

DATALOGIC

Sector: Industrials

NEUTRAL

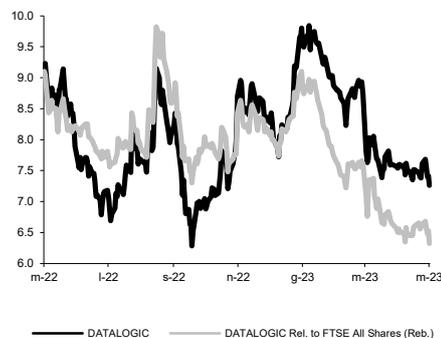
Price: Eu7.26 – Target: Eu8.20

1Q23 Results Better, but Outlook Weak

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| Stock Rating | | |
|--------------------|-------------------|-------|
| Rating: | Unchanged | |
| Target Price (Eu): | from 9.30 to 8.20 | |
| | 2023E | 2024E |
| Chg in Adj EPS | -18.9% | -8.2% |

DATALOGIC - 12M Performance



| Stock Data | | | |
|-------------------------|-----------|--------|--------|
| Reuters code: | DAL.MI | | |
| Bloomberg code: | DAL IM | | |
| Performance | 1M | 3M | 12M |
| Absolute | -3.7% | -18.2% | -20.2% |
| Relative | -2.6% | -18.2% | -34.9% |
| 12M (H/L) | 9.84/6.29 | | |
| 3M Average Volume (th): | 84.21 | | |

| Shareholder Data | |
|---------------------------|-------|
| No. of Ord shares (mn): | 58 |
| Total no. of shares (mn): | 58 |
| Mkt Cap Ord (Eu mn): | 424 |
| Total Mkt Cap (Eu mn): | 424 |
| Mkt Float - Ord (Eu mn): | 150 |
| Mkt Float (in %): | 35.4% |
| Main Shareholder: | |
| Hydra | 64.7% |

| Balance Sheet Data | |
|---------------------------------|------|
| Book Value (Eu mn): | 449 |
| BVPS (Eu): | 7.69 |
| P/BV: | 0.9 |
| Net Financial Position (Eu mn): | -31 |
| Enterprise Value (Eu mn): | 463 |

■ **1Q23 results beat estimates.** Datalogic's 1Q23 results were better than expected, showing organic sales growth of +7% to Eu150mn vs. +3% expected, with EBITDA growing 14% YoY to Eu13.5mn vs. Eu11.2mn expected. The EBITDA margin, at 9.0%, improved vs. 8.5% in 1Q22 but remained below the double-digit margins of 2Q/3Q/4Q 2022. EBIT was Eu3.9mn vs. Eu2.3mn expected, driving net profit to Eu3.1mn vs. Eu1.1mn expected and Eu1.3mn in 1Q22. The main positive in 1Q was the lower working capital (mainly inventories given the weak order intake), with net debt as at end-March down Eu10mn sequentially to Eu32mn.

■ **Conference call feedback: weak short-term outlook.** While 1Q23 benefitted from the conversion of the year-end backlog, during the call management guided for a similar decline in 2Q sales to competitors, or c.-10% (the reference was to the outlook recently provided by Zebra). Management also sounded cautious on 2H (lower visibility vs. the messages provided in mid-March), as weak orders in the first part of 2Q decrease the likelihood of a significant rebound in 3Q. As for profitability, no update was provided on the guidance given in the 4Q22 call for a broadly stable EBITDA margin YoY in FY23 (FY22 was 12.3%). We note Datalogic has moved back to the old reporting, separating Industrial Automation (sensors) and Automatic Data Capture (barcode technology). This breakdown was only provided for sales (ADC 63%, Industrial Automation 37%) and reporting by vertical segment (Retail, Manufacturing, T&I, Healthcare) will no longer be provided. We note Retail is c.40% of the business.

■ **Estimates cut.** Based on indications provided by management, we are cutting our FY23 sales by 3% to Eu646mn (-1% YoY), EBITDA by 10% to Eu71mn (11.0% margin from previous 11.8%), and net profit by 19% to Eu26mn. As for FY24, we are cutting sales by 3%, EBITDA by 5% and net profit by 8%.

■ **NEUTRAL; target Eu8.2 (from Eu9.3 previously).** At our new TP of Eu8.2, we value Datalogic at 7.5x 2023 EV/EBITDA (from 8.0x previously) vs. avg. 1-year forward EV/EBITDA for the last five years of 10.0x. We confirm our NEUTRAL rating as we think the group faces long-term technological risks from the growing importance of software in its data capture business (40% exposure to retail) and the need to rebalance the business towards sensors/industrial automation. Earnings momentum is also not supportive.

| Key Figures & Ratios | 2020A | 2021A | 2022A | 2023E | 2024E |
|------------------------|-------|-------|-------|-------|-------|
| Sales (Eu mn) | 480 | 598 | 655 | 646 | 678 |
| EBITDA Adj (Eu mn) | 58 | 86 | 80 | 71 | 83 |
| Net Profit Adj (Eu mn) | 22 | 46 | 30 | 26 | 35 |
| EPS New Adj (Eu) | 0.382 | 0.789 | 0.515 | 0.440 | 0.605 |
| EPS Old Adj (Eu) | 0.382 | 0.789 | 0.402 | 0.543 | 0.659 |
| DPS (Eu) | 0.170 | 0.300 | 0.200 | 0.250 | 0.300 |
| EV/EBITDA Adj | 12.5 | 12.4 | 7.3 | 6.5 | 5.3 |
| EV/EBIT Adj | 24.7 | 20.2 | 13.3 | 13.0 | 9.2 |
| P/E Adj | 19.0 | 9.2 | 14.1 | 16.5 | 12.0 |
| Div. Yield | 2.3% | 4.1% | 2.8% | 3.4% | 4.1% |
| Net Debt/EBITDA Adj | -0.1 | 0.3 | 0.5 | 0.4 | 0.2 |