

DATALOGIC

OUTPERFORM

Price (Eu): **22.09**

Target Price (Eu): **25.00**

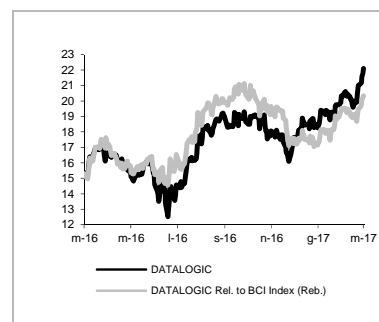
SECTOR: *Industrials*

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Stronger 4Q Margins and Solid FY17 Outlook

- Stronger-than-expected 4Q margins, bottom line impacted by non-recurring tax items.** The company had already disclosed its preliminary 4Q sales figures (up +7.6% YoY or +7.0% YoY at constant FOREX), with a further quarterly acceleration in both the reference business units: sales at the ADC division rose by +9.1% YoY or +8.4% at constant FOREX (thanks to major projects won in fixed retail scanners and hand-held readers in the retail sector, mainly in Europe), while the Industrial Automation division's revenues increased by +13.9% YoY (+13.5% YoY at constant exchange rates, benefiting from sustained T&L growth in North America and Europe, and growth in manufacturing). Solution Net System and Informatics posted sales of Eu6.4mn and Eu5.8mn respectively. From a geographical standpoint, quarterly top line growth was mostly driven by Europe (+19% YoY) and RoW (+7%), partly counterbalanced by softer sales in North America and Asia Pacific (down 7% and 3% YoY respectively). Over the full year, revenues from new products reached a healthy 24.3% of the total. Bookings reached Eu161mn for the quarter (+1.7% YoY). **Operating profitability came in ahead of expectations, mainly thanks to higher operating efficiencies in distribution and general administrative expenses.** The company reported 4Q EBITDA of Eu23.7mn (around 10% better than expected), corresponding to a margin of 15.3% (approx. +100bps YoY). However, the bottom line was negatively impacted by non-recurring tax items (mostly related to changes in Italian tax legislation on dividends from foreign subsidiaries, but management clearly stated that no further impact is expected for this year), with a lower-than-projected net income of Eu5mn. Finally, cash generation was broadly in line with our forecasts: the net cash position as at end-December was Eu3.5mn (from net debt of Eu37.6mn as at the end of September and our estimate of a Eu0.5mn net debt). The company's BoD proposed a Eu0.30 DPS (vs Eu0.28 expected).
- Positive FY17 outlook: top line growth above market average, strong focus on cost control and profitability. M&A still an additional potential catalyst going forwards. +4% avg. FY17-18 EPS upgrade.** The group provided a positive outlook for this year, expecting to further outperform its reference markets, with a particular focus on North America and APAC, and a further consolidation of its leading position in Europe. Most of the projected impact from the new organization by verticals should materialize in 2H17 (with some possible short-term inefficiencies, i.e. in IT). The strong focus on cost control and optimisation of operations continues, and a further improvement in profitability and cash generation is foreseen in FY17 as a consequence. Following stronger 4Q margins, we have left our sales forecasts basically unchanged but raised our avg. FY17-18 EPS estimates by around +4%.
- OUTPERFORM confirmed, target from Eu23.0 to Eu25.0.** Based on our updated estimates, we have raised our target price from Eu23.0 to Eu25.0. We note that our valuation also factors in an M&A premium to take into account possible re-leveraging for accretive M&A deals. We reiterate our OUTPERFORM rating on the stock on the back of current high visibility on business prospects, positive earnings momentum and potential newsflow on sector consolidation.

DATALOGIC - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): from 23.00 to 25.00

Change in EPS est: 2017E 2018E
4.4% 4.1%

STOCK DATA

Reuters code: DAL.MI
Bloomberg code: DAL IM

Performance	1m	3m	12m
Absolute	9,0%	25,2%	44,4%
Relative	4,8%	16,8%	35,7%
12 months H/L:	22.09/12.52		

SHAREHOLDER DATA

No. of Ord. shares (mn): 58
Total No. of shares (mn): 58
Mkt Cap Ord (Eu mn): 1.291
Total Mkt Cap (Eu mn): 1.291
Mkt Float - ord (Eu mn): 427
Mkt Float (in %): 33,0%
Main shareholder:
Hydra Spa (controlled by Vol) 67,0%

BALANCE SHEET DATA

2017
Book value (Eu mn): 381
BVPS (Eu): 6,52
P/BV: 3,4
Net Financial Position (Eu mn): 33
Enterprise value (Eu mn): 1.258

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Key Figures	2015A	2016A	2017E	2018E	2019E
Sales (Eu mn)	535	576	620	660	703
Ebitda (Eu mn)	74	90	102	112	122
Net profit (Eu mn)	41	46	62	70	78
EPS - New (Eu)	0,789	0,852	1,117	1,246	1,389
EPS - Old (Eu)		0,931	1,070	1,197	
DPS (Eu)	0,250	0,300	0,330	0,360	0,390

Ratios & Multiples	2015A	2016A	2017E	2018E	2019E
P/E	28,0	25,9	19,8	17,7	15,9
Div. Yield	1,1%	1,4%	1,5%	1,6%	1,8%
EV/Ebitda	17,8	14,2	12,3	10,8	9,4
ROCE	17,2%	21,5%	24,2%	26,2%	28,9%

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DATALOGIC - KEY FIGURES

		2015A	2016A	2017E	2018E	2019E
	Fiscal year end	31/12/2015	31/12/2016	31/12/2017	31/12/2018	31/12/2019
PROFIT & LOSS (Eu mn)	Sales	535	576	620	660	703
	EBITDA	74	90	102	112	122
	EBIT	53	70	82	91	101
	Financial income (charges)	(5)	(3)	(2)	(1)	(0)
	Associates & Others	0	(0)	0	0	0
	Pre-tax profit (Loss)	52	67	81	90	101
	Taxes	(11)	(21)	(19)	(21)	(23)
	Tax rate (%)	21,4%	31,5%	23,0%	23,0%	23,0%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	41	46	62	70	78
	Total extraordinary items	(6)	(4)	(3)	(3)	(3)
	Ebitda excl. extraordinary items	74	90	102	112	122
	Ebit excl. extraordinary items	61	76	87	96	106
Net profit restated	46	50	65	73	81	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	58	58	58	58	58
	EPS stated fd	0,694	0,784	1,061	1,190	1,333
	EPS restated fd	0,789	0,852	1,117	1,246	1,389
	BVPS fd	5,103	5,756	6,517	7,377	8,349
	Dividend per share (ord)	0,250	0,300	0,330	0,360	0,390
	Dividend per share (sav)	0,000	0,000	0,000	0,000	0,000
	Dividend pay out ratio (%)	36,0%	38,2%	31,1%	30,3%	29,3%
CASH FLOW (Eu mn)	Gross cash flow	59	65	82	90	99
	Change in NWC	14	(10)	(10)	(1)	(2)
	Capital expenditure	(22)	(17)	(25)	(20)	(21)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	51	39	47	69	76
	Acquisitions, divestments & others	0	0	0	0	0
	Dividend	(11)	(15)	(18)	(19)	(21)
	Equity financing/Buy-back	0	0	0	0	0
Change in Net Financial Position	35	24	30	50	55	
BALANCE SHEET (Eu mn)	Total fixed assets	337	341	287	282	278
	Net working capital	(11)	(1)	8	10	12
	Long term liabilities	(7)	(7)	52	56	60
	Net capital employed	319	333	348	348	349
	Net financial position	(21)	4	33	83	139
	Group equity	298	336	381	431	488
	Minorities	0	0	0	0	0
Net equity	298	336	381	431	488	
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	1.291	1.291	1.291	1.291	1.291
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(21)	4	33	83	139
	Enterprise value	1.312	1.288	1.258	1.208	1.153
RATIOS(%)	EBITDA margin*	13,8%	15,7%	16,5%	16,9%	17,4%
	EBIT margin*	11,4%	13,2%	14,1%	14,5%	15,1%
	Gearing - Debt/equity	7,0%	-1,0%	-8,7%	-19,3%	-28,4%
	Interest cover on EBIT	11,5	23,0	40,0	86,3	1834,3
	Debt/Ebitda	0,28	nm	nm	nm	nm
	ROCE*	17,2%	21,5%	24,2%	26,2%	28,9%
	ROE*	15,0%	14,4%	17,3%	17,1%	16,9%
	EV/CE	4,3	3,9	3,7	3,5	3,3
	EV/Sales	2,5	2,2	2,0	1,8	1,6
	EV/Ebit	21,4	16,9	14,4	12,6	10,9
Free Cash Flow Yield	3,9%	3,0%	3,7%	5,4%	5,9%	
GROWTH RATES (%)	Sales	15,2%	7,7%	7,5%	6,5%	6,5%
	EBITDA*	6,2%	22,5%	13,1%	9,4%	9,5%
	EBIT*	5,5%	24,4%	14,5%	10,1%	10,2%
	Net profit	31,4%	13,1%	35,3%	12,1%	12,0%
	EPS restated	20,3%	8,0%	31,1%	11,5%	11,5%

* Excluding extraordinary items

Source: Intermonte SIM estimates

Datalogic - Quarterly figures

(Eu mn)	4Q15A	4Q16A	YoY	4Q16E	A vs. E	2015A	2016A	YoY
Net sales	143,8	154,7	7,6%	154,7	0,0%	535,1	576,5	7,7%
Gross profit	65,9	70,8	7,5%	70,0	1,2%	248,6	265,3	6,7%
Gross margin	45,8%	45,8%		45,2%		46,5%	46,0%	
EBITDA adj.	20,7	23,7	14,8%	21,7	9,5%	73,7	90,4	22,5%
Ebitda margin	14,4%	15,3%		14,0%		13,8%	15,7%	
Non recurring	(1,1)	(1,1)		(0,4)		(2,6)	(1,0)	
D&A	(3,3)	(5,1)		(4,8)		(12,5)	(14,2)	
EBIT	14,9	17,5	17,8%	16,1	8,4%	52,9	70,2	32,7%
Ebit margin	10,3%	11,3%		10,4%		9,9%	12,2%	
Net financials	(0,7)	(0,5)		(0,9)		(4,6)	(3,1)	
Associates / forex	0,8	0,7		(0,2)		3,3	(0,3)	
Pre tax profit	15,0	17,8	18,3%	15,1	18,0%	51,6	66,9	29,7%
Taxes	(4,9)	(12,8)		(5,3)		(11,0)	(21,0)	
Tax rate	32,6%	72,0%		35,1%		21,4%	31,5%	
Minorities	0,0	0,0		0,0		0,0	0,0	
Net profit	10,1	5,0	-51,0%	9,8	-49,2%	40,5	45,8	13,1%

Source: Company data and Intermonte SIM estimates

Datalogic - Sales breakdown by business

	2015A	1Q16A	2Q16A	1H16A	3Q16A	9M16A	4Q16A	2H16A	2016A
ADC	364,0	93,2	101,6	194,8	97,9	292,7	105,0	202,8	397,6
YoY growth	17,5%	10,9%	8,8%	9,8%	8,4%	9,3%	9,0%	8,7%	9,3%
% on sales	68,0%	68,9%	69,4%	69,1%	69,9%	69,4%	67,9%	68,4%	69,0%
Industrial Automation	146,1	35,5	40,2	75,7	37,2	112,9	45,7	82,8	158,5
YoY growth	12,1%	11,8%	15,5%	13,7%	0,9%	9,2%	7,0%	4,2%	8,5%
% on sales	27,3%	26,2%	27,5%	26,9%	26,6%	26,8%	29,5%	28,0%	27,5%
Informatics	27,4	7,4	5,4	12,8	5,8	18,6	5,8	11,6	24,4
YoY growth	4,8%	4,7%	-27,5%	-11,8%	-24,0%	-16,0%	9,9%	-10,1%	-11,0%
% on sales	5,1%	5,4%	3,7%	4,5%	4,2%	4,4%	3,8%	3,9%	4,2%
Others	-2,4	-0,7	-0,7	-1,4	-0,9	-2,4	-1,7	-0,9	-4,1
Consolidated net sales	535,1	135,4	146,5	281,8	139,9	421,8	154,7	296,3	576,5
YoY	15,2%	10,7%	8,4%	9,5%	4,6%	7,8%	7,6%	6,8%	7,7%

Source: Company data and Intermonte SIM estimates

Datalogic - Sales breakdown by area

(Eu mn)	2015A	1Q16A	2Q16A	1H16A	3Q16A	9M16A	4Q16A	2H16A	2016A
Europe	268,5	73,1	71,4	144,5	71,6	216,2	84,5	156,2	300,7
YoY growth	10,1%	14,4%	3,3%	8,7%	11,2%	9,5%	18,8%	15,2%	12,0%
% on sales	50,2%	54,0%	48,7%	51,3%	51,2%	51,3%	54,6%	53,0%	52,2%
North America	161,1	39,6	45,0	84,5	41,9	126,4	40,9	82,8	167,3
YoY growth	21,4%	17,7%	12,3%	14,8%	-3,6%	8,0%	-6,9%	-5,3%	3,9%
% on sales	30,1%	29,2%	30,7%	30,0%	29,9%	30,0%	26,5%	28,1%	29,0%
Asia Pacific	71,5	14,9	19,9	34,7	16,7	51,4	18,1	34,9	69,6
YoY growth	24,7%	-4,5%	8,2%	2,4%	-11,3%	-2,5%	-3,1%	-7,2%	-2,7%
% on sales	13,4%	11,0%	13,6%	12,3%	11,9%	12,2%	11,7%	11,8%	12,1%
RoW	34,0	7,8	10,3	18,1	9,7	27,8	11,1	20,8	38,9
YoY growth	11,0%	-15,4%	33,1%	6,7%	36,4%	15,5%	11,9%	22,1%	14,4%
% on sales	6,4%	5,7%	7,0%	6,4%	6,9%	6,6%	7,2%	7,1%	6,7%
Consolidated net sales	535,1	135,4	146,5	281,8	139,9	421,8	154,7	294,6	576,5
YoY growth	15,2%	10,7%	8,4%	9,5%	4,6%	7,8%	7,6%	6,1%	7,7%

Source: Company data and Intermonte SIM estimates

Datalogic - Change in estimates

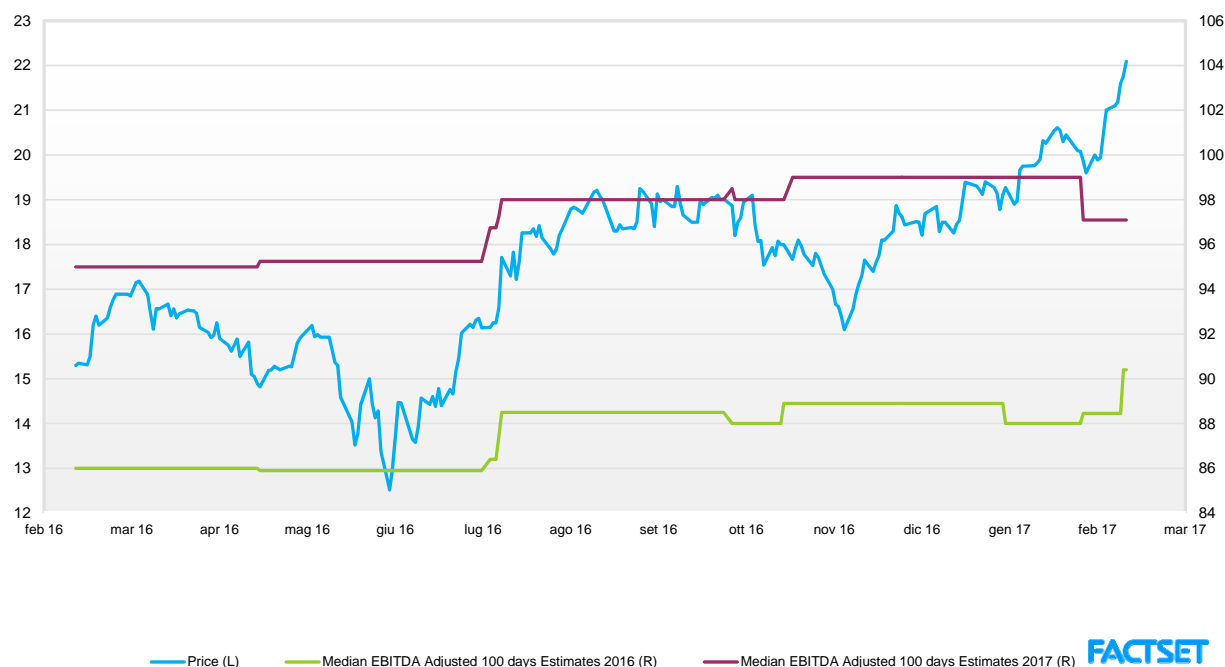
	New Estimates		Old Estimates		% change	
	2017	2018	2017	2018	2017	2018
Net sales	619,7	660,0	619,6	659,9	0,0%	0,0%
YoY growth	7,5%	6,5%	7,5%	6,5%		
EBITDA reported	102,2	111,8	99,2	108,7	3,0%	2,9%
Ebitda margin	16,5%	16,9%	16,0%	16,5%		
YoY growth	13,1%	9,4%	12,3%	9,5%		
D&A tang	(9,9)	(10,4)	(9,4)	(9,9)		
Goodwill	(4,9)	(4,9)	(4,9)	(4,9)		
D&A intang.	(5,2)	(5,5)	(5,7)	(6,1)		
EBIT reported	82,3	91,1	79,2	87,8	3,9%	3,8%
Ebit margin	13,3%	13,8%	12,8%	13,3%		
YoY growth	17,2%	10,7%	14,4%	10,8%		
Net financials	(2,1)	(1,1)	(2,5)	(1,5)		
Associates	0,3	0,3	0,3	0,3		
FOREX	0,0	0,0	0,0	0,0		
Pre tax profit	80,5	90,3	77,0	86,6	4,6%	4,3%
Taxes	(18,5)	(20,8)	(17,7)	(19,9)		
tax rate	23,0%	23,0%	23,0%	23,0%		
Minorities	0,0	0,0	0,0	0,0		
Net income	62,0	69,5	59,3	66,7	4,6%	4,3%
Rest. Net Income	65,3	72,8	62,6	69,9	4,4%	4,1%
YoY growth	31,1%	11,5%	14,9%	11,8%		

Source: Intermonte SIM estimates

Datalogic - Price vs. Change to consensus EBITDA

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Price for Datalogic S.p.A. (IT) in EUR as of 03/10/17

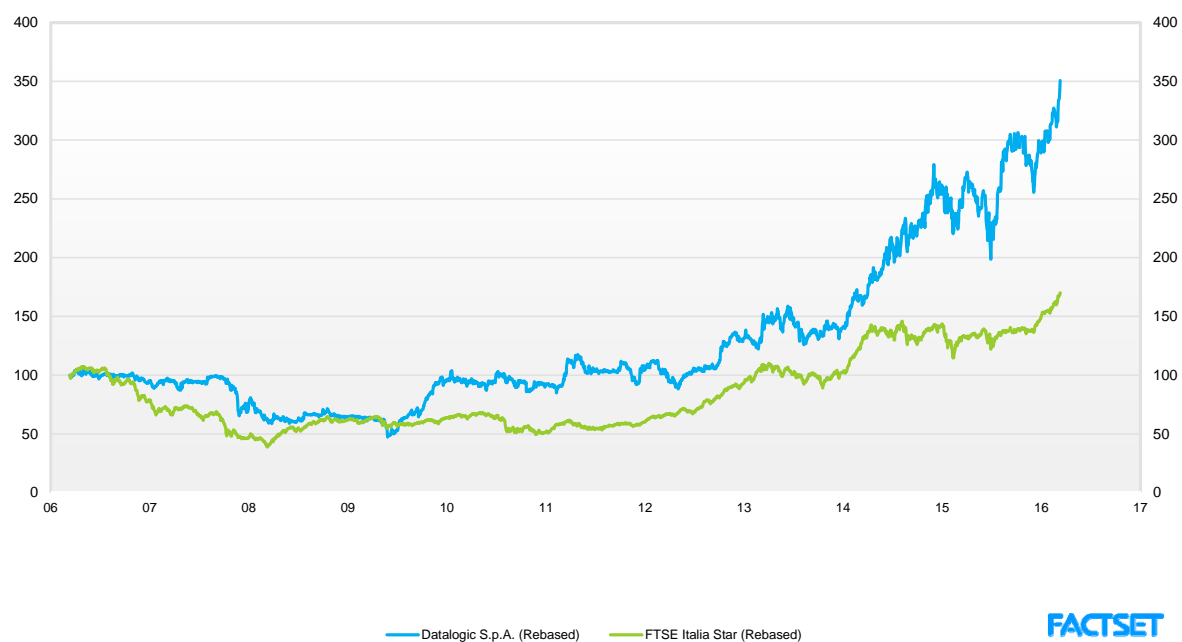


FACTSET

Datalogic - Historical price trend vs. FTSE Italia Star (Rebased)

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Price Base 100 for Datalogic S.p.A. (IT) in EUR as of 03/10/17



DATALOGIC Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
DATALOGIC	22,09	EUR	1.291	9,0%	25,2%	16,3%	18,2%	44,4%	112,8%
BASLER	69,60	EUR	244	16,5%	13,2%	21,0%	15,3%	43,8%	41,4%
COGNEX	79,92	USD	6.877	14,3%	26,8%	66,4%	25,6%	100,4%	72,8%
HONEYWELL	127,04	USD	96.702	4,3%	9,3%	14,1%	9,7%	17,9%	26,3%
SCANSOURCE	39,75	USD	1.004	-8,8%	-1,6%	14,0%	-1,5%	4,1%	7,3%
ZEBRA TECH	89,28	USD	4.721	5,0%	7,2%	35,0%	4,1%	39,1%	1,7%
Mean performance				6,7%	13,3%	27,8%	11,9%	41,6%	43,7%
Italy FTSE Mib	19.658,3	EUR	299.654	4,2%	7,5%	14,6%	2,2%	8,5%	-12,0%

Source: FactSet

DATALOGIC Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	EV/Sales		EV/Ebitda		EV/Ebit		P/E		Div Yield	
				2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
DATALOGIC	22,09	EUR	1.291	2,0	1,8	12,3	10,8	14,4	12,6	19,8	17,7	1,5%	1,6%
BASLER	69,60	EUR	244	2,6	2,2	13,4	11,8	20,0	17,1	26,2	23,3	1,1%	1,2%
COGNEX	79,92	USD	6.877	10,9	9,2	30,3	24,5	33,8	27,4	42,3	35,2	0,4%	0,4%
HONEYWELL	127,04	USD	96.702	2,6	2,4	11,7	10,6	13,2	12,1	18,1	16,6	2,1%	2,3%
SCANSOURCE	39,75	USD	1.004							14,7	14,0	0,0%	0,0%
ZEBRA TECH	89,28	USD	4.721	1,7	1,6	9,3	8,4	10,5	9,4	13,9	12,6	0,0%	0,0%
Median				2,6	2,3	12,6	11,2	16,6	14,6	18,1	16,6	0,4%	0,4%

Source: Intermonte SIM estimates for covered companies, FactSet consensus estimates for peer group

DATALOGIC - Estimates Comparison with Consensus

(Eu mn)	2017			2018		
	Intermonte	Consensus	%diff	Intermonte	Consensus	%diff
Revenues	619,7	614,0	0,9%	660,0	648,0	1,9%
Ebitda	102,2	97,7	4,7%	111,8	106,4	5,0%
Net Profit	62,0	57,9	7,1%	69,5	63,5	9,5%
EPS	1,117	1,049	6,5%	1,246	1,139	9,4%
Net Debt	33,3	36,3	-8,1%	83,3	77,0	8,2%

Source: Intermonte SIM estimates and Factset consensus estimates

DETAILS ON STOCKS RECOMMENDATION

Stock NAME	DATALOGIC		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	25.00	Previous Target (Eu):	23.00
Current Price (Eu):	22.09	Previous Price (Eu):	18.90
Date of report:	13/03/2017	Date of last report:	30/01/2017

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 2.5% and a risk premium of 5.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P/IB40 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

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.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms. As at 31 December 2016 Intermonte's Research Department covered 150 companies.

Intermonte's distribution of stock ratings is as follows:

BUY:	13.33 %
OUTPERFORM:	50.48 %
NEUTRAL:	34.29 %
UNDERPERFORM	01.90 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (44 in total) is as follows:

BUY:	26.09 %
OUTPERFORM:	45.65 %
NEUTRAL:	28.26 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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In order to disclose its possible conflicts of interest Intermonte SIM states that:

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Emittente	%	Long/Short
ACOTEL GROUP	0.61	SHORT
CHL	1.68	SHORT
COGEME SET SPA	1.6	SHORT
GO INTERNET	0.6	SHORT
IKF	0.57	SHORT
OLIDATA	0.88	SHORT
PIERREL SPA	0.62	SHORT
PREMUDA	0.53	SHORT
PRIMI SUJ MOTORI S.P.A.	0.61	SHORT
STEFANEL	0.65	SHORT
WASTE ITALIA	1.12	SHORT
ZEPHYRO SPA	1.4	LONG

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