

Datalogic

An Important Accretive Acquisition

DATALOGIC - Key estimates and data					
Y/E December		2010A	2011E	2012E	2013E
Revenues	EUR M	392.74	420.00	447.00	476.00
EBITDA	EUR M	49.76	55.07	76.75	85.83
EBIT	EUR M	34.68	36.88	60.65	69.62
Net income	EUR M	18.03	19.46	40.31	48.62
Dividend ord.	EUR	0.15	0.13	0.15	0.15
Adj. EPS	EUR	0.31	0.33	0.69	0.83
EV/EBITDA	x	8.41	7.29	4.74	3.78
Adj. P/E	x	18.97	17.57	8.48	7.03

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

- Accu-Sort acquisition.** Datalogic has announced the acquisition of Accu-Sort Systems, a US company active in the transportation & logistics industry (Industrial Automation, IA). The acquisition had a value of USD 135M, with no debt attached. We estimate a 2011E EV/EBITDA transaction of around 6.1x. We regard the acquisition positively, which almost doubles Datalogic's presence in the IA market, bringing the market share on 2009 data to around 8%. The IA market is extremely fragmented: on 2009 data the market leader had a 13% share, and based on VDC Research, it should grow from USD 2.3Bn in 2009 to USD 6.3Bn in 2013.
- EPS accretion.** We estimate that 2011E Accu-Sort revenue could reach USD 110M, then in 2012-13E grow in line with Datalogic (6.5%). The EBITDA margin should be 21% in 2011E, benefiting from some order intake in the year, and 19% in 2012-13E, broadly aligned to 2010 data. We set depreciation at USD 0.7M/year, and tax rate at 30%. We modelled cash flow assuming that capex equals depreciation, and working capital changes are negligible. Therefore, debt reduces on the basis of net income. We assumed a cost of debt of 7%. Under these assumptions, we calculated an EPS accretion in 2012-13E of around 15.5-16%.
- Valuation.** We value Datalogic with a DCF model, not incorporating the Accu-Sort acquisition. **We obtain a target price of EUR 9.20/share and rate the company a BUY.**
- Key risks.** The Datalogic reference market is fragmented and characterised by intense competition. Substantial R&D investments are needed, and the launch of successful innovative commercial products is uncertain. The delocalisation of some important clients could require entry into the Latin American and Asian markets. The company is exposed to foreign currency translation effects: around 56% of pro-forma revenues are non-EUR denominated.

EPS accretion from acquisition				
USD M	2010A	2011E	2012E	2013E
Revenue	92.3	110.0	117.2	124.8
EBITDA	17.8	23.1	22.3	23.7
EBITDA margin (%)	19.3	21.0	19.0	19.0
Depreciation	-0.7	-0.7	-0.7	-0.7
EBIT	17.1	22.4	21.6	23.0
Interest rate (%)	NA	-	7.0	7.0
Net fin. charges	NA	0.0	-9.1	-8.5
PBT	NA	22.4	12.4	14.5
Tax rate (%)	NA	30.0	30.0	30.0
Net profit	6.1	15.7	8.7	10.2
Acquisition Debt		135	126.3	116.1
Datalogic shares (M)	58.4		58.4	58.4
EPS from acquisition (USD)			0.149	0.174
Datalogic stand alone EPS (EUR*)			0.690	0.832
EPS increase (%)			16.0	15.5

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research * We apply a 1.35 EUR/USD exchange rate

23 November 2011

BUY

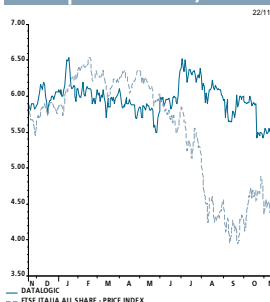
Target Price: EUR 9.20

IT & Technology
Company Update

Intesa Sanpaolo
Research Department

Alberto Francese
Research Analyst
+39 02 8794 9815

Price performance, -1Y



Data priced on 21.11.2011

Target price (€)	9.20
Target upside (%)	57.33
Market price (€)	5.85
52-week range (€)	6.5/5.4
Market cap (€M)	341.91
No. of shares (M)	58.45
Free float (%)	24.6
Major shareholder (%)	Hydra, 67
Reuters	DAL.MI
Bloomberg	DAL IM
FTSE It All Shares	15272
Performance %	
Absolute	Rel. to FTSE All Sh
-1M	6.5
-3M	-4.0
-12M	-0.7

Source: Intesa Sanpaolo Research estimates and Thomson Reuters

Datalogic - Key figures						
Sector	IT & Technology	Mkt price EUR/Share	Ordinary			Rating
REUTERS CODE	DAL.MI	Target price EUR/Share	5.85			BUY
Values per share (EUR)	2009A	2010A	2011E	2012E	2013E	
No. ordinary shares (M)	58.45	58.45	58.45	58.45	58.45	58.45
No. NC saving/preferred shares (M)	-	-	-	-	-	-
Total no. of shares (M)	58.45	58.45	58.45	58.45	58.45	58.45
Adj. EPS	-0.21	0.31	0.33	0.69	0.83	0.83
CFPS	0.09	0.58	0.60	0.97	1.11	1.11
BVPS	2.00	2.40	2.71	3.23	3.79	3.79
Dividend Ord	-	0.15	0.13	0.15	0.15	0.15
Dividend SAV Nc	-	-	-	-	-	-
Income statement (EUR M)	2009A	2010A	2011E	2012E	2013E	
Sales	311.97	392.74	420.00	447.00	476.00	476.00
EBITDA	19.63	49.76	55.07	76.75	85.83	85.83
EBIT	-5.58	34.68	36.88	60.65	69.62	69.62
Pre-tax income	-12.84	28.18	29.94	57.59	69.46	69.46
Net income	-12.16	18.03	19.46	40.31	48.62	48.62
Adj. net income	-12.16	18.03	19.46	40.31	48.62	48.62
Cash flow (EUR M)	2009A	2010A	2011E	2012E	2013E	
Net income before minorities	-12.16	18.03	19.46	40.31	48.62	48.62
Depreciation and provisions	17.43	15.90	15.70	16.10	16.22	16.22
Change in working capital	11.51	20.53	-3.00	0.27	0.29	0.29
Operating cash flow	16.78	54.46	32.16	56.68	65.13	65.13
Capital expenditure	-7.30	-7.86	-14.00	-8.94	-9.52	-9.52
Other (uses of Funds)	-1.10	-22.61	6.70	-	-	-
Free cash flow	8.38	24.00	24.86	47.74	55.61	55.61
Dividends and equity changes	-1.93	-	-8.16	-9.73	-16.13	-16.13
Net cash flow	6.45	24.00	16.70	38.01	39.49	39.49
Balance sheet (EUR M)	2009A	2010A	2011E	2012E	2013E	
Net capital employed	217.19	216.66	217.96	210.53	203.55	203.55
of which associates	-	-	-	-	-	-
Net debt/-cash	100.50	76.50	59.80	21.78	-17.70	-17.70
Minorities	-	-	-	-	-	-
Net equity	116.70	140.16	158.17	188.75	221.25	221.25
Market cap	341.91	341.91	341.91	341.91	341.91	341.91
Minorities value	-	-	-	-	-	-
Enterprise value (*)	442.41	418.41	401.71	363.70	324.21	324.21
Stock market ratios (x)	2009A	2010A	2011E	2012E	2013E	
Adj. P/E	-28.11	18.97	17.57	8.48	7.03	7.03
P/CEPS	64.89	10.08	9.72	6.06	5.27	5.27
P/BVPS	2.93	2.44	2.16	1.81	1.55	1.55
Dividend yield (% ord)	-	2.56	2.16	2.56	2.56	2.56
EV/sales	1.42	1.07	0.96	0.81	0.68	0.68
EV/EBITDA	22.53	8.41	7.29	4.74	3.78	3.78
EV/EBIT	-79.36	12.06	10.89	6.00	4.66	4.66
EV/CE	2.04	1.93	1.84	1.73	1.59	1.59
D/EBITDA	5.12	1.54	1.09	0.28	-0.21	-0.21
D/EBIT	-18.03	2.21	1.62	0.36	-0.25	-0.25
Profitability & financial ratios (%)	2009A	2010A	2011E	2012E	2013E	
EBITDA margin	6.29	12.67	13.11	17.17	18.03	18.03
EBIT margin	-1.79	8.83	8.78	13.57	14.63	14.63
Tax rate	5.24	36.03	35.00	30.00	30.00	30.00
Net income margin	-3.90	4.59	4.63	9.02	10.22	10.22
ROE	-10.42	12.86	12.31	21.36	21.98	21.98
Debt/equity ratio	0.86	0.55	0.38	0.12	-0.08	-0.08
Growth (%)		2010A	2011E	2012E	2013E	
Sales		25.89	6.94	6.43	6.49	6.49
EBITDA		153.43	10.68	39.36	11.83	11.83
EBIT		722.10	6.33	64.47	14.78	14.78
Pre-tax income		319.54	6.25	92.33	20.61	20.61
Net income		248.21	7.96	107.13	20.61	20.61
Adj. net income		248.21	7.96	107.13	20.61	20.61

(*) EV = Mkt cap+ Net Debt + Minorities Value - Associates A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

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Long-term rating	Definition
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ADD	If the target price is 10%-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10%-20% lower than the market price
SELL	If the target price is 20% lower than the market price
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Total Equity Research Coverage %	42	22	31	3	1
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Equity rating key (short-term horizon: 3M)

Equity rating key (short-term horizon: 3M)	
Short-term rating	Definition
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Intesa Sanpaolo Research Department – Head of Research Gregorio De Felice

Head of Equity & Credit Research

Giampaolo Trasi +39 02 8794 9803 giampaolo.trasi@intesasnpaolo.com

Equity Research

Monica Bosio +39 02 8794 9809 monica.bosio@intesasnpaolo.com
 Luca Bacoccoli +39 02 8794 9810 luca.bacoccoli@intesasnpaolo.com
 Laura Carmignani +39 02 8794 9813 laura.carmignani@intesasnpaolo.com
 Manuela Meroni +39 02 8794 9817 manuela.meroni@intesasnpaolo.com
 Gian Luca Pacini +39 02 8794 9818 gianluca.pacini@intesasnpaolo.com
 Bruno Permutti +39 02 8794 9819 bruno.permutti@intesasnpaolo.com
 Fabio M. Picardi +39 02 8794 9820 fabio.picardi@intesasnpaolo.com
 Roberto Ranieri +39 02 8794 9822 roberto.ranieri@intesasnpaolo.com

Corporate Broking Team

Alberto Francese +39 02 8794 9815 alberto.francese@intesasnpaolo.com
 Marta Caprini +39 02 8794 9812 marta.caprini@intesasnpaolo.com
 Serena Polini +39 02 8794 9821 serena.polini@intesasnpaolo.com

Research Production

Anna Whatley +39 02 8794 9824 anna.whatley@intesasnpaolo.com
 Bruce Marshall +39 02 8794 9816 robert.marshall@intesasnpaolo.com
 Annita Ricci +39 02 8794 9823 annita.ricci@intesasnpaolo.com
 Wendy Ruggeri +39 02 8794 9811 wendy.ruggeri@intesasnpaolo.com

Banca IMI

Institutional Sales

Nicola Maccario +39 02 7261 5517 nicola.maccario@bancaimi.com
 Carlo Cavalieri +39 02 7261 2722 carlo.cavalieri@bancaimi.com
 Francesca Guadagni +39 02 7261 5817 francesca.guadagni@bancaimi.com
 Robert Meier +39 02 7261 2158 robert.meier@bancaimi.com
 Alberto Sartori +39 02 7261 5880 alberto.sartori@bancaimi.com
 Daniela Stucchi +39 02 7261 5708 daniela.stucchi@bancaimi.com
 Mark Wilson +39 02 7261 2758 mark.wilson@bancaimi.com

Corporate Broking

Carlo Castellari +39 02 7261 2122 carlo.castellari@bancaimi.com
 Virginia Mortari +39 02 7261 5853 virginia.mortari@bancaimi.com
 Laura Spinella +39 02 7261 5782 laura.spinella@bancaimi.com

US Institutional Sales

Stephane Ventilato +1 212 326 1233 stephane.ventilato@bancaimi.com
 Jack Del Duca +1 212 326 1234 jack.delduca@bancaimi.com
 Barbara Leonardi +1 212 326 1232 barbara.leonardi@bancaimi.com
 Gregory Halvorsen +1 212 326 1237 gregory.halvorsen@bancaimi.com

Sales Trading

Roberto Gussoni +39 02 7261 5929 roberto.gussoni@bancaimi.com
 Claudio Manes +39 02 7261 5542 claudio.manes@bancaimi.com
 Lorenzo Pennati +39 02 7261 5647 lorenzo.pennati@bancaimi.com

Equity Derivatives Institutional Sales

Andrea Martini +39 02 7261 5977 andrea.martini@bancaimi.com
 Emanuele Manini +39 02 7261 5936 emanuele.manini@bancaimi.com
 Massimiliano Murgino +39 02 7261 2247 massimiliano.murgino@bancaimi.com

Market Hub – Brokerage & Execution

Italian Equities - Sergio Francolini +39 02 7261 5859 sergio.francolini@bancaimi.com
 Foreign Equities - Francesco Riccardi +39 02 7261 2901 francesco.riccardi@bancaimi.com

Market Hub – Exchange Traded Derivatives

Biagio Merola - Milan +39 02 7261 2420 biagio.merola@bancaimi.com

Market Hub – @ sales

Giovanni Spotti +39 02 7261 2339 giovanni.spotti@bancaimi.com

Banca IMI SpA

Largo Mattioli, 3
20121 Milan, Italy
Tel: +39 02 7261 1

**Banca IMI
Securities Corp.**

1 William Street
10004 New York, NY, USA
Tel: (1) 212 326 1230

**Banca IMI
London Branch**

90 Queen Street
London EC4N 1SA, UK
Tel +44 207 894 2600