in Latin America). In 4Q10, EBITDA stood at Eu10.9mn, up 25% YoY with a 10.8% margin on sales. This was nevertheless below our estimate of Eu13.6mn for two main reasons. First, the company booked Eu0.7mn of extraordinary devaluation of inventories, in order to complete the restructuring of the Automation division. Second, in 4Q10 Datalogic has started certain new large contracts which were awarded at a slightly lower margin. Below EBITDA, higher than expected taxes took the bottom line to Eu3.5mn, 33% below our estimate.

This is probably the most remarkable quarterly surprise. Notably, net debt closed 2010 at Eu76.5mn down Eu24mn from 2009 position, despite a Eu20.4mn cash-out sustained in July 2010 to acquire Evolution Robotics. Trading working capital was managed very well, decreasing from 19.8% on revenues to 14.8% on revenues in 2010, a level, according to the management which has to be considered sustainable even though hardly improvable. This very strong result is a consequence of the radical business re-engineering process implemented by the management.

Datalogic – Net debt evolution in 2010



Datalogic - Sales breakdown by business

	2009 A	1Q10 A	2Q10 A	3Q10 A	4Q10 A	2010 A
Mobile	68.1	20.6	21.3	21.2	24.6	87.8
YoY growth	-27.0%	28.0%	44.2%	38.3%	12.4%	28.8%
% on sales	21.8%	23.1%	21.0%	21.1%	24.2%	22.3%
Automation	67.0	19.0	24.3	21.5	25.8	90.7
YoY growth	-4.5%	20.7%	45.6%	34.3%	38.2%	35.4%
% on sales	21.5%	21.3%	24.0%	21.4%	25.4%	23.1%
Scanning	147.0	42.1	47.2	48.8	43.5	181.7
YoY growth	-20.6%	21.3%	28.3%	31.7%	13.3%	23.6%
% on sales	47.1%	47.0%	46.6%	48.6%	42.9%	46.3%
Informatics	30.6	7.9	8.6	9.1	7.7	33.4
YoY growth	-5.0%	18.9%	9.6%	15.2%	-4.9%	9.2%
% on sales	9.8%	8.9%	8.5%	9.0%	7.6%	8.5%
adjustments	-0.6	-0.2	-0.2	-0.2	-0.2	-0.7
Consolidated net sales	312.0	89.5	101.3	100.4	101.5	392.7
adjustments	-17.9%	22.5%	33.3%	31.7%	16.9%	25.9%

Datalogic - EBITDA breakdown by business

	2009 A	1Q10 A	2Q10 A	3Q10 A	4Q10 A	2010 A
Mobile	4.9	2.6	2.9	2.5	2.2	10.2
YoY growth		nm	2515.5%	33.4%	-36.4%	110.0%
% margin	7.1%	12.6%	13.5%	11.9%	8.9%	12.5%
Automation	-1.7	1.3	3.7	2.9	3.0	10.8
YoY growth		nm	nm	nm	508.5%	nm
% margin	-2.5%	6.6%	15.1%	13.4%	11.6%	12.3%
Scanning	8.1	5.0	6.4	6.4	4.1	21.9
YoY growth		nm	166.5%	106.2%	46.4%	170.1%
% margin	5.5%	11.9%	13.5%	13.1%	9.4%	12.7%
Informatics	3.5	1.1	1.2	0.6	0.2	3.1
YoY growth		120.0%	12.1%	-46.9%	-75.5%	-12.0%
% margin	11.5%	13.9%	13.8%	6.7%	2.6%	11.8%
adjustments	4.8	0.5	1.3	0.5	1.4	3.8
Consolidated EBITDA	19.6	10.5	15.5	12.9	10.9	49.8
% margin	6.3%	11.7%	15.3%	12.9%	10.8%	12.7%

Source: Company data and Intermonte SIM estimates

Datalogic - Sales breakdown by area

(Eu mn)	2009 A	1Q10 A	2Q10 A	3Q10 A	4Q10 A	2010 A
Italy	39.0	9.1	12.5	9.1	12.3	43.1
YoY growth		-6.6%	20.7%	17.0%	11.1%	10.4%
% on sales	12.5%	10.2%	12.4%	9.1%	12.1%	11.0%
Europe	129.9	35.0	34.7	36.5	50.2	156.4
YoY growth		16.6%	26.9%	28.4%	13.8%	20.4%
% on sales	41.6%	39.1%	34.3%	36.3%	49.5%	39.8%
North America	93.5	24.5	27.8	30.5	30.4	113.2
YoY growth		25.3%	12.5%	19.1%	28.7%	21.1%
% on sales	30.0%	27.4%	27.4%	30.3%	30.0%	28.8%
Asia Pacific	30.2	7.9	14.9	13.6	13.0	49.4
YoY growth		12.8%	114.7%	54.0%	74.8%	63.5%
% on sales	9.7%	8.9%	14.7%	13.5%	12.8%	12.6%
RoW	19.3	13.0	11.3	10.8	-4.4	30.7
YoY growth		92.5%	71.5%	101.9%	-815.0%	58.7%
% on sales	6.2%	14.5%	11.2%	10.7%	-4.4%	7.8%
Consolidated net sales	312.0	89.5	101.3	100.4	101.5	392.7
YoY growth	-17.9%	22.5%	46.7%	49.6%	27.7%	25.9%

Source: Company data and Intermonte SIM estimates

Peer comparison

Peer group stock performance			Minibase in EUR as of 04/03/11			
Company	Price (Eu)	Cap. (Eu mn)	% ch. 1M	% ch. 3M	% ch. 6M	% ch. 1Y
Intermec Inc.	7.6	459	-13.9%	-13.4%	-15.1%	-31.8%
Zebra Technologies	26.2	1,460	-12.0%	-9.5%	12.6%	22.9%
Psion PLC	1.0	147	-2.9%	-5.2%	-13.0%	4.8%
Datalogic S.p.A.	6.0	351	0.3%	-0.5%	38.2%	49.1%
Zetes Industries S.A.	17.1	92	-1.4%	-0.4%	8.6%	7.3%
Fujian Newland Cor	2.1	1,068	10.6%	-12.5%	39.1%	32.6%
<i>mean performance (market weighted)</i>			-10.1%	-8.7%	9.5%	15.3%
<i>simple mean performance</i>			-7.1%	-7.2%	5.7%	11.3%

Source: JCF time series data

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Datalogic - Peer comparison			Minibase in EUR as of 04/03/11					
Company	Price (Eu)	Mkt Cap (Eu mn)	EV/EBITDA			P/E		
			2010	2011	2012	2010	2011	2012
Intermec Inc.	7.6	459	23.9x	7.8x	5.7x		23.9x	15.8x
Zebra Technologies	26.2	1,460	11.7x	10.3x	8.5x	19.8x	18.2x	16.0x
Psion PLC	1.0	147	9.3x	5.6x	5.4x		32.2x	19.6x
Zetes Industries S.A.	17.1	92	4.9x	4.6x	4.2x	11.5x	11.5x	11.1x
Mean		540	12.5x	7.1x	6.0x	15.6x	21.4x	15.6x
Median		303	10.5x	6.7x	5.6x	15.6x	21.0x	15.9x
Datalogic S.p.A.	6.0	351	8.6x	7.4x	6.2x	17.4x	14.8x	12.1x
Datalogic*	5.9	346	8.6x	7.3x	6.5x	17.0x	14.2x	12.5x

Source: Factset data and (*) Intermonte SIM estimates

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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;
 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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DETAILS ON STOCKS RECOMMENDATION

Stock NAME	DATALOGIC		
Current Recomm:	NEUTRAL	Previous Recomm:	NEUTRAL
Current Target (€u):	6.60	Previous Target (€u):	6.10
Current Price (€u):	6.01	Previous Price (€u):	5.96
Date of report:	08/03/2011	Date of last report:	28/02/10

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