Italian Research Company Update Milan, April 13, 2010 Intermonte

B&C SPEAKERS

BUY

Price (Eu): 2.75
Target Price (Eu): 3.75

SECTOR: Industrials

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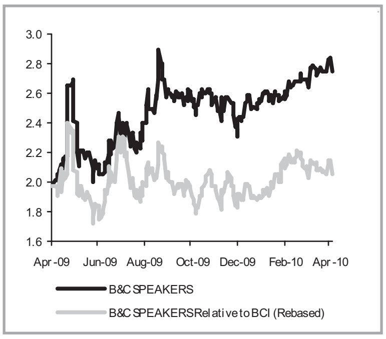
Buy On Solid Margins and Compelling Valuations

- **2H09 results below our estimates.** B&C Speakers closed FY09 posting Eu1.7mn in net profit, below our estimated Eu2.1mn, with the main difference coming from a higher cost of supply of raw materials, consumables and semi-finished goods and a higher weight of other fixed costs on the total. Dividends and NFP were in line with our estimates: DPS came to Eu0.13, while the NFP closed in positive territory at Eu0.18mn, vs. our expected Eu0.19mn.
- **FY10-11 estimates basically confirmed.** Despite the extremely bullish indications at the end of February on order backlog (above +20% YoY) and turnover (+21% YoY), we are basically confirming our previous FY10-11 expected EPS. The same bottom line, however, is the result of higher sales (mostly on the expected growth coming from China, North and South America, and a moderate reduction in margins (dented in the short term by investments in the Brazilian market and the new range of Architettura Sonora products). We are taking a more conservative stance than management indications in terms of margins, however, as we incorporate a higher impact from the sharp increase in the cost of neodymium (one of the main components).
- **BUY confirmed, target price lifted to Eu3.75 (from Eu3.50).** We are reaffirming our positive stance on the stock, which is currently trading at a low price that we don't believe can be justified. We are raising our target price, based on the average of the fair values obtained through DCF and EV/ROACE valuation methods, following the moderate improvement expected in terms of total turnover over the coming years. Our positive stance on the stock is based on: 1) the undisputed ability to maintain extremely good margins even in unprecedented tough times; 2) market share resilience thanks to high brand awareness and recognition; 3) the absence of any debt; 4) positive cashflow that is forecast to grow faster over the next few years than at present; 5) extremely sound dividend yield expected to endure in the future.

Key Figures	2008A	2009A	2010E	2011E	2012E
Sales (Eu mn)	21	17	19	20	21
Ebitda (Eu mn)	5	3	4	5	5
Net profit (Eu mn)	3	2	2	3	3
EPS - New (Eu)	0.28	0.16	0.23	0.26	0.28
EPS - Old (Eu)	0.28	0.18	0.20	0.22	
DPS (Eu)	0.18	0.13	0.14	0.16	0.17

Ratios & Multiples	2008A	2009A	2010E	2011E	2012E
P/E	9.8	16.9	11.9	10.6	9.9
Div. Yield	6.5%	4.7%	5.2%	5.8%	6.1%
EV/Ebitda	5.5	8.7	6.7	5.9	5.5
ROCE	56.3%	22.0%	30.0%	38.3%	38.5%

B&C Speakers - 12m Performance



Source: FactSet Partners

RATING: Unchanged
TARGET PRICE (Eu): from 3.50 to 3.75

Change in EPS est:	2010E	2011E
	6.0%	9.5%

STOCK DATA

Reuters code:	37B.MI
Bloomberg code:	BEC.IM

Performance	1m	3m	12m
Absolute	4.2%	5.8%	38.9%
Relative	1.4%	5.9%	5.1%
12 months H/L:			2.90/2.00

SHAREHOLDER DATA

No. of Ord. shares (mn):	11
Total No. of shares (mn):	11
Mkt Cap Ord (Eu mn):	30
Total Mkt Cap (Eu mn):	30
Mkt Float - ord (Eu mn):	5
Mkt Float (in %):	*16.2%*
Main shareholder:	
Research & Development Int.	64.2%

BALANCE SHEET DATA	2010
Book value (Eu mn):	11
BVPS (Eu):	0.99
P/BV:	2.8
Net Financial Position (Eu mn):	0
Enterprise value (Eu mn):	29

B&C SPEAKERS - *KEY FIGURES*		2008A	2009A	2010E	2011E	2012E
	Fiscal year end	31/12/2008	31/12/2009	31/12/2010	31/12/2011	31/12/2012
PROFIT & LOSS (Eu mn)	Sales	21	17	19	20	21
	EBITDA	5	3	4	5	5
	EBIT	5	3	4	4	5
	Financial income (charges)	(0)	(0)	(0)	(0)	(0)
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	5	3	4	4	5
	Taxes	(2)	(1)	(1)	(1)	(2)
	Tax rate (%)	35.9%	36.4%	35.2%	35.0%	35.0%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	3	2	2	3	3
	Total extraordinary items	(0)	(0)	(0)	(0)	(0)
	Ebitda excl. extraordinary items	5	3	4	5	5
	Ebit excl. extraordinary items	5	3	4	4	5
	Net profit restated	3	2	3	3	3
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	11	11	11	11	11
	EPS stated fd	0.28	0.15	0.22	0.25	0.27
	EPS restated fd	0.28	0.16	0.23	0.26	0.28
	BVPS fd	0.93	0.90	0.99	1.09	1.20
	Dividend per share (ord)	0.18	0.13	0.14	0.16	0.17
	Dividend per share (sav)	0.00	0.00	0.00	0.00	0.00
	Dividend pay out ratio (%)	61.5%	85.7%	0.0%	0.0%	0.0%
CASH FLOW (Eu mn)	Gross cash flow	3	3	3	3	3
	Change in NWC	0	(0)	(0)	(1)	(1)
	Capital expenditure	(2)	(1)	(1)	(1)	(1)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	2	2	2	2	2
	Acquisitions, divestments & others	0	0	0	0	0
	Dividend	(3)	(2)	(1)	(2)	(2)
	Equity financing/Buy-back	(1)	(0)	0	0	0
	Change in Net Financial Position	(1)	0	0	0	0
BALANCE SHEET (Eu mn)	Total fixed assets	4	4	5	5	5
	Net working capital	11	11	12	12	13
	Long term liabilities	(6)	(1)	(6)	(6)	(6)
	Net capital employed	10	14	11	11	12
	Net financial position	1	1	0	1	1
	Group equity	10	10	11	12	13
	Minorities	0	0	0	0	0
	Net equity	10	10	11	12	13
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	30	30	30	30	30
	Adjustments (associate & minorities)	0	0	1	1	1
	Net financial position	1	1	0	1	1
	Enterprise value	29	29	29	29	28
RATIOS(%)	EBITDA margin*	25.0%	19.5%	22.7%	23.9%	24.2%
	EBIT margin*	23.2%	16.4%	20.3%	21.6%	22.0%
	Gearing - Debt/equity	-6.8%	-7.4%	-2.2%	-5.8%	-8.4%
	Interest cover on EBIT	601.2	198.0	282.1	316.6	339.2
	Debt/Ebitda	nm	nm	nm	nm	nm
	ROCE*	56.3%	22.0%	30.0%	38.3%	38.5%
	ROE*	29.7%	16.6%	23.4%	23.8%	23.2%
	EV/CE	3.4	2.4	2.3	2.6	2.4
	EV/Sales	1.4	1.7	1.5	1.4	1.2
	EV/Ebit	5.9	10.3	7.5	6.6	6.1
	Free Cash Flow Yield	5.9%	7.4%	5.7%	6.9%	7.3%
GROWTH RATES (%)	Sales	-5.0%	-19.7%	13.0%	5.0%	5.0%
	EBITDA*	-19.6%	-37.2%	31.4%	10.4%	6.2%
	EBIT*	-23.0%	-43.2%	39.7%	11.6%	6.9%
	Net profit	-20.5%	-45.7%	45.4%	12.6%	7.2%
	EPS restated	-21.4%	-41.9%	42.5%	12.0%	6.9%

** Excluding extraordinary items*

Source: Intermonte SIM estimates

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FY09 Results

The table below outlines FY09 results and the comparison with our estimates.

B&C Speakers - Actual vs Estimates

P&L (€ mn)	2H08A	2H09A	YoY Growth	2H09E	Actual vs Estimates	2008A	2009A	2009E	Actual vs Estimates
Net sales	**9.7**	**9.0**	**-7%**	**8.5**	**6%**	**21.4**	**17.2**	**16.7**	**3%**
Value of Production	**9.7**	**9.8**	**0%**	**9.2**	**6%**	**21.5**	**17.4**	**16.8**	**3%**
Costs of raw and consum. materials	(3.4)	(4.0)	18%	(3.7)	10%	(7.9)	(6.6)	(6.2)	6%
% on net sales	*-35.2%*	*-44.7%*		*-43.0%*		*-37.0%*	*-38.3%*	*-37.3%*	
Labour costs	(1.8)	(1.6)	-13%	(2.0)	-19%	(3.8)	(3.2)	(3.6)	-10%
% on net sales	*-19.0%*	*-17.8%*		*-23.2%*		*-17.6%*	*-18.7%*	*-21.5%*	
Other costs	(2.0)	(2.2)	10%	(1.5)	50%	(4.5)	(4.2)	(3.5)	21%
% on net sales	*-20.8%*	*-24.6%*		*-17.4%*		*-20.9%*	*-24.6%*	*-20.9%*	
Extraordinary Costs	(0.2)	(0.2)	20%	0.0	n.m.	(0.2)	(0.2)	0.0	n.m.
EBITDA	**2.3**	**1.7**	**-26%**	**2.1**	**-17%**	**5.2**	**3.2**	**3.5**	**-10%**
Ebitda margin	*24.0%*	*19.2%*		*24.4%*		*24.3%*	*18.5%*	*21.1%*	
D&A	(0.3)	(0.3)	-2%	(0.3)	-13%	(0.3)	(0.5)	(0.5)	-7%
Provisions	(0.0)	(0.0)	-69%	0.1	n.m.	(0.0)	(0.0)	0.1	-130%
EBIT	**2.0**	**1.5**	**-28%**	**1.9**	**-23%**	**4.8**	**2.6**	**3.1**	**-14%**
Ebit margin	*21.0%*	*16.3%*		*22.4%*		*22.5%*	*15.4%*	*18.4%*	
Pre tax profit	**2.1**	**1.4**	**-30%**	**1.9**	**-24%**	**4.8**	**2.6**	**3.1**	**-15%**
Taxes	*(0.7)*	*(0.5)*	*-29%*	*(0.6)*		*(1.7)*	*(1.0)*	*(1.0)*	*-5%*
Net Profit	***1.4***	***0.9***	***-31%***	***1.3***	***-30%***	***3.1***	***1.7***	***2.1***	***-19%***
Minorities	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	0.0	n.m.
Group Net Profit	**1.4**	**0.9**	**-31%**	**1.3**	**-30%**	**3.1**	**1.7**	**2.1**	**-19%**
Net margin	*14.0%*	*10.3%*		*15.6%*		*14.4%*	*9.7%*	*12.4%*	

Source: Intermonte SIM estimates and Company data

Revenues

Consolidated revenues achieved in 2009 amounted to Eu17.2mn, down 19.7% YoY. This marked reduction, however, was almost entirely due to the global financial crisis, and has not caused the group to lose market share. 1H09 was the most serious period of the crisis: sales fell by 30.3% YoY (Eu8.2mn vs. Eu11.7mn vs. 1H08).

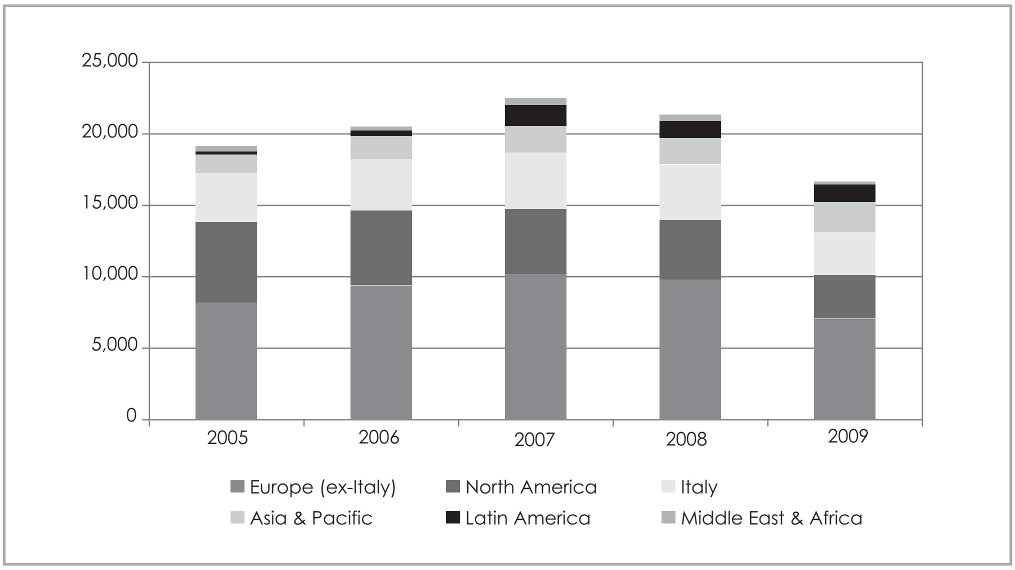
2H showed a significant trend reversal: there was a major recovery compared to 1H (Eu9.0mn in sales vs. Eu8.2mn in 1H), an increase of around Eu1mn. In the same period in 2008 sales fell by around Eu2mn compared to the first half of 2008 (Eu9.7mn vs. Eu11.7mn). The comparison of 2H09 with the same period last year (which had already started to suffer the impact of the crisis as of October), is very comforting, as the drop in sales was "single-digit" (-6.9%).

A YoY comparison of the last quarter of the year paints an even better picture, as turnover in 4Q09 (Eu5.0mn) was 10.2% higher than 4Q08 (Eu4.6mn). The order book at year end confirms this positive trend: in 4Q09 a total of Eu5.1mn of customer orders had been received and approved, whereas in the same period of the previous year orders amounted to Eu4.3mn (a difference of 18.6%).

This positive trend continued into the early months of 2010, indeed at the end of the first three months of the year, 2010 turnover was around 37% higher than in the same period of 2009 at B&C Speakers SpA, which accounts for the vast majority of total turnover: we therefore believe that the company has started to deliver positive results after the efforts made to stimulate demand through the extension of the product range offered. Specifically, the markets in which the foreign subsidiaries operate have recovered well as a result of the dynamism of Asian and American markets, while European markets, and Italy in particular, have been less vibrant.

The table below highlights the revenues trend broken down by geographical area.

Revenues - Geographycal Breakdown



Source: Company data

Costs

Supply of raw materials, consumables and semi-finished goods

During 2009 management's actions were focused on reducing the impact of extraordinary revenue losses on profitability.

As far as consumption costs for raw materials and consumable goods are concerned, the group has successfully implemented acquisition policies aimed at controlling supply costs: indeed, supply costs for raw materials and semi-finished goods (without taking changes in inventory into account), fell by 30% YoY, while considering the impact of inventory this drop would have been 17% YoY. This has led to a slight rise in the ratio of costs to revenue compared to 2008.

In 2H09 alone there was a reduction in supply costs for raw materials and semi-finished goods (taking into account changes in inventory), as a proportion of revenues (compared to the first half of the year). Indeed, the figure fell from 39.6% of revenues in 1H to 37.2% in 2H, allowing profitability to pick up.

Personnel costs

Labour costs fell by around 15% compared to FY08. As this drop was less extensive than the fall in turnover, however, labour costs rose from 17.6% of revenues in 2008 to 18.7% in 2009. During 2009, the weight of labour costs on revenues gradually diminished, going from 19.6% in 1H to 17.8% in 2H (during which period there was no recourse to temporary redundancy funds, but there was a gradual pick up in productivity and turnover); we remind that the parent company partially resorted to use of the temporary redundancy fund for a few months starting in March.

Labour costs therefore contributed in part to the gradual recovery in profitability in the second half of the year.

EBITDA and EBITDA margin

Mainly due to the above trends, EBITDA and the resulting EBITDA margin for the 2009 financial year amounted to Eu3.2mn and 18.5% respectively, significantly lower than the previous financial year, (when EBITDA came to Eu5.2mn, or 24.3% of revenues in the period).

In this case the reduced profitability compared to the same period of the previous year was a direct consequence of the drop in turnover and the subsequent higher incidence of fixed structural costs.

It is also worth considering that EBITDA from the 2009 financial year was reduced by around Eu179,000 from the negative net result of the new services division, compared to the generation of around Eu15,000 in revenues in the start up phase. The EBITDA margin for the group's traditional "core" activity therefore came to 19.5% for the 2009 financial year.

We believe these figures are highly satisfactory, as they have been delivered in a period of major economic crisis, both worldwide and in the specific sector. Indeed, we believe that having generated a double-digit EBITDA margin that is not too far short of 20% is a decidedly positive result.

What's more, 2H09 showed a clear trend of recovering profitability. The EBITDA margin in this period came to 19.2%, higher than the EBITDA margin in 1H09 (which came to 17.7%), and not too far from the 24.0% recorded in 2H08.

Based on the comforting YtD turnover figures (+21% YoY) and the significant order inflow, management is confident that 1Q10 will see profitability return in line with 2008 levels. We have more cautious expectations, and are betting on profitability at the end of 2010 coming in almost 2.0pp lower than was recorded in 2008.

Our greater caution reflects concerns over the rising cost of neodymium magnets, an important component for loudspeakers, as they make them lighter than those that use iron magnets. In our view, if the rising trend for this cost continues, it could well drive significant changes to supply costs.

EBIT and EBIT margin

2009 EBIT came to Eu2.6mn, down on the Eu4.8mn recorded in 2008. In addition to the considerations in the above section, we believe this reduction can be attributed to the launch of the amortisation process for all of the plants and new lines that have come into operation in the new manufacturing structure.

Group net profit and NFP

At the end of 2009 the group's overall profit came to Eu1.7mn, or 9.7% of consolidated revenues. The respective figures in 2008 were Eu3.2mn and 14.4%.

The group's ability to generate cash and its financial solidity were resoundingly confirmed during 2009: at the end of the financial year the net financial position was positive to the tune of Eu0.18mn, while as at 31st December 2008 it was in the red for Eu0.11mn. It should be kept in mind that during 2009 the group distributed Eu1.9mn in dividends and completed the cash out for the investment in readying production capacity at the new plant and for the new lines.

Focus on Recent Developments

1. Brazil

B&C set up a wholly new subsidiary (100% owned) in Brazil at the end of 2009 to satisfy its desire to increase its market share in the country.

The Brazilian market is expected to be worth some US$50mn in terms of total turnover; it is an oligopoly of local companies, with Selenium being the leader with a market share of almost 50%.

By the end of 2010 the company aims to gain a 1% market share.

The table below reports our P&L estimates for the Brazilian subsidiary over the next three years.

B&C Brazil - 2010-11E Profit & Loss

(Eu k)	2010E	2011E	2012E
Value of Production	**440.0**	**462.0**	**508.2**
YoY growth		*5.0%*	*10.0%*
Costs of raw and consumable materials	(281.6)	(298.0)	(325.2)
Labour costs	(74.8)	(75.0)	(75.8)
Commercial costs	(38.0)	(39.1)	(39.9)
Other Costs (G&A)	(27.0)	(26.7)	(26.5)
EBITDA	**18.6**	**23.1**	**40.8**
Ebitda margin	*4.2%*	*5.0%*	*8.0%*
Total D&A	(2.5)	(2.5)	(2.5)
EBIT	**16.1**	**20.6**	**38.3**
Ebit margin	*3.7%*	*4.5%*	*7.5%*

Source: Intermonte SIM estimates

2. Architettura Sonora/Applied Acoustics

Architettura Sonora/Applied Acoustics is the new division of B&C Speakers, active in the manufacturing of professional audio components.

Architettura Sonora is a multi-discipline design oriented team characterised by significant environmental sound composition research, sophisticated sound module design and state of the art acoustical competencies to provide architecture with sonorous experience and multi-sensory design solutions.

After a series of investments, albeit small in scale, Architettura Sonora should start to make a notable contribution to B&C's overall figures as of the current year, thanks to a number of important contracts and potential further developments that could prove to be of significant size.

Reported below are our estimates for the Architettura Sonora P&L over the next two years.

Architettura Sonora - 2009-11E Profit & Loss

(Eu k)	2009A/E	2010E	2011E
Value of Production	**14.8**	**443.9**	**818.1**
YoY growth		*n.m.*	*84.3%*
Costs of raw and consumable materials	(44.3)	(225.8)	(376.7)
Labour costs	(64.9)	(142.8)	(145.9)
Commercial costs	(37.4)	(125.0)	(84.0)
Other Costs (G&A)	(46.5)	(169.4)	(153.4)
EBITDA	**(178.3)**	**(219.1)**	**58.1**
Ebitda margin	*n.m.*	*-49.4%*	*7.1%*
Total D&A	(1.0)	(41.3)	(56.4)
EBIT	**(179.3)**	**(260.4)**	**1.7**
Ebit margin	n.m.	n.m.	0.2%

Source: Intermonte SIM estimates and Company data

In the short term this division will certainly lower overall profitability a little, however we look on this investment in a very positive light given the potential to develop applications in various global markets, thanks in part to the considerable variety of application environments. As a matter of fact, sensory immersion is the desired experience criterion driving the (re)design of private and public space: urban landscapes and gardens, train stations and airports, hospitals and offices, shops and shopping malls, hotels and restaurants, lounges and spa facilities can become highly immersive and cognitively stimulating multi-sensory areas, both temporarily and on a permanent basis.

Architettura Sonora Prospects:

- Masking city noise: creating sound enhanced areas that detach pedestrians from the invasiveness of mechanical and media noises in the city: "…specially designed 'sonic emitters' and site specific interactive music soundscapes integrated within revitalised garden landscape design, can modify users' perceptions and enhance enjoyment in open spaces adversely affected by traffic and other urban noise"
- City multi-sensory oasis design, contextualised in squares and parks, in landscape/naturalistic and architectural sites;
- Experience design for city planning, street furnishing, street signals and urban area renovation;
- Environmental and architectural acoustics;
- Visionary acoustics, experience design and customised visible and invisible sound modules for retail, entertainment and hospitality spaces;
- Comfort design and multi-sensory design for hospitals and rehabilitation centres: creating special luminous and sonorous modules for waiting rooms, noisy laboratories, hospital wards requiring cognitive multi-sensory stimulation;
- Provisional and permanent multi-sensory installations, in parks, squares, public and private buildings;
- Industrial development of sonar and light modules for public and private architecture;
- Home and private acoustic comfort and customised sound interventions: immersive solutions for private housing;
- Customised sound design and sound diffusion design for concerts and public events;
- Site specific multi-sensory interventions and media design for exhibiting spaces;
- Soundscape analysis.

Estimates Revision

The following table details our new estimates for 2010 and 2011, and a comparison with previous estimates.

B&C Speakers - 2010-11 Estimates Revision

(Eu mn)	2009A	New 2010E	New 2011E	Old 2010E	Old 2011E	New vs Old 2010E	New vs Old 2011E
Sales	**17.2**	**19.4**	**20.4**	**17.0**	**17.9**	**14.1%**	**14.1%**
YoY growth	*-19.7%*	*13.0%*	*5.0%*	*2.0%*	*5.0%*		
Value of Production	17.4	19.5	20.5	17.1	18.0	14.0%	14.0%
Costs of raw and consumable materials	(6.6)	(7.5)	(7.8)	(6.1)	(6.4)	23.1%	22.2%
Labour costs	(3.2)	(3.6)	(3.7)	(3.6)	(3.7)	0.1%	-0.1%
Other Costs	(4.2)	(4.0)	(4.1)	(3.3)	(3.5)	19.9%	18.2%
Extraordinary costs	(0.2)	(0.2)	(0.2)	0.0	0.0	n.m.	n.m.
EBITDA	**3.2**	**4.2**	**4.7**	**4.1**	**4.4**	**3.2%**	**6.5%**
Ebitda margin	*18.5%*	*21.8%*	*23.0%*	*24.1%*	*24.6%*		
Total D&A	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	-13.8%	-13.8%
EBIT	**2.6**	**3.8**	**4.2**	**3.5**	**3.9**	**5.8%**	**9.3%**
Ebit margin	15.4%	19.4%	20.7%	20.9%	21.6%		
Net financials	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	n.m.	n.m.
Pre tax profit	2.6	3.7	4.2	3.5	3.8	5.7%	9.2%
Taxes	(1.0)	(1.3)	(1.5)	(1.3)	(1.4)	5.1%	8.6%
Tax Rate	*-36.4%*	*-35.2%*	*-35.0%*	*35.4%*	*35.2%*		
Minorities	0.0	0.0	0.0	0.0	0.0	n.m.	n.m.
Group Net Profit	**1.7**	**2.4**	**2.7**	**2.3**	**2.5**	**6.0%**	**9.5%**

Source: Intermonte SIM estimates Company data

During the first two months of 2010 customer order flows grew steadily. At the end of February 2010 the parent company, B&C Speakers SpA, had received and approved Eu3.4mn of new orders (up around 31% on the same period in 2009, when Eu2.6mn of new orders were received and approved).

The turnover generated by B&C Speakers SpA was much higher in the first three months of 2010 than the same period in 2009, rising by 37%. This figure, when considered together with the excellent start to 2010 witnessed by the American subsidiary, gives rise to assumptions that the 2010 financial year may make good ground towards a return to "pre-crisis" levels of turnover. Our turnover estimates remain much more cautious, however, in spite of the upward revision, forecasting 13% growth over the next three years.

As for profitability, we have reduced the EBITDA margin by around 150bps and the EBIT margin by some 100bps over the next two years, due to the expected greater weight of costs for raw materials and consumables, in light of the forecast recovery in the dollar against the euro and the increase in prices of neodymium, one of the raw materials involved in the production of loudspeakers. What's more, we estimate that in the short term the start up of the new plant in Brazil and investments in Architettura Sonora may put a dent in the group's overall profitability, although as we have elaborated above, we welcome these deals because of the significant growth expected in sales volumes and the opening up of new markets on the back of these strategic developments.

Valuation

We have used a DCF model to value the company. We did not compare the company to peers (as we would normally do) because the only listed companies in similar sectors (Harman-JBL, Loud Technologies and RCF) are actually producers of complete sound systems, not just speakers. For example, Loud Technologies is one of B&C's clients.

DCF

We have assumed a WACC of 9.0%, maintaining group debt at zero given the high amount of cash generated (in a standalone scenario) with a terminal growth rate of 1.0%. We reached an enterprise value of Eu40.9mn, to which we added the company's positive net financial position of Eu0.2mn, and the value attached to the treasury shares (Eu1.9mn). we obtained an equity value of Eu43.0mn. Divided by the number of shares (11.0mn), we get a fair value of Eu3.9 per share.

B&C Speakers - DCF Model

(Eu mn)	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	Term. year
Consolidated net sales	**19.4**	**20.4**	**21.4**	**22.5**	**23.6**	**24.8**	**25.7**	**26.5**	**26.8**
YoY growth rate	*13.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*4.0%*	*3.0%*	*4.0%*
Ebitda	**4.4**	**4.9**	**5.2**	**5.4**	**5.7**	**6.0**	**6.2**	**6.4**	**6.5**
Ebit margin (%)	*22.7%*	*23.9%*	*24.2%*	*24.2%*	*24.2%*	*24.2%*	*24.2%*	*24.2%*	*24.2%*
Amortization & Depreciation	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Ebit	**3.9**	**4.4**	**4.7**	**5.0**	**5.2**	**5.5**	**5.8**	**5.9**	**6.0**
Ebit margin (%)	*20.3%*	*21.6%*	*22.0%*	*22.1%*	*22.2%*	*22.3%*	*22.3%*	*22.4%*	*22.4%*
Change in Working Capital	(0.5)	(0.6)	(0.6)	(0.6)	(0.7)	(0.7)	(0.6)	(0.5)	(0.2)
Capex	(0.7)	(0.6)	(0.6)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)	(0.5)
YoY growth rate	*-3.9%*	*-2.9%*	*-2.9%*	*-2.4%*	*-2.4%*	*-2.4%*	*-2.3%*	*-2.2%*	*-1.7%*
Tax Rate	*35.2%*	*35.0%*	*35.0%*	*35.0%*	*35.0%*	*35.0%*	*35.0%*	*35.0%*	*35.0%*
Taxes on EBIT	(1.4)	(1.5)	(1.6)	(1.7)	(1.8)	(1.9)	(2.0)	(2.1)	(2.1)
Operating Free Cash Flow	**1.8**	**2.2**	**2.3**	**2.5**	**2.6**	**2.7**	**3.0**	**3.3**	**3.7**
Discounting Factor	1.00	0.92	0.84	0.77	0.71	0.65	0.60	0.55	0.50
Discounted Free Cash Flow	**1.8**	**2.0**	**1.9**	**1.9**	**1.9**	**1.8**	**1.8**	**1.8**	**1.9**
WACC	***9.0%***	***9.0%***	***9.0%***	***9.0%***	***9.0%***	***9.0%***	***9.0%***	***9.0%***	***9.0%***
Debt Weight	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cost of debt	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Tax Rate	35.2%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Kd	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
Risk Free	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Risk Premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Beta	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Ke	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Terminal growth (g)									***1.0%***

Actual Value Free Cash Flow	16.9
Terminal Value	47.8
Actual Terminal Value	24.0
Enterprise Value	**40.9**
NFP 2010E	0.2
Treasury shares	1.9
Minorities	0.0
Equity Value	**43.0**
N. of shares (mn):	11.0
Fair value per share (Eu):	**3.9**

Source: Intermonte SIM estimates

EV/ROACE Model

We have used the same assumptions for this method as in our DCF, taking the average between 2011 and 2012 to obtain a fair value of Eu3.6 per share.

B&C Speakers - Ev/Roace Model

(Eu mn)	**2011E**	**2012E**
Capital Employed - year average	11.0	11.7
Ebit	4.2	4.5
ROACE	38.3%	38.5%
Tax load ratio (%)	27.5%	27.5%
ROCEAT	27.8%	27.9%
WACC	**1.0%**	**1.0%**
Terminal growth (g)	1.0%	1.0%
Required return	0.0%	0.0%
EV/CE	3.2	3.2
Enterprise Value (Eu mn)	**34.7**	**37.2**
NFP (-)	0.7	1.1
(+) minorities	0.0	0.0
Fair Value (Eu mn)	**35.4**	**38.3**
Fair value per share (Eu)	**3.5**	**3.7**
Average 2011 - 2012 (Eu per share)	**3.6**	

Source: Intermonte SIM estimate

Target Price Calculation

The average of these two methods results in a target price of Eu3,75 per share.

B&C Speakers - Target Price Calculation

DCF Fair Price calculation	Eu ps	3.90
EV/ROACE Fair Price calculation	Eu ps	3.60
Target Price	**Eu ps**	**3.75**
Current Price	Eu ps	2.75
Potential upside/(downside)		*36%*

Source: Intermonte SIM estimates

Investment Conclusion

BUY confirmed, Tp lifted to Eu3.75 (from Eu3.50)

We are reaffirming our positive stance on the stock, which is currently at a very low price that we struggle to justify. We are raising our target price, based on the average of the fair values obtained through DCF and EV/ROACE valuation methods, following the moderate improvement expected in terms of total turnover over the next few years.

Our positive stance on the stock is based on:

(1) B&C's undisputed ability to maintain extremely good margins even in unprecedented tough times;

(2) market share resilience thanks to high brand awareness and recognition;

(3) the absence of any debt;

(4) positive cashflow that is forecast to grow faster over the next few years than at present;

(5) extremely sound dividend yield, expected to endure in the future.

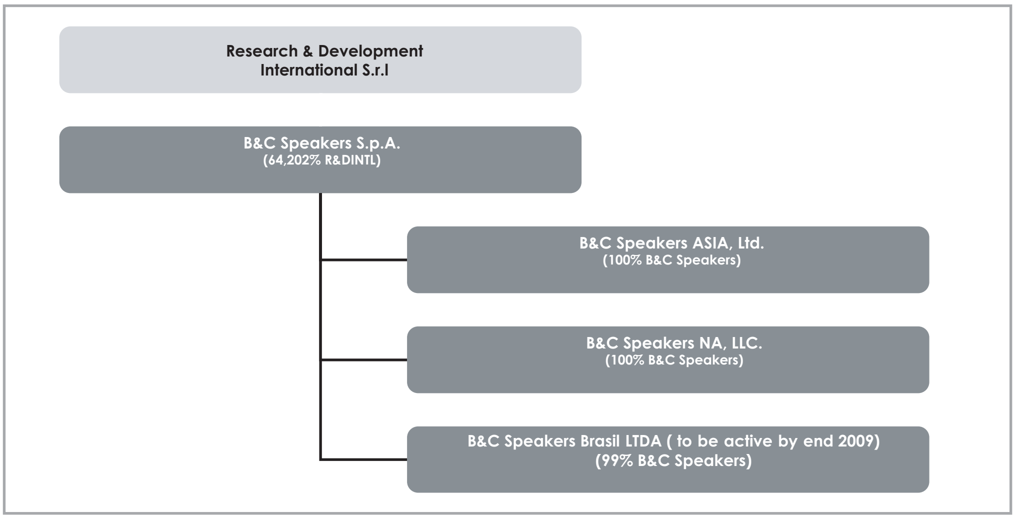
Appendix

I. Who is B&C Speakers?

Since 1945 B&C Speakers has been involved in the design and manufacture of sound transducers. Its primary focus has been on high quality loudspeakers, high frequency drivers and horns for the audio marketplace. The most critical aspects of design, final assembly and quality control are performed internally.

B&C Speakers entrust the other phases of the production cycle (casting, mechanical parts and surface treating) to third parties specialized in specific sectors, thus offering state-of-the-art facilities in all facets of production. Over the years, its small size, on an international scale, has provided B&C Speakers with the necessary flexibility to meet the ever-changing demands of customer's technical teams. B&C Speakers today is one of the key players worldwide in the design, production, distribution and sale of electro-mechanic transducers that convert electrical energy into sound waves.

B&C Speakers - Corporate Structure



Source: Company Financial Statement

These devices, commonly known as loudspeakers, are the main component of acoustical systems used to reproduce music. As shown in the previous chart, the group is made up of the parent company B&C Speakers SpA, and of three commercial companies:

- B&C Speakers Asia Ltd (100% owned), that distributes B&C products throughout Asia.
- B&C Speakers NA LLC (100% owned since 2008), active in the distribution of B&C products to the US and Canada.
- B&C Speakers Brasil LTDA (to be active by the end of 2009; 99% owned by B&C Speakers SpA).

The following table details the group's main shareholders.

tab A -Shareholder Structure

	% Stake	Mn Shares
Coppini Roberto (Research & Development)	64.2%	7.1
Allianz Global Investors Italia SGR	5.4%	0.6
Treasury Shares	6.0%	0.7
Oyster Sicav	4.3%	0.5
Kairos Partners SGR SpA	4.0%	0.4
Float	16.2%	1.8
Total	**100.0%**	**11.0**

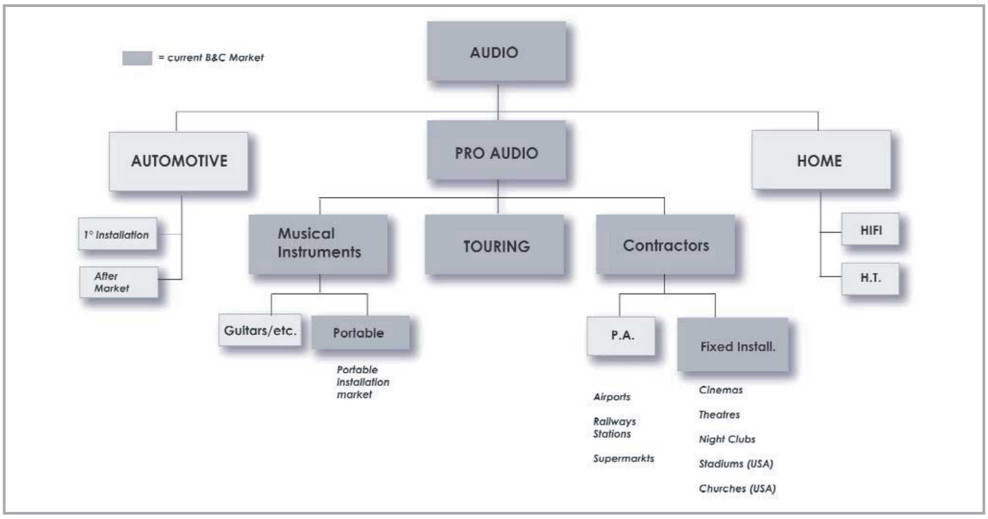
Source: Intermonte SIM estimates

II. The Reference Market

As shown in the following chart, the Audio market can be devided into three main segments:

- Automotive;
- Home;
- Professional Audio (where B&C operates).

B&C Speakers - The Reference Market



Source: Company Presentation

The automotive market is dedicated to acoustic systems that can be installed on motor vehicles, and can be further divided into:

- **original equipment:** this is the most important segment – sound systems made by the main OEMs for car manufacturers.
- **after market:** a niche segment that targets retail customers who desire high quality products for their motor vehicles.

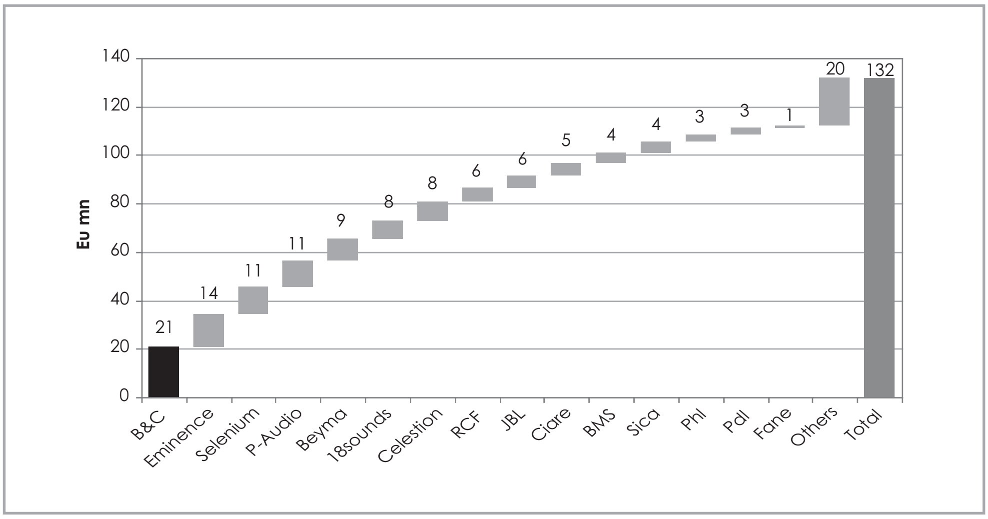
The home market refers to acoustic systems that are installed in houses and apartments, and can be further divided into:

- **high fidelity:** the classic domestic audio system market designed to reproduce music; it is characterised by a wide range of both products and prices.
- **home theatre:** audio systems with multiple channels to reproduce sound; these products are devices for domestic use that seek to reproduce cinema audio quality in the home.

The professional audio market is where B&C Speakers operates: it is a niche market that provides high quality loudspeakers to professional audio system producers, characterised by high power and high performance devices.

Within the audio market, B&C therefore operates in a niche, providing high quality loudspeakers to professional audio system producers. In 2008, this niche market is estimated to have amounted to Eu132mn worldwide and B&C was the leader with a 16% market share. The rest of the market is split up between about 20 other producers, with the number two operator claiming a share of around 10%.

B&C Speakers - Pro-Audio 2008 Worldwide Turnover



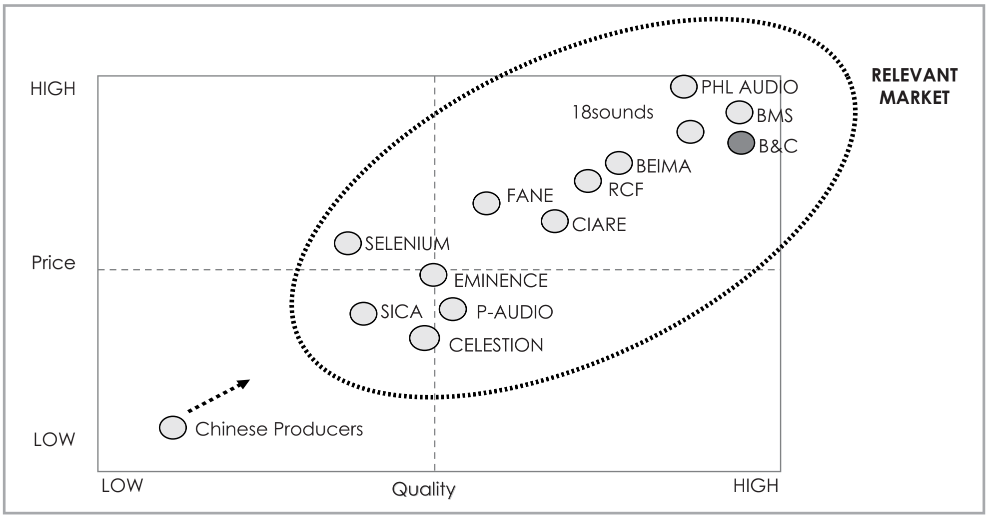
Source: Intermonte SIM estimates

The professional audio market can be separated by quality into:

- **the high end,** in which B&C is market leader with a 16% share. Other producers at this end include PHL Audio, BMS, and Italian companies 18Sounds, RCF e Ciare, Beima and Eminence;
- **the low end,** dominated by Far East producers of much lower quality products.

The following chart details the B&C positioning onto the loudspeaker segment.

B&C Speakers - Placing & Pricing



Source: Intermonte SIM estimates

B&C offers the highest level of quality and is in the high price range even within the high end of the market, although it is not the producer that charges the highest prices. The professional audio market, characterised by high power and high performance devices, can also be divided into three segments:

- **Touring:** transportable systems devised for live public concerts and events;
- **Contractors:** fixed systems for public structures such as stadiums, cinemas, theatres, night clubs and religious institutions;
- **Musical Instruments:** portable audio systems designed for a more moderate number of listeners – for bands, clubs and bars.

Each of these three sub-segments represents about a third of B&C's turnover. The **Touring** segment is where there is the greatest demand for high quality and performance. It is also the sub-segment with the lowest pressure on prices, and B&C is clearly the leader. Loudspeakers weight only about 10-15% on the total value of a sound system in this field, but they are the most critical component in terms of sound quality; therefore, professionals are unwilling to sacrifice quality in exchange for lower prices. Paradoxically, the Touring segment has expanded in conjunction with the phenomenon of digital music. As file sharing of digital music has reduced the sales of compact discs, the music industry has started looking to recover revenues by increasing the number of live concerts. The Touring market's annual growth rate went from 9% in 1999 (before widespread file sharing) to 16% a few years later, with expectations for 10-12% growth over the next few years.

The **Contractors** sub-segment is less stringently linked to quality; consequently, there is tougher competition and more price pressure. Growth prospects in this area are driven by several different factors: (1) growth in the number of cinemas, especially in the US and China, and a tendency to divide multiplex cinemas into a larger number of smaller movie theatres; (2) growth in usage by religious institutions; (3) new structures and the renovation of existing ones, for example, stadiums in China and college campuses in the US. In this sub-segment, a growth rate of about 10% is expected for the next few years.

The **Musical Instruments** sub-segment is marked by the lowest quality content, the lowest margins and the highest level of competition. Growth prospects are also less buoyant, at around 5%.

With regard to sales channels, B&C sells 75% of its products directly to original equipment manufacturers (OEM), with which it has established long-term relationships. The remaining 25% is sold through a network of distributors. The directly managed OEM clients request customised products: the whole acoustic system is often designed together with the loudspeaker design, especially in the Touring sub-segment, with an exchange of know-how that increases customer loyalty. Among B&C's clients are major international producers of pro audio systems like Nexo, Martin Audio, Bose, Yamaha, L-Acoustics, Loud Technologies and Turbosound. There has been a recent tendency to outsource part of loudspeaker production, even from companies that used to produce all components internally, such as Electrovoice.

The other 25% of sales are carried out through distributors who make use of product catalogues to supply small OEMs, installers and retailers of individual components. Via the distributors channel, B&C is present in 70 countries and on every continent. Previously managed as a secondary channel, the company is now aiming to strengthen its distribution network, particularly in South America and in other emerging countries. To this end, a new manager has been hired to oversee development of the distributors channel, as the company aims to double turnover from distributors over the next three years. This will be made possible in part by an increase in production capacity: up until now, the limited production capacity has forced the company to give preference to the OEM channel.

On a "defensive" note, this sector does not have major entry barriers like an intensive use of patenting or a need for heavy investments in technology, but other factors enter into play in favour of B&C. The technical know-how required, together with the small market size, discourages new producers from entering this niche. Moreover, the high level of quality required, along with the exchange of know-how with OEMs, make it too risky for these manufacturers to turn to less dependable partners.

III. Market Trends

The Touring segment is where there is the greatest demand for high quality and performance.

It is also the sub-segment with the lowest pressure on prices, and B&C is clearly the leader.

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This trend does not seem to be approaching a slowdown of any kind. In spite of recent attempts by record labels to generate income via online music sales, this has not been enough to offset the ongoing decline in CD sales (-20% worldwide). As a result, both artists and labels are signing partnerships with live concert companies (e.g. Warner Music and Madonna).

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(1) growth in the number of cinemas, especially in the US and China, and a tendency to divide multiplex cinemas into a larger number of smaller movie theatres;

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IV. The Products

B&C's products can be divided into five categories:

- LF Drivers: these are low to mid frequency speaker devices with traditional, ferrite magnets.
- LF Nd Drivers: low and mid frequency speakers with neodymium magnets: neodymium is a material that allows a reduction in size and weight, but it is more delicate and more costly.
- HF Drivers: these high frequency compression devices work together with horns
- Horns: used with HF drivers. A patent is pending on these devices.
- Coaxials: these devices join high frequency (HF) and low frequency (LF) speakers into a single unit. B&C holds an international patent on these products.

With regard to 2008 sales percentages, HF drivers account for 31%, the two categories of LF drivers account for 56%, coaxials represent 7%, while others, including horns, represent 5%.

From a technical point of view, in addition to the high fidelity sound, factors such as wear and resistance to heat, as well as weight and durability in transport, especially in the touring segment, are very important.

As for the production process itself, the company purchases semi-finished goods, completing the design and assembly internally, with the exception of a few high-value, strategic components (e.g. aluminium membranes) that are produced internally from scratch in order to protect know-how.

Over the last few years, the costs of semi-finished goods has been influenced by an increase in the price of metals, especially iron and aluminium.

The company has reacted by acquiring less strategic yet more costly materials like magnets from low-cost countries (and those linked to USD currency), which represented around 30% of supply acquisitions in 2007, up from 9% in 2002.

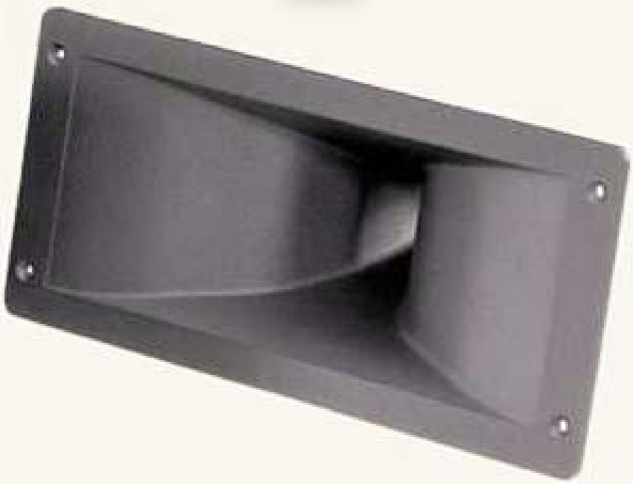
B&C Speakers - Products

LF Drivers

LF Nd Drivers

HF Drivers

Horn



Coaxial

Main Components of a Loudspeaker

Source: Company presentation

V. The New Products

Reaffirming their commitment to producing a full range of premium quality, value focused high and low frequency components, B&C has addressed the extremes in their offerings at the recent 2010 Frankfurt ProLight&Sound fair.

New to the high performance "SW Series" subwoofers is the 18SW100. This 3,000 watt, neodymium motor subwoofer incorporates an impressive range of features including B&C's split winding voice coil technology, that dramatically reduces distortion and non-linearity. Other features include a ventilated voice coil gap for reduced power compression, and an aluminum demodulation ring that further reduces distortion.

At just 2.5 inches in diameter, the new DE7 offers unparalleled output from a small format high frequency driver. Though the package is small, the 109dB sensitivity makes these little wonders sound larger than life. While originally targeted at small format line array, the DE7 is appropriate for a wide variety of applications, especially when combined with B&C's new, small format ME7 exponential horn.

The new DE850TN neodymium high frequency driver offers an excellent price/performance ratio. This smooth and natural sounding, 2" exit high frequency driver is aimed at the budget conscious builder. Featuring the same high performance 3" voice coil and titanium diaphragm as the top-of-the-line DE950TN, the DE850TN cuts just the right corners, reflecting virtually no performance sacrifice.

Also new is the DE120 neodymium high frequency driver. This small format driver weighs in at just over one pound (0.5 Kg) and is aimed squarely at the small format, 1" exit market. At less than half the volume of the well respected DE12 driver, the super smooth and natural sounding DE120 will be a welcome alternative as designers strive to fit more output into a smaller, lighter package. Samples are available now.

The B&C team has also widened their product range even further, introducing a new 6" coaxial speaker, as well as 5" midrange/fullrange woofers. They are also now shipping the new BG series, rubber surround, deep bass subwoofers and CL Series steel frame, neodymium woofers.

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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.

The stock price indicated is the reference price on the day prior to the publication of the report.

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OUTPERFORM: 29.23%

NEUTRAL: 32.38%

UNDERPERFORM: 13.85%

SELL: 3.08%

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OUTPERFORM: 14.29%

NEUTRAL: 47.61%

UNDERPERFORM: 0.00%

SELL: 0.00%

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Stock	**B&C Speakers**		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	3.75	Previous Target (Eu):	3.5
Current Price (Eu):	2.75	Previous Price (Eu):	2.59
Date of Report:	13/04/10	Date of Last Report:	28/09/09

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website www.intermonte.it/mifid

Further information is available