DATALOGIC NEUTRAL

SECTOR: Industrials

Price (Eu): **4.20**

Target Price (Eu): **4.40**

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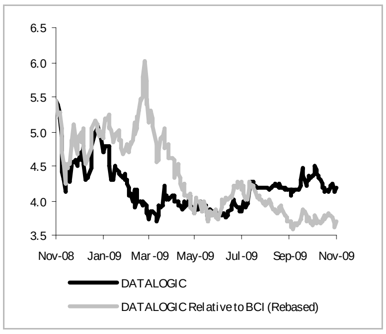
Finally, Some Good News

- **Revenues down 16% YoY, as expected, but EBITDA significantly improved QoQ.** Revenues came in at Eu76mn, -16% YoY and in line with our estimates. On a more positive tune, EBITDA closed at Eu7.1mn, 16% better than estimated and a big improvement over the negative result in 1Q09 and the Eu4.3mn recorded in 2Q09, when revenues were no lower: this proves cost-saving actions have been effective.
- **Net debt at Eu113mn as of September 30th.** Another positive figure was net debt, which closed at Eu113mn after Eu9mn in cash was generated in the quarter, though partially offset by a Eu2mn non-recurring cash-out to implement the reorganization plan. Since the beginning of 2009, Datalogic has been able to reduce net working capital by Eu11mn. Excluding non-recurring expenses, the dividend payment and the acquisition of treasury shares, the net financial position would be Eu98mn, compared to a net debt of Eu108mn at the beginning of the year.
- **Management indications during the conference call.** Management implicitly confirmed its 2009 revenue target of about Eu310mn, projecting 4Q09 turnover of around Eu86mn. CEO Sacchetto believes Datalogic's top line will only partially recover in 2010, with group revenues expected to increase by 6-7% YoY. An encouraging indication, however, was that even during the dire 2009, Datalagic's reference market has not experienced price competition; in fact, the gross margin decline is entirely attributable to falling volumes. In addition, the company has undertaken cost-cutting measures, reducing personnel by 15%, as well as other measures to maintain cash (reducing working capital by 20%). Finally, the new plant in Vietnam is expected to improve the gross margin starting from 2010.
- **Change in estimates**. In light of quarterly results and management's indications, we have raised our estimates. We forecast that the EBITDA margin will further improve in 4Q09 thanks to the benefits of the restructuring plan coupled with higher turnover. All in all, we now expect a net loss of Eu11mn in FY09, after some Eu11mn of non-recurring charges. As for the next two years, we are adjusting our EPS estimates up by 4% on 2010 and by 7% on 2011, since we are factoring in higher margins for the aforementioned reasons.
- **NEUTRAL confirmed, target price lifted to Eu4.4**. After a very challenging 1H09, we appreciated 3Q09 results and we believe even more positive indications will emerge from 4Q09 figures. We believe Datalogic is protecting its leading market share (key competitors are similarly suffering at the top line), meaning the efficiency plan implemented will provide prompt operating leverage benefits as soon as the reference market recovers.

Key Figures	2007A	2008A	2009E	2010E	2011E
Sales (Eu mn)	404	380	312	335	369
Ebitda (Eu mn)	47	48	13	37	48
Net profit (Eu mn)	18	18	-11	9	16
EPS - New (Eu)	0.37	0.36	-0.03	0.19	0.32
EPS - Old (Eu)	0.37	0.36	-0.03	0.19	0.30
DPS (Eu)	0.07	0.04	0.00	0.01	0.03

Ratios & Multiples	2007A	2008A	2009E	2010E	2011E
P/E	11.2	11.6	nm	21.8	13.1
Div. Yield	1.7%	0.8%	0.0%	0.3%	0.7%
EV/Ebitda	6.1	7.3	17.2	9.2	6.8
ROCE	12.9%	12.8%	-2.0%	8.7%	13.4%

DATALOGIC - 12m Performance



RATING: Unchanged
TARGET PRICE (Eu): from 3.70 to 4.40

Change in EPS est:	2009E	2010E
	0.0%	3.6%

STOCK DATA

Reuters code:	DAL.MI
Bloomberg code:	DAL IM

Performance	1m	3m	12m
Absolute	-3.6%	0.4%	-22.9%
Relative	0.0%	-6.0%	-36.4%
12 months H/L:			5.38/3.70

SHAREHOLDER DATA

No. of Ord. shares (mn):	58
Total No. of shares (mn):	58
Mkt Cap Ord (Eu mn):	245
Total Mkt Cap (Eu mn):	245
Mkt Float - ord (Eu mn):	73
Mkt Float (in %):	*30.0%*
Main shareholder:	
Hydra Spa	65.6%

BALANCE SHEET DATA	2009
Book value (Eu mn):	123
BVPS (Eu):	2.10
P/BV:	2.0
Net Financial Position (Eu mn):	-110
Enterprise value (Eu mn):	355

DATALOGIC - *KEY FIGURES*		2007A	2008A	2009E	2010E	2011E
	Fiscal year end	31/12/2007	31/12/2008	31/12/2009	31/12/2010	31/12/2011
PROFIT & LOSS (Eu mn)	Sales	404	380	312	335	369
	EBITDA	47	48	13	37	48
	EBIT	31	31	(5)	20	31
	Financial income (charges)	(5)	(6)	(7)	(7)	(6)
	Associates & Others	0	1	(0)	0	0
	Pre-tax profit (Loss)	27	26	(12)	13	25
	Taxes	(9)	(8)	1	(5)	(9)
	Tax rate (%)	32.1%	31.1%	10.0%	36.0%	36.0%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	18	18	-11	9	16
	Total extraordinary items	3	1	8	0	0
	Ebitda excl. extraordinary items	50	48	21	37	48
	Ebit excl. extraordinary items	38	36	7	24	35
	Net profit restated	23	21	(2)	11	19
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	58	58	58	58	58
	EPS stated fd	0.30	0.31	-0.19	0.15	0.27
	EPS restated fd	0.37	0.36	-0.03	0.19	0.32
	BVPS fd	2.87	2.32	2.10	2.25	2.51
	Dividend per share (ord)	0.07	0.04	0.00	0.01	0.03
	Dividend per share (sav)	0.00	0.00	0.00	0.00	1.00
	Dividend pay out ratio (%)	22.6%	11.5%	0.0%	10.0%	10.0%
CASH FLOW (Eu mn)	Gross cash flow	30	34	7	26	33
	Change in NWC	10	6	6	(4)	(5)
	Capital expenditure	(14)	(9)	(8)	(9)	(12)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	27	30	4	13	16
	Acquisitions, divestments & others	0	(44)	0	0	0
	Dividend	(4)	(4)	(2)	0	(1)
	Equity financing/Buy-back	(29)	(23)	0	0	0
	Change in Net Financial Position	(4)	(44)	(3)	13	16
BALANCE SHEET (Eu mn)	Total fixed assets	186	197	182	176	172
	Net working capital	57	54	49	52	57
	Long term liabilities	(7)	(8)	2	1	(1)
	Net capital employed	236	243	233	229	228
	Net financial position	(63)	(107)	(110)	(97)	(82)
	Group equity	173	136	123	131	146
	Minorities	0	0	0	0	0
	Net equity	173	136	123	131	146
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	245	245	245	245	245
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(63)	(107)	(110)	(97)	(82)
	Enterprise value	308	352	355	342	327
RATIOS(%)	EBITDA margin*	12.4%	12.8%	6.6%	11.2%	13.0%
	EBIT margin*	9.4%	9.4%	2.3%	7.2%	9.4%
	Gearing - Debt/equity	36.0%	78.7%	89.8%	74.1%	55.8%
	Interest cover on EBIT	6.4	5.5	nm	2.9	5.2
	Debt/Ebitda	1.32	2.24	8.61	2.60	1.70
	ROCE*	12.9%	12.8%	-2.0%	8.7%	13.4%
	ROE*	10.1%	11.5%	-8.5%	6.7%	11.5%
	EV/CE	1.3	1.5	1.5	1.5	1.4
	EV/Sales	0.8	0.9	1.1	1.0	0.9
	EV/Ebit	8.1	9.9	nm	14.2	9.4
	Free Cash Flow Yield	10.9%	12.3%	1.6%	5.3%	6.7%
GROWTH RATES (%)	Sales	5.9%	-6.0%	-17.9%	7.4%	10.0%
	EBITDA*	31.0%	-3.2%	-57.3%	80.7%	28.2%
	EBIT*	44.9%	-6.0%	-79.8%	236.5%	43.6%
	Net profit	331.3%	-1.3%	nm	nm	88.0%
	EPS restated	84.5%	-3.5%	nm	nm	66.6%

** Excluding extraordinary items*

Source: Intermonte SIM estimates

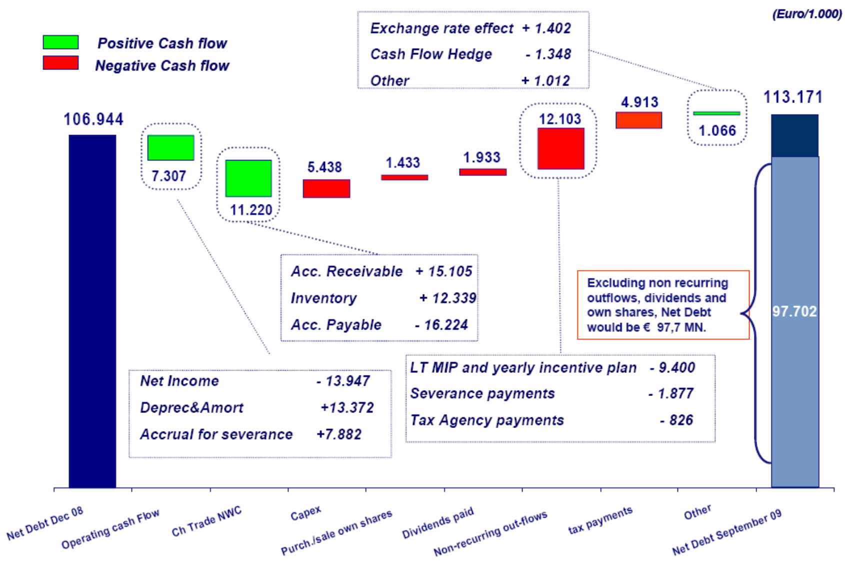
Quarterly results

Datalogic - 3Q09 results

(Eu mn)	3Q08E	3Q09E	YoY	3Q09E	A vs. E
Net Sales	**90.8**	**76.0**	-16.3%	**76.3**	-0.3%
	-7.9%	*-16.3%*		*-16.0%*	
EBITDA	**12.1**	**7.1**	-41.4%	**6.1**	16.0%
Ebitda margin	13.3%	9.3%		8.0%	
Non recurring		0.0		0.0	
D&A	(3.9)	(4.0)		(4.5)	
EBIT	**8.2**	**3.1**	-62.1%	**1.6**	94.7%
Ebit margin	**9.1%**	**4.1%**		**2.1%**	
Net financials	(1.0)	(1.9)		(1.8)	
Associates		0.1		0.1	
Pre tax profit	**7.2**	**1.3**		**(0.1)**	
Taxes	(2.5)	(0.7)		0.0	
Tax rate	*34.1%*	*36.0%*		*36.0%*	
Minorities					
Net profit	**4.8**	**0.6**		**(0.1)**	

Source: Company data and Intermonte SIM estimates

Datalogic – Net debt analysis



Source: Company information

Change in estimates

Datalogic - Change in estimates

	NEW ESTIMATES			OLD ESTIMATES			% change		
	2009E	**2010E**	**2011**	**2009E**	**2010E**	**2011**	**2009**	**2010**	**2011**
Net sales	**312.0**	**335.0**	**368.5**	**312.0**	**335.0**	**368.5**	**0.0%**	**0.0%**	**0.0%**
YoY growth	-17.9%	7.4%	10.0%	-17.9%	7.4%	10.0%			
EBITDA reported	**20.7**	**37.4**	**47.9**	**15.2**	**36.7**	**46.5**	**35.8%**	**1.8%**	**3.2%**
Ebitda margin	**6.6%**	**11.2%**	**13.0%**	**4.9%**	**11.0%**	**12.6%**			
YoY growth	-56.7%	80.7%	28.2%	-68.1%	141.1%	26.5%			
D&A tang	(9.6)	(9.5)	(9.6)	(9.6)	(9.5)	(9.6)			
Goodwill	(4.1)	(4.1)	(4.1)	(4.1)	(4.1)	(4.1)			
D&A intang.	(3.9)	(3.7)	(3.7)	(3.9)	(3.7)	(3.7)			
EBIT reported	**-4.8**	**20.0**	**30.5**	**-10.3**	**19.4**	**29.1**	**nm**	**3.5%**	**5.1%**
Ebit margin	**1.5%**	**6.0%**	**8.3%**	**3.3%**	**5.8%**	**7.9%**			
YoY growth	-115.7%	-515.0%	52.5%	-133.5%	-288.2%	50.2%			
Net financials	(7.0)	(6.9)	(5.9)	(6.8)	(6.8)	(6.0)			
Associates	(0.4)	0.2	0.4	(0.4)	0.2	0.4			
Pre tax profit	**-12.3**	**13.3**	**25.0**	**-17.5**	**12.7**	**23.4**	**nm**	**4.9%**	**6.8%**
Taxes	1.2	(4.8)	(9.0)	3.5	(4.6)	(8.4)			
	10.0%	36.0%	36.0%	20.0%	36.0%	36.0%			
Minorities	0.0	0.0	0.0	0.0	0.0	0.0			
Net income	**(11.0)**	**8.5**	**16.0**	**(14.0)**	**8.1**	**15.0**	**nm**	**4.9%**	**6.8%**

We have raised our estimates slightly. Looking back at the past few years, revenues peaked in 2007 at Eu435mn (if we adjust for Datasensor, acquired in 4Q08), so our new 2011 estimate is still 15% below that peak. If we were to assume a full recovery, that is, if revenues were to return to the 2007 level in 2011, then Datalogic would bring in about Eu70mn in EBITDA, compared to Eu57mn in 2007 (as we believe the company's 2011 EBITDA margin will be 16%, versus 13% in 2007, thanks to a more efficient fixed cost structure.

Potential upside from the new plant in Vietnam

On July 10th, 2009, Datalogic inaugurated its new facilities in Saigon, Vietnam. The new factory is expected to lead to remarkable developments in product quality and service, while at the same time reducing costs considerably. This new investment will also allow the company to work close-up with all the stakeholders in the region, developing products designed specifically for the requirements of customers in this important Asian market.

More specifically, the new factory will produce about 60% of the Scanning division's products in the future, gradually replacing the more costly US plant. In the short term this will entail labour cost savings and lower prices for some minor components. In the medium term, the goal is to become a reference player in the growing Far Eastern markets. Benefits are expected to be in full force within three years, yielding an increase of about 200bps in the gross margin.

Peer comparison

Datalogic - Peer comparison (prices as of 12/11/2009)

Company	Price (Eu)	Mkt Cap (Eu mn)	EV/EBITDA 2009	EV/EBITDA 2010	EV/EBITDA 2011	P/E 2009	P/E 2010	P/E 2011
Intermec Inc	8.5	527	49.3x	10.1x	5.8x		34.1x	18.0x
Zebra Technologies	18.0	1,061	14.6x	10.7x		31.6x	21.7x	17.8x
Mean	**13.3**	**794**	**31.9x**	**10.4x**	**5.8x**	**31.6x**	**27.9x**	**17.9x**
Datalogic*	**4.1**	**241**	**17.0x**	**9.0x**	**6.7x**	**nm**	**21.4x**	**12.8x**

Source: Facteset data and (*) Intermonte SIM estimates

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UNDERPERFORM: stock expected to underperform the market by between –10% and -25% over a 12 month period;
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DETAILS ON STOCK RECOMMENDATION

Stock NAME	**DATALOGIC**		
Current Recomm:	NEUTRAL	Previous Recomm:	NEUTRAL
Current Target (Eu):	4.40	Previous Target (Eu):	3.70
Current Price (Eu):	4.20	Previous Price (Eu):	4.35
Date of report:	16/11/2009	Date of last report:	16/10/2009

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