

# DATALOGIC

Sector: Industrials

**NEUTRAL**

Price: Eu6.54 - Target: Eu7.10

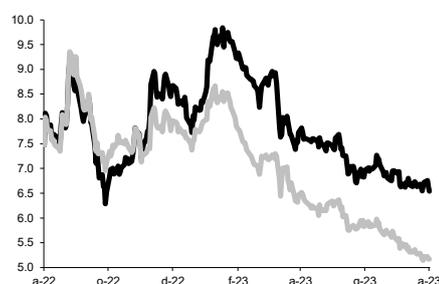
## Significant Drop in Sales in 2Q23, Weak Outlook

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### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 8.20 to 7.10		
	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>Chg in Adj EPS</b>	-11.6%	-14.6%	-15.8%

### DATALOGIC - 12M Performance



### Stock Data

Reuters code:	DAL.MI
Bloomberg code:	DAL IM

Performance	1M	3M	12M
Absolute	-5.9%	-12.3%	-12.4%
Relative	-8.2%	-20.0%	-39.2%
12M (H/L)	9.84/6.29		
3M Average Volume (th):	95.68		

### Shareholder Data

No. of Ord shares (mn):	58
Total no. of shares (mn):	58
Mkt Cap Ord (Eu mn):	382
Total Mkt Cap (Eu mn):	382
Mkt Float - Ord (Eu mn):	135
Mkt Float (in %):	35.4%
Main Shareholder:	
Hydra	64.7%

### Balance Sheet Data

Book Value (Eu mn):	440
BVPS (Eu):	7.52
P/BV:	0.9
Net Financial Position (Eu mn):	-38
Enterprise Value (Eu mn):	428

- 2Q23 results: sales fall 9% short (down 16% YoY), profitability better.** 2Q23 sales were down 16.1% YoY to Eu148mn, or -14.6% YoY organic, vs. -8.5% organic expected. Management had guided for a 10% drop in 2Q23 sales. The gross profit margin improved by 4pp YoY to 43.2% (42.4% in 1H23) thanks to the sales mix, leading to EBITDA in line with estimates at Eu19.5mn (EBITDA margin up 50bp YoY in 2Q and up slightly in 1H). Net profit of Eu8.9mn vs. Eu7.3mn expected included a one-off associated with the sale of a 15% stake in SNS. Net debt was in line at Eu25mn at end-June (Eu44mn YoY decrease in 1H23). Lower working capital was driven by a Eu25mn drop in receivables in 1H23.
- Conference call feedback: 3Q sales drop similar to 2Q (-16%), although orders turned positive in July.** Management said the order intake was back in positive ground in July, but in 3Q23 sales should decline in line with 2Q (-16% YoY). Zebra guided for a 30-35% drop in 3Q sales). Management also said to expect FY23 sales down low double-digit, which implies a >15% decline in 4Q (also reflecting the fact that 4Q22 was a strong quarter). Our revised assumptions are for sales to fall -18% in both 3Q and 4Q, leading to FY23 closing down 12% YoY to Eu578mn. On the other hand, management indicated a flattish gross profit margin in 2H vs. 1H (42.4%), which should lead to a slight YoY EBITDA margin drop in FY23 (we estimate 11.7% vs. 12.3% in FY22). As for net debt, Datalogic aims to maintain a low level of debt, albeit higher than the Eu25mn reported in 1H23. By business, Data Capture and Industrial Automation reported similar sales trends in 2Q23 (down -18% and -13% respectively). Geographically, all regions reported a decline in 2Q sales, with EMEA1 (52% of group sales) down 18% vs. +15% in 1Q and Americas (34%) down 10% vs. +2% in 1Q. APAC was down 21% YoY vs. -1% in 1Q23.
- Change in estimates: FY23/24 EPS cut by 12%/15% respectively:** based on management indications, we are cutting our FY23 sales estimate by 11% to Eu578mn, EBITDA by 5% to Eu68mn (from Eu71mn, consensus pre-release Eu78mn), and net profit by 15% to Eu22mn (from Eu26mn, consensus Eu30mn). Our FY23/24 EPS cut is -11.6%/-14.6%.
- Risk/return more attractive now but earnings momentum not supportive.** The weak share price performance, including closing yesterday down -12%, would suggest a more positive stance on the stock, which is trading at 6.0x EV/EBITDA and 15x P/E FY23 on revised estimates. We also note Datalogic is debt free and the expected cut in consensus post-2Q reduces the risk of significant disappointments going forward. On the other hand, with a >15% decline in sales expected in both 3Q and 4Q, earnings momentum does not support a rating upgrade, although downside risk to estimates and multiples now seems limited. NEUTRAL confirmed; target 7.1 (from Eu8.2), implying 7.0x EV/EBITDA (from 7.5x previously) and 18x P/E 2023E.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	598	655	578	615	646
EBITDA Adj (Eu mn)	86	80	68	76	82
Net Profit Adj (Eu mn)	52	34	22	29	35
EPS New Adj (Eu)	0.917	0.599	0.389	0.517	0.596
EPS Old Adj (Eu)	0.789	0.515	0.440	0.605	0.708
DPS (Eu)	0.300	0.300	0.200	0.250	0.300
EV/EBITDA Adj	12.4	7.3	6.3	5.4	4.8
EV/EBIT Adj	18.2	13.3	14.0	10.1	8.2
P/E Adj	7.1	10.9	16.8	12.7	11.0
Div. Yield	4.6%	4.6%	3.1%	3.8%	4.6%
Net Debt/EBITDA Adj	0.3	0.5	0.6	0.3	0.1