

DATALOGIC

OUTPERFORM

SECTOR: *Industrials*

Price (Eu):

5.93

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

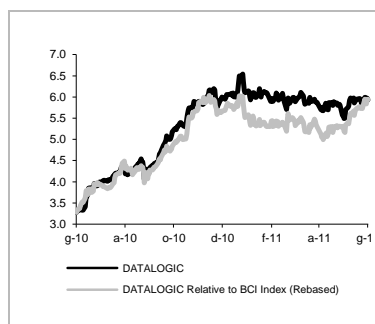
Target Price (Eu):

8.00

Management Indications Support Our Positive View On the Stock

- Yesterday Datalogic released the key figures of its 2011-2013 business plan**, which was approved by the Board of Directors today. The plan will be presented to the financial community on Wednesday. Management foresees 2013 revenues in a range between Eu470mn and Eu480mn and 2013 EBITDA between Eu80mn and Eu85mn. Moreover, positive indications were provided on **expected 2012 results, which are expected to be well above the targets set in October 2010**: more precisely, revenues are expected to be around 5% higher than set out in the previous plan (i.e. about Eu446.2mn), while EBITDA is expected to increase by around 21% (i.e. to about Eu75.6mn). As for cashflow, the net financial position is expected to be positive to the tune of Eu15-20mn by 2013, from a net debt of Eu76mn at YE10, before dividend distribution.
- Very strong figures thanks to healthier top line and a new efficiency plan.** The new guidance sets better targets in terms of both revenues and EBITDA. In particular, management approved the adoption of a single integrated Supply Chain, which will generate Eu11mn in extraordinary expenses in 2011 and is expected to generate estimated cost savings of around Eu12.5mn per year going forward. These actions will enable the group to upgrade its plant in Vietnam, where the market is recording extremely rapid growth. The adoption of a single integrated Supply Chain for the ADC market will simplify production platforms, thus increasing quality and efficiency and improving the level of service to customers.
- Change in estimates.** We are upgrading our estimates in light of new company targets. On the one hand, we are confirming our revenue estimates, previously ahead of guidance and now 2.5% below the 2013 target; on the other hand we are factoring in the effects of new efficiency actions that will have a detrimental impact on 2011 EBITDA (Eu11mn of non-recurring charges) but drive higher margins in both 2012 (incremental cost savings of about Eu8.2mn) and 2013 (incremental cost savings about Eu9.4mn): for the time being we are taking a more cautious view than management guidance, which points to Eu12.5mn in annual savings.
- OUTPERFORM confirmed, target to Eu8 from Eu7.3.** After the excellent execution on targets presented in October 2010, Datalogic yesterday announced even more ambitious goals, which have driven our 2012E EPS up 18%, despite the fact that we are maintaining a more cautious view for the time being (our 2013 EBITDA forecast is 9% below company target). As a consequence, we have lifted our target price to Eu8. We are aware of the current difficult macroeconomic scenario, but it is important to point out that Datalogic enjoys strong exposure to emerging markets (more than 20% of turnover) and limited exposure to Italy (about 10% of turnover). Datalogic stands out as a winning player in its reference market and is currently well placed to take benefit from ongoing market uncertainty in order to consolidate its positioning further through targeted acquisitions. More details could emerge during the public presentation, which will take place in Milan at 10.15am on Wednesday 29th June.

DATALOGIC - 12m Performance

RATING: **Unchanged**TARGET PRICE (Eu): **from 7.30 to 8.00**

Change in EPS est:	2011E	2012E
	-1.6%	18.1%

STOCK DATA

Reuters code:	DAL.MI
Bloomberg code:	DAL IM

Performance	1m	3m	12m
Absolute	5.9%	-0.8%	80.7%
Relative	11.4%	8.5%	81.0%
12 months H/L:	6.54/3.31		

SHAREHOLDER DATA

No. of Ord. shares (mn):	58
Total No. of shares (mn):	58
Mkt Cap Ord (Eu mn):	347
Total Mkt Cap (Eu mn):	347
Mkt Float - ord (Eu mn):	93
Mkt Float (in %):	26.9%
Main shareholder:	
Hydra Spa	67.1%

BALANCE SHEET DATA

	2011
Book value (Eu mn):	147
BVPS (Eu):	2.51
P/BV:	2.4
Net Financial Position (Eu mn):	-67
Enterprise value (Eu mn):	413

Key Figures	2009A	2010A	2011E	2012E	2013E
Sales (Eu mn)	312	393	420	441	463
Ebitda (Eu mn)	12	50	46	71	75
Net profit (Eu mn)	-12	18	16	32	36
EPS - New (Eu)	-0.03	0.35	0.44	0.60	0.66
EPS - Old (Eu)		0.35	0.45	0.51	0.56
DPS (Eu)	0.00	0.15	0.08	0.17	0.18

Ratios & Multiples	2009A	2010A	2011E	2012E	2013E
P/E	nm	17.0	13.4	9.9	8.9
Div. Yield	0.0%	2.5%	1.3%	2.8%	3.1%
EV/Ebitda	22.8	8.6	7.2	5.4	4.7
ROCE	-2.4%	16.0%	13.7%	25.3%	27.6%

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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	420	441	463
	EBITDA	12	50	46	71	75
	EBIT	(6)	35	30	54	58
	Financial income (charges)	(7)	(7)	(6)	(5)	(3)
	Associates & Others	(0)	0	0	0	0
	Pre-tax profit (Loss)	(13)	28	24	49	55
	Taxes	1	(10)	(8)	(17)	(19)
	Tax rate (%)	5.2%	36.0%	35.0%	35.0%	35.0%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	-12	18	16	32	36
	Total extraordinary items	(10)	(2)	(10)	(3)	(3)
	Ebitda excl. extraordinary items	20	49	57	71	75
Ebit excl. extraordinary items	6	38	45	58	62	
Net profit restated	(2)	20	26	35	39	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	58	58	58	58	58
	EPS stated fd	-0.21	0.31	0.27	0.55	0.61
	EPS restated fd	-0.03	0.35	0.44	0.60	0.66
	BVPS fd	2.00	2.40	2.51	2.98	3.43
	Dividend per share (ord)	0.00	0.15	0.08	0.17	0.18
	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	32	49	53
	Change in NWC	15	22	(1)	(1)	(1)
	Capital expenditure	(7)	(10)	(13)	(13)	(13)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	13	46	18	35	39
	Acquisitions, divestments & others	0	(20)	0	0	0
	Dividend	(2)	0	(9)	(5)	(10)
	Equity financing/Buy-back	0	0	0	0	0
Change in Net Financial Position	6	24	10	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)	(7)	(3)	(3)
	Net capital employed	217	217	214	211	208
	Net financial position	(101)	(76)	(67)	(37)	(8)
	Group equity	117	140	147	174	201
	Minorities	0	0	0	0	0
Net equity	117	140	147	174	201	
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	347	347	347	347	347
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(101)	(76)	(67)	(37)	(8)
	Enterprise value	447	423	413	383	354
RATIOS(%)	EBITDA margin*	6.3%	12.5%	13.7%	16.0%	16.2%
	EBIT margin*	2.0%	9.7%	10.7%	13.1%	13.4%
	Gearing - Debt/equity	86.2%	54.6%	45.5%	21.0%	3.9%
	Interest cover on EBIT	nm	5.0	5.0	11.6	18.6
	Debt/Ebitda	8.57	1.54	1.44	0.52	0.10
	ROCE*	-2.4%	16.0%	13.7%	25.3%	27.6%
	ROE*	-9.6%	14.0%	10.8%	20.0%	19.1%
	EV/CE	1.9	2.0	1.9	1.8	1.7
	EV/Sales	1.4	1.1	1.0	0.9	0.8
	EV/Ebit	nm	11.1	9.2	6.6	5.7
Free Cash Flow Yield	3.8%	13.2%	5.3%	10.1%	11.1%	
GROWTH RATES (%)	Sales	-17.9%	25.9%	6.9%	5.0%	5.0%
	EBITDA*	-59.5%	149.2%	17.3%	23.0%	6.2%
	EBIT*	-82.1%	500.6%	17.5%	29.4%	7.4%
	Net profit	nm	nm	-13.7%	106.6%	11.7%
	EPS restated	nm	nm	26.8%	35.8%	10.8%

* Excluding extraordinary items

Source: Intermonte SIM estimates

Datalogic – Financial targets to 2013E

€mln			Target	CAGR
	2009	2010	2013	2009-2013
Revenues	311.9	392.7	470-480	>11%
Ebitda	19.7	49.8	80-85	~45%
Ebitda margin	6%	13%	17%-18%	
ROE	-9.6%	14%	23%-24%	
NFP ⁽¹⁾	-100	-76	15-20	

Source: Company data

Datalogic - Change in estimates

	NEW ESTIMATES			OLD ESTIMATES			% change		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
Net sales	420.0	441.0	463.1	420.0	441.0	463.1	0.0%	0.0%	0.0%
YoY growth	6.9%	5.0%	5.0%	6.9%	5.0%	5.0%			
EBITDA reported	46.4	70.6	75.0	58.4	62.4	65.6	-20.5%	13.3%	14.3%
Ebitda margin	11.1%	16.0%	16.2%	13.9%	14.1%	14.2%			
YoY growth	-6.7%	52.2%	6.2%	17.4%	6.7%	5.2%			
D&A tang	(8.3)	(8.6)	(8.8)	(8.3)	(8.6)	(8.8)			
Goodwill	(4.3)	(4.3)	(4.3)	(4.3)	(4.3)	(4.3)			
D&A intang.	(4.3)	(4.1)	(4.0)	(4.3)	(4.1)	(4.0)			
EBIT reported	29.5	53.7	58.0	41.5	45.4	48.6	-28.9%	18.2%	19.3%
Ebit margin	7.0%	12.2%	12.5%	9.9%	10.3%	10.5%			
YoY growth	-14.8%	81.8%	8.0%	19.8%	9.3%	7.0%			
Net financials	(5.9)	(4.6)	(3.1)	(5.9)	(4.6)	(3.1)			
Associates	0.3	0.4	0.4	0.3	0.4	0.4			
Pre tax profit	23.9	49.5	55.3	35.9	41.2	45.9	-33.4%	20.1%	20.5%
Taxes	(8.4)	(17.3)	(19.3)	(12.6)	(14.4)	(16.1)			
	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%			
Minorities	0.0	0.0	0.0	0.0	0.0	0.0			
Net income	15.6	32.2	35.9	23.4	26.8	29.8	-33.4%	20.1%	20.5%
Rest. Net Income	25.8	35.0	38.8	26.2	29.6	32.7	-1.6%	18.1%	18.7%
YoY growth	26.8%	35.8%	10.8%	28.9%	13.0%	10.3%			

Source: Intermonite SIM estimates

Change in estimates. We are upgrading our estimates in light of new company targets. On the one hand, we are confirming our revenue estimates, previously ahead of guidance and now 2.5% below the 2013 target; on the other hand we are factoring in the effects of new efficiency actions that will have a detrimental impact on 2011 EBITDA (Eu11mn of non-recurring charges) but drive higher margins in both 2012 (incremental cost savings of about Eu8.2mn) and 2013 (incremental cost savings about Eu9.4mn): for the time being we are taking a more cautious view than management guidance, which points to Eu12.5mn in annual savings.

Datalogic - 2011-13 Business Plan and Intermonite Estimates

(Eu mn)	Intermonite			Company targets 2013 E	Intermonite vs. targets 2013 E
	2011 E	2012 E	2013 E		
Revenues	420.0	441.0	463.1	470-480	-2.5%
EBITDA	46.4	70.6	75.0	80-85	-9.1%
EBITDA margin	11.1%	16.0%	16.2%	17%-18%	
ROE	10.8%	20.0%	19.1%	23%-24%	
Net Debt	(66.9)	(36.6)	(7.8)	15-20	
\$ vs. Euro	1.4	1.4	1.4	1.4	

Source: Company data and Intermonite SIM estimates

Datalogic - Sales breakdown by area

(Eu mn)		2009 A	1Q10 A	2010 A	1Q11 A
Italy		39.0	9.1	43.1	11.1
	YoY growth		-6.6%	10.4%	21.5%
	% on sales	12.5%	10.2%	11.0%	10.6%
Europe		129.9	38.0	156.4	42.9
	YoY growth		26.6%	20.4%	12.9%
	% on sales	41.6%	42.4%	39.8%	40.8%
North America		93.5	25.0	113.2	29.4
	YoY growth		28.0%	21.1%	17.6%
	% on sales	30.0%	28.0%	28.8%	28.0%
Asia Pacific		30.2	9.7	49.4	14.1
	YoY growth		37.5%	63.5%	45.8%
	% on sales	9.7%	10.8%	12.6%	13.4%
RoW		19.3	7.7	30.7	7.5
	YoY growth		14.5%	58.7%	-2.9%
	% on sales	6.2%	8.6%	7.8%	7.1%
Consolidated net sales		312.0	89.5	392.7	105.0
	YoY growth	-17.9%	22.5%	25.9%	17.2%

Source: Company data and Intermonte SIM estimates

Peer group stock performance

Minibase in EUR as of 24/06/11

Company	Price (Eu)	Cap. (Eu mn)	% ch. 1M	% ch. 3M	% ch. 6M	% ch. 1Y
Intermec Inc.	7.6	454	-8.7%	4.0%	-22.4%	-12.4%
Zebra Technologies	28.4	1,550	-6.5%	0.6%	-2.9%	32.1%
Psion PLC	1.0	145	-0.8%	-1.7%	-9.6%	12.1%
Datalogic S.p.A.	5.9	345	3.6%	0.2%	-0.8%	78.2%
Zetes Industries S.A.	17.6	95	-5.9%	-0.3%	2.4%	4.8%
Fujian Newland Con	1.6	822	-2.4%	-20.0%	-26.3%	1.2%
mean performance (market weighted)			-5.1%	1.0%	-6.6%	29.2%
simple mean performance			-3.1%	0.8%	-8.9%	27.5%

Source: JCF time series data

Datalogic - Peer comparison

Minibase in EUR as of 24/06/11

Company	Price (Eu)	Mkt Cap (Eu mn)	EV/EBITDA			P/E		
			2011	2012	2013	2011	2012	2013
Intermec Inc.	7.6	454	6.9x	4.6x		21.4x	15.2x	
Zebra Technologies	28.4	1,550	9.5x	8.0x		16.7x	15.3x	
Psion PLC	1.0	145	5.2x	4.0x	3.3x	34.7x	17.8x	11.5x
Zetes Industries S.A.	17.6	95	4.4x	4.0x	3.7x	9.9x	8.9x	9.4x
Mean		561	6.5x	5.2x	3.5x	20.7x	14.3x	10.5x
Median		300	6.0x	4.3x	3.5x	19.0x	15.2x	10.5x
Datalogic*	5.9	347	7.2x	5.4x	4.7x	13.4x	9.9x	8.9x

Source: Factset data and (*) Intermonte SIM estimates

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DETAILS ON STOCKS RECOMMENDATION

Stock NAME	DATALOGIC		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	8.00	Previous Target (Eu):	7.30
Current Price (Eu):	5.93	Previous Price (Eu):	5.84
Date of report:	28/06/2011	Date of last report:	11/05/2011

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