

## Datalogic (DAL-IT)

**Hold**

'17 sales growth in line with Consensus

Last (€)	22.1
Valuation Range (€)	20.7-22.0
Market Cap.(€m)	1,269
Av. Daily Vol.(m sh)	0.04
Free Float	22.1%
YTD	16,5%

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- DAL released 4Q16 EBITDA and EBIT slightly better than our estimates. Net profit was below expectations (16FY €45.8m vs Fidentiis €51.4m) due to FY tax rate 31% vs Fidentiis 21% while net cash was in line at €3.5m. '17 Guidance sees sales growth at 7%, in line with Cons., while '17 Tax rate should be around 22%. DAL is trading at 22.6x '17 PE and 12.7x '17 EV/EBITDA. '16 FCF yield is 3.8%, stock price is up 16% YTD. Hold rating unchanged.
- Main takeaways from the conference call:
  - '17 Guidance: DAL forecasts a '17 sales growth in line with Consensus (7% YoY). Main driver should be North America and APAC, while DAL should consolidate its leadership in Europe. New business organization should show some benefits in terms of lower costs from the second half of 2017. '17 capex is forecast higher YoY as some projects are not terminated yet.
  - '16 Revenues breakdown by country: Europe (52% of Group Revenues) was up 12%YoY, North America (29% of Group Revenues) +3.9%YoY, Asia Pacific (12% of Group Revenues) -2.7% YoY, ROW (7% of Group Revenues) +14.4% YoY.
  - Booking continues to grow: +4%YoY at €586m, 4Q16 €160m
  - DAL will focus on cost control and increasing R&D investments in order to gain further market share. Some cost savings, although unquantified, on raw material may come from the reinforcement of its Chinese and Vietnam manufacturing centres
  - M&A strategy: DAL is looking for new opportunities in order to complete its products range and to strengthen its geography presence in Nord America and in Germany. In particular, DAL is considering an expansion in the manufacturing industry.
- In 4Q16 DAL reported:
  - Already released in January, Sales €155m, +4.6% YoY, orders intake €138m was up 3.5% YoY, decelerating compared to +18% reported in 2Q'16
  - EBITDA: €23.7m, +15.3% YoY, vs Consensus €22.4m; Fidentiis €22.5m. Automatic Data Capture EBITDA was up 9.3% YoY, Industrial Automation 8.5% YoY. FY EBITDA margin at the highest level since 2004: 15.7%
  - EBIT: €17.5m, +11.3% YoY; Fidentiis €16m
  - Net cash €3.5m from €38m reported in 9M16 vs Consensus breakeven, Fidentiis €4m

	Sales (€m)	EBITDA (€m)	vs. Cons	Net Profit (€m)	EPS(old) (€)	EPS(new) (€)	vs.Cons	P/E(x)	EV/EBITDA (x)	DPS(€)	DIV Yield
2015	535	74	n.a.	41	n.a.	0.69	n.a.	n.a.	n.a.	0.18	0.8%
2016	576	90	1.9%	46	n.a.	0.78	-14.5%	27.3	13.0	0.25	1.1%
2017 E	620	95	-2.6%	56	1.04	0.96	-8.1%	22.4	12.6	0.25	1.1%
2018 E	652	102	-6.6%	62	1.11	1.06	-7.8%	20.2	11.5	0.30	1.4%
2019 E	675	109	0.3%	68	n.a.	1.16	n.a.	18.5	10.3	0.30	1.4%

**DAL-IT: Summarised P&L Account and key ratios**

€m	2014	2015	2016	2017E	2018E	2019E
<b>Sales</b>	<b>464.5</b>	<b>535.1</b>	<b>576.5</b>	<b>620.4</b>	<b>651.8</b>	<b>675.5</b>
<b>EBITDA</b>	<b>69.4</b>	<b>73.7</b>	<b>90.4</b>	<b>95.4</b>	<b>101.8</b>	<b>109.4</b>
Depreciation & Amort.	22.5	20.8	20.2	20.4	20.6	20.8
<b>EBIT</b>	<b>46.9</b>	<b>52.9</b>	<b>70.2</b>	<b>75.0</b>	<b>81.2</b>	<b>88.6</b>
Net Interest Cost	-7.8	-1.4	-3.4	-3.5	-2.0	-2.0
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Impairment & Other	0.0	0.0	0.0	0.0	0.0	0.0
<b>PBT</b>	<b>39.2</b>	<b>51.5</b>	<b>66.9</b>	<b>71.5</b>	<b>79.2</b>	<b>86.6</b>
Taxes	8.3	11.0	21.0	15.7	17.4	19.1
Discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>30.9</b>	<b>40.5</b>	<b>45.8</b>	<b>55.8</b>	<b>61.8</b>	<b>67.5</b>
<b>EPS</b>	<b>0.53</b>	<b>0.69</b>	<b>0.78</b>	<b>0.96</b>	<b>1.06</b>	<b>1.16</b>
Sales growth	3%	15%	8%	8%	5%	4%
EBITDA growth	16%	6%	23%	6%	7%	7%
Net Profit growth	15%	31%	13%	22%	11%	9%
EBITDA margin	15%	14%	16%	15%	16%	16%
EBIT margin	10%	10%	12%	12%	12%	13%
Net Pr. Margin	7%	8%	8%	9%	9%	10%
Interest Cover (1) (x)	6.0	38.9	20.9	21.4	40.6	44.3

**DAL-IT: Summarised Balance Sheet and key ratios**

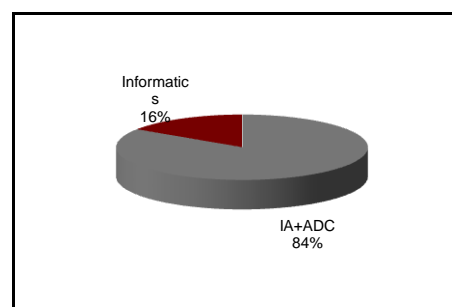
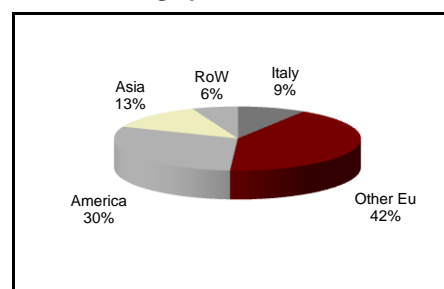
€m	2014	2015	2016	2017E	2018E	2019E
Fixed assets	326	364	372	378	385	391
Goodwill	0	0	0	0	0	0
Inventories	62	69	82	89	93	96
Trade Receivables	70	69	75	81	85	88
Cash + S/T Inv. + other	0	0	0	0	0	0
<b>Total Assets</b>	<b>459</b>	<b>502</b>	<b>530</b>	<b>548</b>	<b>563</b>	<b>576</b>
Sharehold. Equity	241	298	336	378	425	475
L-T Financial Debt	56	21	-4	-37	-78	-121
S-T Financial Debt	0	0	0	0	0	0
Trade Payables	92	102	105	113	118	123
Provisions + Other	70	82	92	95	98	100
<b>Total Liabilities</b>	<b>459</b>	<b>503</b>	<b>530</b>	<b>548</b>	<b>563</b>	<b>576</b>
Net Debt	<b>56</b>	<b>21</b>	<b>-4</b>	<b>-37</b>	<b>-78</b>	<b>-121</b>
WACC	9.8%	9.8%	9.9%	10.8%	10.9%	11.3%
Net Debt/Equity	23.1%	7.0%	-1.0%	-9.9%	-18.3%	-25.5%
ROCE (2)	12.4%	13.0%	14.5%	17.2%	18.2%	19.5%
ROE	12.8%	13.6%	13.6%	14.8%	14.5%	14.2%
ROCE/WACC (x)	1.3	1.3	1.5	1.6	1.7	1.7

**DAL-IT: Simplified Cash Flow Statement and key ratios**

€m	2014	2015	2016	2017E	2018E	2019E
Net Profit	31	41	46	56	62	68
+ Depreciation & Amort.	22	21	20	20	21	21
+/- Other	0	0	0	0	0	0
<b>= Operating CF</b>	<b>53</b>	<b>61</b>	<b>66</b>	<b>76</b>	<b>82</b>	<b>88</b>
- Chg in Working Capital	3	10	-6	-1	-1	0
- CAPEX of which	-45	-51	-25	-27	-27	-27
Expansionary CPX	0	0	0	0	0	0
- Dividends	-9	-9	-11	-15	-15	-18
<b>= FCF</b>	<b>2</b>	<b>10</b>	<b>24</b>	<b>34</b>	<b>40</b>	<b>43</b>
FCF Yld (M.Cp)	3.7%	3.4%	2.9%	3.9%	4.4%	4.9%
FCF Yld (EV)	4.5%	3.5%	1.8%	1.9%	2.1%	-3.2%
<b>FCF (3)</b>	<b>2</b>	<b>10</b>	<b>24</b>	<b>34</b>	<b>40</b>	<b>43</b>
FCF Yld (M.Cp)	0.9%	3.1%	2.8%	3.9%	4.4%	4.9%
FCF Yld (EV)	6.0%	4.7%	4.9%	5.8%	6.5%	7.7%

**DAL-IT: EV Valuations**

€m	2017E	2018E	2019E
+ Mkt Cap	1269	1269	1269
+ Net Debt	-36	-77	-120
- Non-core assets	-7	-7	-7
+/- Other	0	0	0
<b>= EV</b>	<b>1226</b>	<b>1185</b>	<b>1142</b>
EV/Sales (x)	2.0	1.8	1.7
EV/EBITDA (x)	13.0	11.6	10.4
EV/EBIT (x)	16.6	14.5	12.9
EV/IC (x)	3.0	2.8	2.7

**DAL-IT: Divisional Sales Breakdown****DAL-IT: Geographical Sales Breakdown****Debt Structure (€m)**

<b>Net cash in the B.Sheet</b>	-3.5
Short Term	0.0
Long Term: maturing in	0.0
24 months	n.a.
36 months	n.a.
more than 36 months	n.a.
Cost Range	n.a.
Rating (Moody's)	
Short term	n.a.
Long term	n.a.
<b>Estimated Off B/S Liabilities</b>	None

**DAL-IT: Share Information**

Outstanding no. shares (m)	58
Market Cap (€ m)	1269
Avg daily volume (m sh, last 3 m)	0.04
Free float %	22.1%
<b>Major shareholders</b>	
Hydra Spa	66.2%
Bnp Paribas	3.5%
JP Morgan	2.9%
Other	5.3%
Management shares option scheme	
% of Capital	None
Nearest to vest	n.a.

(1) calculated as EBIT/Int. expenses (2) calculated as ROCE after taxes (3) calculated ex-expansory CAPEX

(\*) Source: company data and Fidentiis estimates

This publication has been reviewed and approved by the "Committee for the Independence of the Publications of the Research Department".



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#### Recommendation history and target price trends – Datalogic

Date of publication	Recommendation	Target price (EUR)
13/09/2016	Hold	€18.8-20.0
17/02/2017	Hold	€20.6-21.8
13/03/2017	Hold	€20.7-22.0