

DATALOGIC

Sector: Industrials

OUTPERFORM

Price: Eu5.78 - Target: Eu8.00

FY23 Results Weak. Upgrade to Outperform on Valuation

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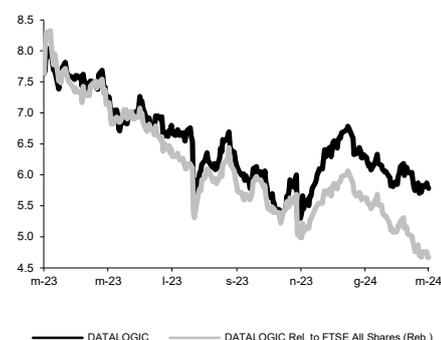
Stock Rating

Rating: from NEUTRAL to OUTPERFORM

Target Price (Eu): from 7.10 to 8.00

	2023E	2024E	2025E
Chg in Adj EPS	-11.6%	-53.8%	-42.4%

DATALOGIC - 12M Performance



Stock Data

 Reuters code: DAL.MI
 Bloomberg code: DAL IM

Performance	1M	3M	12M
Absolute	-3.3%	-11.3%	-24.2%
Relative	-10.7%	-22.2%	-48.3%
12M (H/L)		8.05/5.25	
3M Average Volume (th):		64.18	

Shareholder Data

No. of Ord shares (mn):	58
Total no. of shares (mn):	58
Mkt Cap Ord (Eu mn):	338
Total Mkt Cap (Eu mn):	338
Mkt Float - Ord (Eu mn):	119
Mkt Float (in %):	35.4%
Main Shareholder:	
Hydra	64.7%

Balance Sheet Data

Book Value (Eu mn):	429
BVPS (Eu):	7.34
P/BV:	0.8
Net Financial Position (Eu mn):	6
Enterprise Value (Eu mn):	339

■ **FY23 results below consensus (EBITDA ca. -10%).** Datalogic reported FY2023 results below consensus expectations (sales slightly below, EBITDA miss ca. 10%, net debt in line). Sales declined 18% YoY to Eu537mn (-33% in 4Q23, same trend as Zebra) or Eu520mn ex Informatics sold for \$34mn in March; EBITDA declined 38% YoY to Eu49mn with the margin at 9.2% vs. 12.3% in FY22 (4Q23 weak at 5.2% vs. double-digit margin in 4Q22 at 13.4%, which conversely was a particularly strong quarter). Proposed DPS for FY23 was cut by 60% to Eu0.12 or 50% payout on net profit ex PPA of Eu14.2mn vs. Eu35.2mn in FY22 (similar payout). On the positive side: 1) with an approx. Eu120mn drop in sales in 2023 (driven by volumes/lower market demand), the company managed to maintain the EBITDA decline at ca. Eu30mn, and generated positive Eu33mn operating cash flow as it adjusted inventories (net trade working capital down Eu38mn YoY) following lower inventory levels at distributors; 2) gross margin is holding up (41.8% in FY23 vs. 40.1% in FY22) and the company keeps investing in R&D (12.2% of sales in FY23 vs. 9.4% in FY22 or Eu4mn higher YoY, which particularly impacted 4Q23 EBITDA); 3) after including the sale of Informatics (\$34mn, closed on March 7th), Datalogic is a debt-free company, with a slightly positive NFP estimated for 2024e.

■ **Management cautious on short-term outlook, although suggesting flattish sales in 2024 (ex Informatics).** During the call, management said demand remains stagnant in the short-term and the company's main end-markets are still feeling the effects of low investments, with sales projections for 1Q24 significantly lower than 1Q23 (we expect a >20% YoY decline). Sales should decline double-digit in 1H24 as well but then increase double digit in 2H24 based on the quarterly trend in 2023. Sales are seen flattish in the year and the same holds for margins.

■ **FY2024-25 estimates:** we significantly cut our FY24-25 estimates (sales -13%, EBITDA -31%, EPS -48%), which we had not upgraded after 9M23 results. We expect a mid-single digit cut in FY24 consensus for sales and a ca. -20% cut to FY24 EBITDA.

■ **A bet on market stabilization. Upgrade to Outperform, TP Eu8.0x.** FY23 was a particularly weak year with sales declining 30% YoY in 2H23 as adjustment of the level of inventories by distributors added to lower end-market demand, with the first signs of slowdown in retail (Data Capture) in 2Q23 then extended to industrial clients (Industrial Automation) in 2H23. The fact that similar trends were experienced by Zebra and Cognex suggests weak volumes affecting Datalogic are not company-specific. Our understanding/thinking is that investments from clients are only postponed (possibly in a context where the acceleration of innovation tends to lengthen the replacement cycle of products) as there are no competing technologies impacting the market in the short-term. With sales stabilizing in 2024 (but 1H24 would be still weak) and risk of downside to consensus estimates lower after the FY23 release, we upgrade to Outperform, and raise the TP to 8.0 at 8.5x EV/EBITDA FY24-25. Stock trades at 6.8x EV/EBITDA FY24.

Key Figures & Ratios	2021A	2022A	2023A	2024E	2025E
Sales (Eu mn)	598	655	537	527	562
EBITDA Adj (Eu mn)	86	80	49	50	59
Net Profit Adj (Eu mn)	45	35	14	13	20
EPS New Adj (Eu)	0.791	0.623	0.254	0.239	0.343
EPS Old Adj (Eu)	0.917	0.599	0.389	0.517	0.596
DPS (Eu)	0.300	0.300	0.120	0.150	0.200
EV/EBITDA Adj	12.4	7.3	9.2	6.8	5.6
EV/EBIT Adj	20.2	13.3	37.5	27.3	15.4
P/E Adj	7.3	9.3	22.7	24.2	16.8
Div. Yield	5.2%	5.2%	2.1%	2.6%	3.5%
Net Debt/EBITDA Adj	0.3	0.5	0.7	-0.1	-0.3

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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 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 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.

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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.

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OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

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BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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