

DATALOGIC

OUTPERFORM

SECTOR: Industrials

Price (Eu): 4.47

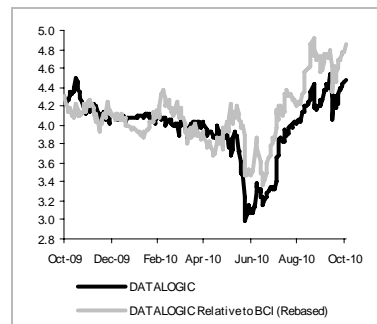
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Target Price (Eu): 5.90

Twin Pillars Of Growth: Automatic Data Capture and Factory Automation

- Datalogic has presented its 3-year plan in Milan.** In 2012 Datalogic expects to achieve consolidated revenues of between Eu420mn and Eu430mn, a 2009-2012 CAGR of 11%. Thanks to the additional benefits in terms of efficiency and a recovery in productivity, the company forecasts 2012 EBITDA of between Eu60mn and Eu65mn, an EBITDA margin of between 14% and 15%. According to the plan, by the end of 2012 net debt will be in a range between Eu25mn and Eu35mn, gross of dividends. Finally, the ROE is expected to stabilise at around 18% - 20% at the end of the period. These targets are slightly below our 2012 revenue and EBITDA estimates; according to our understanding the difference in expected ROE is related to a different tax rate (we assume 35% in 2012, while management indicated a figure of close to 30%), while the difference in the final net debt (we expect Eu58mn) is partly explained, apart from the higher tax load, by the fact we assume a cumulative dividend distribution of Eu12mn, and partly by the fact we foresee a less favourable net working capital trend. In line with management's plan, we assume R&D investments amounting to 7-8% of sales, and CAPEX investments coming to 2.5-3% of sales each year.
- An acquisition could complete the strategic plan.** According to management, Datalogic is currently considering an acquisition, although this is not included in the plan. Any such deal could significantly reinforce the group's positioning in the factory automation market, a business which is growing at a double-digit annual rate. In order to finance a possible acquisition, Datalogic could make use of about 3.7mn of existing treasury shares and would also have the opportunity to increase its existing level of debt by about Eu70mn without breaching the commitment not to exceed the threshold of 3.5x EBITDA. Despite this, during the presentation management did not rule out a rights issue, especially if a deal were to come about through a share swap.
- In light of the strong business outlook we have raised our estimates,** as we now have greater confidence in an expansion in margins, mainly due to operating leverage. On the other hand, for the time being we have kept a more cautious estimate for the tax rate. All in all, we have raised our 2010 and 2011 estimated EPS adj. by about 12%.
- OUTPERFORM confirmed, target Eu5.9 (from Eu5.2).** Management announced a sound and credible business plan; we have raised our estimates, although they remain below 2012 guidance, lifting our target price as a result. If we consider, 2010 estimated figures, on which there is now high visibility, we note that 2012 estimates are based on realistic assumptions: 5% annual top line growth and an overall expansion of 90bp in margins. Importantly, the top management compensation scheme is linked to the achievement of business plan targets. Given the clear strategic framework depicted by management, we would consider a targeted large acquisition to be more of an opportunity than a risk.

DATALOGIC - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): from 5.20 to 5.90

Change in EPS est: 2010E 2011E
11.7% 11.8%

STOCK DATA

Reuters code: DAL.MI
Bloomberg code: DAL.MI

Performance	1m	3m	12m
Absolute	4.9%	34.2%	4.0%
Relative	5.9%	28.0%	12.0%
12 months H/L:	4.54/2.98		

SHAREHOLDER DATA

No. of Ord. shares (mn):	58
Total No. of shares (mn):	58
Mkt Cap Ord (Eu mn):	261
Total Mkt Cap (Eu mn):	261
Mkt Floa t - ord (Eu mn):	70
Mkt Floa t (in %):	26.9%
Main shareholder:	
Hydra Spa	67.1%

BALANCE SHEET DATA

Book value (Eu mn):	136
BVPS (Eu):	2.33
P/BV:	1.9
Net Financial Position (Eu mn):	-98
Enterprise value (Eu mn):	359

Key Figures	2008A	2009A	2010E	2011E	2012E
Sales (Eu mn)	380	312	375	395	415
Ebitda (Eu mn)	48	12	50	54	59
Net profit (Eu mn)	18	-12	20	21	25
EPS - New (Eu)	0.36	-0.03	0.38	0.40	0.47
EPS - Old (Eu)	0.36	-0.03	0.34	0.36	0.41
DPS (Eu)	0.04	0.00	0.12	0.07	0.08

Ratios & Multiples	2008A	2009A	2010E	2011E	2012E
P/E	12.4	nm	11.6	11.1	9.5
Div. Yield	0.8%	0.0%	2.6%	1.6%	1.9%
EV/Ebitda	7.6	18.4	7.2	6.3	5.4
ROCE	12.8%	-2.4%	14.8%	16.1%	18.3%

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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	375	395	415
	EBITDA	48	12	50	54	59
	EBIT	31	(6)	33	38	42
	Financial income (charges)	(6)	(7)	(7)	(6)	(5)
	Associates & Others	1	(0)	2	0	0
	Pre-tax profit (Loss)	26	(13)	29	32	38
	Taxes	(8)	1	(9)	(11)	(13)
	Tax rate (%)	31.1%	5.2%	32.0%	35.0%	35.0%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	18	-12	20	21	25
	Total extraordinary items	1	8	0	0	0
	Ebitda excl. extraordinary items	48	20	50	54	59
	Ebit excl. extraordinary items	36	6	37	42	46
Net profit restated	21	(2)	22	24	27	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	58	58	58	58	58
	EPS stated fd	0.31	-0.21	0.34	0.36	0.42
	EPS restated fd	0.36	-0.03	0.38	0.40	0.47
	BVPS fd	2.32	2.00	2.33	2.57	2.92
	Dividend per share (ord)	0.04	0.00	0.12	0.07	0.08
	Dividend per share (sav)	0.00	0.00	0.00	0.00	0.00
	Dividend pay out ratio (%)	11.5%	0.0%	35.0%	20.0%	20.0%
CASH FLOW (Eu mn)	Gross cash flow	34	5	36	37	41
	Change in NWC	6	15	(6)	(2)	(0)
	Capital expenditure	(11)	(7)	(9)	(12)	(12)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	29	13	21	23	28
	Acquisitions, divestments & others	(44)	0	(20)	0	0
	Dividend	(4)	(2)	0	(7)	(4)
	Equity financing/Buy-back	(23)	0	0	0	0
Change in Net Financial Position	(44)	6	2	16	24	
BALANCE SHEET (Eu mn)	Total fixed assets	197	186	193	188	180
	Net working capital	54	39	45	48	48
	Long term liabilities	(8)	(8)	(3)	(3)	1
	Net capital employed	243	217	235	232	228
	Net financial position	(107)	(100)	(98)	(82)	(58)
	Group equity	136	117	136	150	171
	Minorities	0	0	0	0	0
	Net equity	136	117	136	150	171
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	261	261	261	261	261
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(107)	(100)	(98)	(82)	(58)
	Enterprise value	368	362	359	343	319
RATIOS(%)	EBITDA margin*	12.8%	6.3%	13.3%	13.7%	14.2%
	EBIT margin*	9.4%	2.1%	10.0%	10.5%	11.1%
	Gearing - Debt/equity	78.7%	86.1%	72.0%	54.5%	33.7%
	Interest cover on EBIT	5.5	nm	5.0	6.4	9.1
	Debt/Ebitda	2.24	8.56	1.96	1.51	0.98
	ROCE*	12.8%	-2.4%	14.8%	16.1%	18.3%
	ROE*	11.5%	-9.6%	15.6%	14.5%	15.4%
	EV/CE	1.5	1.6	1.6	1.5	1.4
	EV/Sales	1.0	1.2	1.0	0.9	0.8
	EV/Ebit	10.4	nm	9.6	8.2	6.9
Free Cash Flow Yield	11.0%	5.1%	7.9%	8.9%	10.9%	
GROWTH RATES (%)	Sales	-6.0%	-17.9%	20.2%	5.3%	5.1%
	EBITDA*	-3.2%	-59.5%	154.9%	8.3%	8.7%
	EBIT*	-6.0%	-82.0%	484.6%	11.1%	11.0%
	Net profit	-1.3%	nm	nm	5.5%	18.7%
	EPS restated	-3.5%	nm	nm	4.8%	16.5%

* Excluding extraordinary items

Source: Intermonte SIM estimates

Datalogic - 2010-12 Business Plan and Intermonte Estimates

(Eu mn)	Intermonte			Company targets	Intermonte vs. targets
	2010 E	2011 E	2012 E	2012 E	
Revenues	375.0	395.0	415.0	420-430	-2.4%
EBITDA	50.1	54.2	58.9	60-65	-5.8%
EBITDA margin	13.3%	13.7%	14.2%	14% - 15%	
ROE	14.4%	13.8%	14.4%	18% - 20%	
Net Debt	(98.1)	(81.9)	(57.6)	(35) - (25)	92.0%
EV/EBITDA	7.12	6.28	5.36	4.61	
\$ vs. Euro	1.3	1.3	1.3	1.37	

Source: Company data and Intermonte SIM estimates

Datalogic has presented its 3-year plan in Milan. In 2012 Datalogic expects to achieve consolidated revenues of between Eu420mn and Eu430mn, a 2009-2012 CAGR of 11%. Thanks to the additional benefits in terms of efficiency and a recovery in productivity, the company forecasts 2012 EBITDA of between Eu60mn and Eu65mn, an EBITDA margin of between 14% and 15%. According to the plan, by the end of 2012 net debt will be in a range between Eu25mn and Eu35mn, gross of dividends. Finally, the ROE is expected to stabilise at around 18% - 20% at the end of the period. These targets are slightly below our 2012 revenue and EBITDA estimates; according to our understanding the difference in expected ROE is related to a different tax rate (we assume 35% in 2012, while management indicated a figure of close to 30%), while the difference in the final net debt (we expect Eu58mn) is partly explained, apart from the higher tax load, by the fact we assume a cumulative dividend distribution of Eu12mn, and partly by the fact we assume a less favourable net working capital trend. In line with management's plan, we assume R&D investments amounting to 7-8% of sales, and CAPEX investments coming to 2.5-3% of sales each year.

In light of the strong business outlook we have raised our estimates, as we now have greater confidence in an expansion in margins, mainly due to operating leverage. On the other hand, for the time being we have kept a more cautious estimate for the tax rate. All in all, we have raised our 2010 and 2011 estimated EPS by 13.5% (EPS adj. by 12%).

Datalogic - Change in estimates

	NEW ESTIMATES			OLD ESTIMATES			% change		
	2010E	2011	2012	2010E	2011	2012	2010	2011	2012
Net sales	375.0	395.0	415.0	367.0	390.0	409.5	2.2%	1.3%	1.3%
YoY growth	20.2%	5.3%	5.0%	17.6%	6.3%	5.0%			
EBITDA reported	50.1	54.2	58.9	47.3	51.7	54.8	5.8%	4.9%	7.5%
Ebitda margin	13.3%	13.7%	14.2%	12.9%	13.2%	13.4%			
YoY growth	154.9%	8.3%	8.7%	140.9%	9.2%	6.0%			
D&A tang	(8.1)	(8.2)	(8.4)	(8.5)	(8.6)	(8.7)			
Goodwill	(4.1)	(4.1)	(4.1)	(4.1)	(4.1)	(4.1)			
D&A intang.	(4.5)	(4.3)	(4.1)	(4.5)	(4.3)	(4.1)			
EBIT reported	33.4	37.6	42.2	30.2	34.7	37.9	10.5%	8.3%	11.4%
Ebit margin	8.9%	9.5%	10.2%	8.2%	8.9%	9.2%			
YoY growth	-699.1%	12.5%	12.2%	-642.0%	14.9%	9.1%			
Net financials	(6.6)	(5.9)	(4.6)	(6.9)	(6.4)	(5.2)			
Associates	2.2	0.3	0.4	2.2	0.3	0.4			
Pre tax profit	29.0	32.0	38.0	25.5	28.6	33.1	13.5%	11.9%	14.6%
Taxes	(9.3)	(11.2)	(13.3)	(8.2)	(10.3)	(11.9)			
	32.0%	35.0%	35.0%	32.0%	36.0%	36.0%			
Minorities	0.0	0.0	0.0	0.0	0.0	0.0			
Net income	19.7	20.8	24.7	17.3	18.3	21.2	13.5%	13.6%	16.4%
Rest. Net Income	22.4	23.5	27.4	20.1	21.0	23.9	11.7%	11.8%	14.5%

Datalogic - Sales breakdown by business

	2009	1H10	2H10 E	2010 E	2011 E	2012 E	CAGR 09-12
Mobile	68.1	41.9	43.1	85.0	94.0	105.0	15.5%
YoY growth	-27.0%	35.7%	15.7%	24.8%	10.6%	11.7%	
% on sales	21.8%	22.0%	23.4%	22.7%	23.8%	25.3%	
Automation	67.0	43.4	39.6	83.0	88.0	92.0	11.2%
YoY growth	-4.5%	33.5%	15.0%	24.0%	6.0%	4.5%	
% on sales	21.5%	22.7%	21.5%	22.1%	22.3%	22.2%	
Scanning	147.0	89.3	85.7	175.0	176.0	178.0	6.6%
YoY growth	-20.6%	24.9%	13.5%	19.1%	0.6%	1.1%	
% on sales	47.1%	46.8%	46.5%	46.7%	44.6%	42.9%	
Informatics	30.6	16.6	16.4	33.0	37.0	40.0	9.4%
YoY growth	-5.0%	13.8%	2.7%	8.0%	12.1%	8.1%	
% on sales	9.8%	8.7%	8.9%	8.8%	9.4%	9.6%	
adjustments	-0.6	-0.3	-0.7	-1.0	0.0	0.0	
Consolidated net sales	312.0	190.8	184.2	375.0	395.0	415.0	10.0%
adjustments	-17.9%	28.0%	13.1%	20.2%	5.3%	5.1%	

Datalogic - EBITDA breakdown by business

	2009	1H10	2H10 E	2010 E	2011 E	2012 E	CAGR 09-12
Mobile	4.9	5.5	5.8	11.3	13.2	15.2	46.3%
YoY growth		nm	9.0%	132.7%	406.2%	429.2%	
% margin	7.1%	13.1%	13.5%	13.3%	14.0%	14.5%	
Automation	-1.7	4.9	4.9	9.8	10.6	11.5	nm
YoY growth		nm	1332.1%	nm	744.8%	212.9%	
% margin	-2.5%	11.4%	12.3%	11.8%	12.0%	12.5%	
Scanning	8.1	11.4	9.6	21.0	21.5	22.1	39.6%
YoY growth		418.6%	62.6%	159.0%	329.4%	245.8%	
% margin	5.5%	12.7%	11.2%	12.0%	12.2%	12.4%	
Informatics	3.5	2.3	2.2	4.5	5.0	5.6	16.7%
YoY growth		46.6%	10.3%	26.4%	354.1%	369.0%	
% margin	11.5%	13.9%	13.1%	13.5%	13.5%	14.0%	
adjustments	4.8	1.8	1.7	3.5	4.0	4.5	
Consolidated EBITDA	19.6	25.9	24.1	50.1	54.2	58.9	44.2%
% margin	6.3%	13.6%	13.1%	13.3%	13.7%	14.2%	

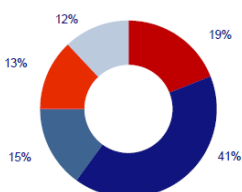
Source: Company data and Intermonte SIM estimates

An acquisition could complete the strategic plan. According to management, Datalogic is currently considering an acquisition, although this is not included in the plan. Any such deal could significantly reinforce the group's positioning in the factory automation market, a business which is growing at a double-digit annual rate. In order to finance a possible acquisition, Datalogic could make use of about 3.7mn of existing treasury shares and would also have the opportunity to increase its existing level of debt by about Eu70mn without breaching the commitment not to exceed the threshold of 3.5x EBITDA. Despite this, during the presentation management did not rule out a rights issue, especially if a deal were to come about through a share swap

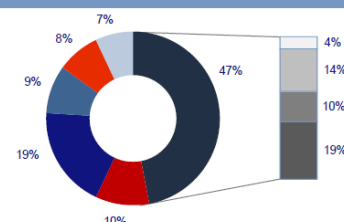
Market Trend: Factory Automation Worldwide

- + Factory Automation Worldwide Available Market - 2009-2012 CAGR: 8%
- + Very fragmented industry with potential additional markets worth \$2.7B
- + Factors driving demand:
 - + delocalization of manufacturing plants increasing the demand for traceability of processes and goods
 - + supply chain streamlining; increased focus on cost containment, productivity, quality control
 - + new regulations (e.g. traceability, safety and security)
 - + increased adoption of technological solutions in industrial segments in emerging markets

2009A: AVAILABLE MARKET \$2.3B



2012E: ADDRESSABLE MARKET \$5.6B



- IDENTIFICATION (Source:DLA*VDC 2010)
- SAFETY (Source:DLA*VDC 2008)
- LASERMARKING (Source: DLA* Penwell 2010)
- SENSOR (Source:VDC 2010)
- VISION (Source:DLA*AIA 2008 &EMVA 2010)
- POTENTIAL ADDITIONAL MARKETS
- Inductive Sensors
- Safety Controllers & Laser Scanners
- Vision ASMV I ow-end
- Fiber Lasermarking

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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: 16.81%

OUTPERFORM: 31.09%

NEUTRAL: 40.18%

UNDERPERFORM: 10.92%

SELL: 0.84%

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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):	5.90	Previous Target (Eu):	5.20
Current Price (Eu):	4.47	Previous Price (Eu):	4.03
Date of report:	05/10/2010	Date of last report:	02/08/10

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