Italian Research | Company Update | Milan, April 19, 2011

Intermonte

B&C SPEAKERS — OUTPERFORM

SECTOR: Industrials

Price (Eu): 3.78

Target Price (Eu): 4.70

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Top Quality Results Driven by Top Quality Products

- **2H10 results above our estimates.** B&C Speakers closed 2H10 posting a good set of results, above our already positive expectations. In detail: the company reported 2H10 revenues of Eu12.1mn (some 11% above our expectation of Eu10.9mn), EBITDA of Eu2.2mn (vs. our estimate of Eu1.8mn), EBIT of Eu1.9mn (31% above our Eu1.5mn), and Eu1.2mn in net profit (20% above our Eu1.0mn estimate). FY10 margins improved steadily: the EBITDA margin was 20.3% (a YoY improvement of about 200bps), above our 19.3% estimate; the EBIT margin, at 17.6%, again beat our bullish estimate of 16.5%. The dividend was well above our Eu0.16 estimate, as there will be a bonus issue of one treasury share for every 15 shares owned, equivalent to a payout of Eu0.24/share. Finally, the net financial position closed in the red at Eu-0.7mn, worse than our expectation for a positive Eu0.3mn.

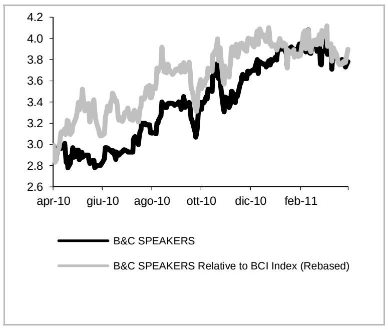
- **FY11-12E EPS estimates raised significantly.** We are revising our estimates upwards by more than 15% on average over the next two years. Not only do we now expect higher turnover, but B&C is likely to attain additional operating average thanks to attentive cost containment, the full implementation of the new production plant, as well as a higher contribution from its Brazilian subsidiary and from the new Architettura Sonora division. The innovative Architettura Sonora product range is being completed and the division has pinpointed appropriate sales channels.

- **OUTPERFORM confirmed, target price raised from Eu3.95 to Eu4.70.** We are reaffirming our positive stance on the stock and confirming our OUTPERFORM recommendation, increasing our target price to Eu4.70 (from Eu3.95). The target price is calculated by averaging fair values obtained through DCF and EV/ROACE valuation methods, which have both gone up on the back of tangible increases in the total turnover and margins we expect B&C will generate over the next few years. B&C Speakers is characterized by its undisputed ability to maintain extremely good margins even in unprecedented tough times, as well as by a resilient market share thanks to high brand recognition. Furthermore, the company has no net debt and is expected to generate growing cashflows over the next few years, thanks to an EBITDA margin of almost 25% on average and an EBIT margin of 20%.

Key Figures	2009A	2010A	2011E	2012E	2013E
Sales (Eu mn)	17	23	26	29	30
Ebitda (Eu mn)	3	5	6	7	8
Net profit (Eu mn)	2	3	3	4	5
EPS - New (Eu)	0.16	0.25	0.31	0.36	0.41
EPS - Old (Eu)		0.22	0.27	0.29	
DPS (Eu)	0.13	0.00	0.20	0.22	0.26

Ratios & Multiples	2009A	2010A	2011E	2012E	2013E
P/E	23.3	15.1	12.3	10.6	9.1
Div. Yield	3.4%	0.0%	5.2%	5.9%	6.9%
EV/Ebitda	12.2	8.3	6.5	5.5	4.7
ROCE	23.1%	34.0%	48.2%	52.7%	59.1%

B&C SPEAKERS - 12m Performance



Eu/USD: 1.40 2011/12

RATING: Unchanged		
TARGET PRICE (Eu): from 3.95 to 4.70		
Change in EPS est:	**2011E**	**2012E**
	12.7%	**21.5%**

STOCK DATA

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

Performance	1m	3m	12m
Absolute	-2.5%	-1.0%	21.9%
Relative	-3.9%	-0.9%	26.9%
12 months H/L:			4.08/2.78

SHAREHOLDER DATA

No. of Ord. shares (mn):	11
Total No. of shares (mn):	11
Mkt Cap Ord (Eu mn):	42
Total Mkt Cap (Eu mn):	42
Mkt Float - ord (Eu mn):	10
Mkt Float (in %):	*24.7%*
Main shareholder:	
Research & Development Int.	64.2%

BALANCE SHEET DATA	2011
Book value (Eu mn):	13
BVPS (Eu):	1.20
P/BV:	3.1
Net Financial Position (Eu mn):	2
Enterprise value (Eu mn):	40

B&C SPEAKERS - *KEY FIGURES*

		2009A	2010A	2011E	2012E	2013E
	Fiscal year end	31/12/2009	31/12/2010	31/12/2011	31/12/2012	31/12/2013
PROFIT & LOSS (Eu mn)	Sales	17	23	26	29	30
	EBITDA	3	5	6	7	8
	EBIT	3	4	5	6	7
	Financial income (charges)	(0)	0	0	0	0
	Associates & Others	0	(0)	(0)	(0)	(0)
	Pre-tax profit (Loss)	3	4	5	6	7
	Taxes	(1)	(2)	(2)	(2)	(3)
	Tax rate (%)	36.4%	37.5%	37.5%	37.5%	37.5%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	2	3	3	4	5
	Total extraordinary items	(0)	(0)	0	0	0
	Ebitda excl. extraordinary items	3	5	6	7	8
	Ebit excl. extraordinary items	3	4	5	6	7
	Net profit restated	2	3	3	4	5
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	11	11	11	11	11
	EPS stated fd	0.15	0.24	0.31	0.36	0.41
	EPS restated fd	0.16	0.25	0.31	0.36	0.41
	BVPS fd	0.90	0.94	1.20	1.36	1.55
	Dividend per share (ord)	0.13	0.00	0.20	0.22	0.26
	Dividend per share (sav)	0.00	0.00	0.00	0.00	0.00
	Dividend pay out ratio (%)	85.7%	0.0%	0.0%	0.0%	0.0%
CASH FLOW (Eu mn)	Gross cash flow	2	3	3	4	5
	Change in NWC	1	(1)	0	0	(0)
	Capital expenditure	(1)	(1)	(1)	(1)	(1)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	2	1	3	3	4
	Acquisitions, divestments & others	0	0	0	0	0
	Dividend	(2)	(1)	0	(2)	(2)
	Equity financing/Buy-back	(0)	(1)	(1)	0	0
	Change in Net Financial Position	0	(1)	2	1	2
BALANCE SHEET (Eu mn)	Total fixed assets	4	5	5	6	6
	Net working capital	10	11	10	10	10
	Long term liabilities	(1)	(5)	(4)	(4)	(4)
	Net capital employed	13	11	12	12	13
	Net financial position	0	(0)	2	3	4
	Group equity	10	10	13	15	17
	Minorities	0	0	0	0	0
	Net equity	10	10	13	15	17
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	42	42	42	42	42
	Adjustments (associate & minorities)	0	1	0	0	0
	Net financial position	0	(0)	2	3	4
	Enterprise value	41	41	40	39	37
RATIOS(%)	EBITDA margin*	19.5%	21.3%	23.3%	24.5%	26.0%
	EBIT margin*	16.4%	18.6%	20.7%	21.9%	24.1%
	Gearing - Debt/equity	-2.3%	4.7%	-11.9%	-18.7%	-26.4%
	Interest cover on EBIT	198.0	nm	nm	nm	nm
	Debt/Ebitda	nm	0.10	nm	nm	nm
	ROCE*	23.1%	34.0%	48.2%	52.7%	59.1%
	ROE*	16.6%	25.9%	28.9%	27.8%	28.5%
	EV/CE	3.6	3.4	3.5	3.3	3.0
	EV/Sales	2.4	1.8	1.5	1.4	1.2
	EV/Ebit	14.5	9.5	7.4	6.2	5.1
	Free Cash Flow Yield	5.8%	2.9%	6.1%	8.2%	10.0%
GROWTH RATES (%)	Sales	-19.7%	36.3%	12.0%	9.0%	6.0%
	EBITDA*	-37.2%	48.4%	22.7%	14.4%	12.9%
	EBIT*	-43.2%	54.2%	25.0%	15.2%	16.5%
	Net profit	-45.7%	56.6%	29.9%	15.2%	16.5%
	EPS restated	-41.9%	54.7%	22.9%	15.2%	16.5%

** Excluding extraordinary items*

Source: Intermonte SIM estimates

2H10 RESULTS

The table below outlines 2H10 and FY10 results compared to our estimates.

B&C Speakers - P&L (€ mn)	2H09A	2H10A	YoY growth	2H10E	Act vs Est	2009A	2010A	Act vs Est	2010E	Act vs Est
Net sales	**9.0**	**12.1**	**34%**	**10.9**	**11%**	**17.2**	**23.4**	**36%**	**22.1**	**6%**
Value of Production	**9.8**	**11.4**	**16%**	**9.8**	**16%**	**17.4**	**23.6**	**36%**	**22.1**	**7%**
Costs of raw and cons materia	(4.0)	(3.9)	-4%	(4.3)	-10%	(6.6)	(8.6)	31%	(9.1)	-5%
% on net sales	-44.7%	-31.9%		-39.7%		-38.3%	-36.9%		-41.0%	
Labour costs	(1.6)	(2.2)	38%	(1.9)	15%	(3.2)	(4.4)	36%	(4.1)	7%
% on net sales	-17.8%	-18.3%		-17.7%		-18.7%	-18.6%		-18.4%	
Other costs	(2.2)	(2.8)	26%	(1.8)	55%	(4.2)	(5.6)	33%	(4.6)	21%
% on net sales	-24.6%	-23.1%		-16.6%		-24.6%	-24.1%		-20.9%	
Extraordinary Costs	(0.2)	(0.2)	n.m.	0.0	n.m.	(0.2)	(0.2)	30%	0.0	n.m.
EBITDA	**1.7**	**2.2**	**30%**	**1.8**	**26%**	**3.2**	**4.7**	**50%**	**4.3**	**11%**
Ebitda margin	19.2%	18.6%		16.5%		18.5%	20.3%		19.3%	
D&A	(0.3)	(0.3)	18%	(0.3)	-13%	(0.5)	(0.6)	14%	(0.6)	-7%
Provisions	(0.0)	(0.0)	326%	0.0	n.m.	(0.0)	(0.1)	n.m.	0.0	n.m.
EBIT	**1.5**	**1.9**	**30%**	**1.5**	**31%**	**2.6**	**4.1**	**56%**	**3.7**	**12%**
Ebit margin	16.3%	15.8%		13.4%		15.4%	17.6%		16.5%	
Pre tax profit	**1.4**	**1.9**	**32%**	**1.5**	**27%**	**2.6**	**4.2**	**59%**	**3.8**	**11%**
Taxes	(0.5)	(0.7)	34%	(0.5)		(1.0)	(1.6)	64%	(1.4)	
Net Profit	**0.9**	**1.2**	**32%**	**1.0**	**20%**	**1.7**	**2.6**	**57%**	**2.4**	**8%**
Minorities	0.0	(0.0)	n.m.	(0.0)	n.m.	0.0	0.0	n.m.	0.0	n.m.
Group Net Profit	**0.9**	**1.2**	**30%**	**1.0**	**20%**	**1.7**	**2.6**	**57%**	**2.4**	**8%**
Net margin	10.3%	10.0%		9.3%		9.7%	11.2%		10.9%	

Revenues

Consolidated revenues in the second half of 2010 amounted to Eu12.1mn, growing a substantial 34% from the Eu9.0mn in the second half of 2009 and above our bullish Eu10.9mn estimate. The very strong growth trend that began in 2H09 has therefore carried on. Based on the order backlog value, it appears this top line trend will continue, and that the company could increase its market share. Consolidated 2H10 sales were in fact above the Eu11.0mn achieved in 2H07, which was the group's best ever 2H sales figure.
Another very comforting fact, as illustrated in the table below, is that YoY sales growth was in double digits in every single geographical area. Growth rates were strongest in Middle East & Africa (up 130%) and in Latin America (up 75%) and North America (up 43%), demonstrating that the company is reaping the rewards of both its decision to widen its range of products and its efforts to reorganise and strengthen its global sales network.

Geographical B'down	2010	% on sales	2009	% on sales	YoY % chg	2008	% on sales	YoY % chg	2007	% on sales	YoY % chg
Europe (ex-Italy)	9,126	39.0%	7,064	41.2%	29.2%	9,817	45.9%	-28.0%	10,211	45.4%	-3.9%
North America	4,967	21.2%	3,470	20.2%	43.1%	4,164	19.5%	-16.7%	4,528	20.1%	-8.0%
Italy	3,922	16.8%	3,017	17.6%	30.0%	3,880	18.2%	-22.2%	3,942	17.5%	-1.6%
Asia & Pacific	2,753	11.8%	2,180	12.7%	26.3%	1,844	8.6%	18.2%	1,861	8.3%	-0.9%
Latin America	2,141	9.2%	1,225	7.1%	74.8%	1,186	5.5%	3.3%	1,466	6.5%	-19.1%
Middle East & Africa	479	2.0%	207	1.2%	131.2%	478	2.2%	-56.7%	494	2.2%	-3.3%
Total	**23,388**	**100.0%**	**17,163**	**100.0%**	**36.3%**	**21,369**	**100.0%**	**-19.7%**	**22,502**	**100.0%**	**-5.0%**

Costs

Supply of raw materials, consumables and semi-finished goods

The group has enjoyed the benefits of a supply cost containment policy. For raw materials, consumables and semi-finished goods, the company spent Eu3.9mn, down 4% YoY and 10% below our Eu4.3mn estimate; this comes to 31.9% of sales, lower than our expectation for an incidence of 39.7%, and much lower than the 44.7% registered in 2H09.

Personnel costs

The cost of labour remained stable as a percentage of sales, at about 18.3%, despite having brought employees in temporary redundancy back onto the ordinary payroll.

Other costs

Expenses for services and the use of third party goods rose Eu0.6mn from the 2H09 figure, but amounted to only 23.1% of sales, down from 24.6% last year. However, this is worse than our expectation for a decrease in the incidence of this item to 16.6%.

EBITDA and EBITDA margin

Chiefly due to the dynamics cited above, EBITDA in 2H10 came in at Eu2.5mn, or 18.6% of sales. This is clearly an improvement on the 2H09 EBITDA of Eu1.7mn, and was also about 25% better than our estimate of Eu1.8mn, with the margin 110bps higher than our 16.5% estimate. This recovery in profitability is a direct consequence of the better than forecast increase in sales, and the lower cost of raw and consumable materials.

It is also worth keeping in mind that limited EBITDA from the "Sound Architecture" division influenced the consolidated figure in 2H10, as this division is still in a start-up phase. Therefore, the 'core' businesses' EBITDA margin in 2010 was 23.0% of revenues, not far off the 24.3% achieved in FY 2008, and is clearly confirmation that the recovery trend that began in the second half of 2009 is continuing.

Based on the comforting YTD turnover figures (+41% YoY) and buoyant order inflow, management is confident that FY11 will see profitability return further improving relative to 2010 levels. Our expectations are that FY 2011 profitability will be around 3ppts higher than in 2010, but 1ppt lower than in 2008.

EBIT and EBIT margin

Second half EBIT amounted to Eu1.9mn, almost 30% more than our Eu1.5mn estimate and a whopping 32% higher than in the second half of 2009. 2H10 EBIT was still one third short of the 2H07 figure of Eu2.7mn, attributable to the new services division's result and, more importantly, the start of depreciations on all of the plants and new production lines in B&C's new production process: total depreciations amounted to Eu0.3mn in 2H10, compared to just Eu0.1mn in 1H07.

Group net profit and net financial position

The group's total net profit in the second half of 2010 was Eu1.2mn, which is 10.0% of consolidated sales. This is 30% more than the 2H09 figure and 20% better than our Eu1.0mn estimate (we were expecting an incidence of 9.3% of consolidated sales).

With a negative net financial position of Eu0.73mn (from the positive Eu0.18mn as at 31st December 2009), the group has maintained excellent financial stability, especially considering that in May 2010, the company paid shareholders a total of Eu1.34mn in dividends (Eu0.13 per outstanding ordinary share).

ESTIMATES REVISION

The following table shows our new estimates for 2011 and 2012, comparing them with our previous estimates.

B&C Speakers - Estimates Revision

	New	Old		New	Old	
B&C Speakers - P&L (Eu mn)	**2011E**	**2011E**	**New vs Old**	**2012E**	**2012E**	**New vs Old**
Sales	26.2	23.9	*9.5%*	28.6	25.1	*13.7%*
YoY growth	*12.0%*	*8.0%*		*9.0%*	*5.0%*	
Value of Production	26.2	23.9	*9.5%*	28.7	25.2	*13.7%*
Costs of raw and consumable materials	(9.7)	(9.6)	*1.1%*	(10.7)	(10.0)	*6.4%*
Labour costs	(4.6)	(4.2)	*8.6%*	(4.9)	(4.4)	*10.8%*
Other Costs	(5.8)	(4.8)	*22.2%*	(6.1)	(5.0)	*22.3%*
Extraordinary costs	0.0	0.0	*n.m.*	0.0	0.0	*n.m.*
EBITDA	**6.1**	**5.4**	***14.1%***	**7.0**	**5.8**	***21.0%***
Ebitda margin	*23.3%*	*22.4%*	*+90bps*	*24.5%*	*23.0%*	*+150bps*
Total D&A	(0.7)	(0.7)	*3.1%*	(0.7)	(0.7)	*-2.6%*
EBIT	**5.4**	**4.7**	***15.6%***	**6.3**	**5.0**	***24.5%***
Ebit margin	*20.7%*	*19.7%*	*+100bps*	*21.9%*	*20.0%*	*+190bps*
Net financials	0.0	0.0	*n.m.*	0.0	0.0	*n.m.*
Pre tax profit	5.4	4.7	*14.5%*	6.3	5.1	*23.4%*
Taxes	(2.0)	(1.7)	*17.6%*	(2.3)	(1.9)	*26.8%*
Tax Rate	*-37.5%*	*-36.5%*		*-37.5%*	*-36.5%*	
Minorities	0.0	0.0	*n.m.*	0.0	0.0	*n.m.*
Group Net Profit	**3.4**	**3.0**	***12.7%***	**3.9**	**3.2**	***21.5%***

Source: Intermonte SIM estimates; Company data

A very positive sales trend is supported by incoming customer orders to B&C Speakers S.p.A. Inflow hit a record high Eu4.2mn in 2M11, 24% more than the Eu3.4mn in 2M10. Turnover in the first two months of the current year was also 41% higher than in 2M10. Combined with the American subsidiary's excellent start to 2011, it seems more than likely that the company will improve on both the turnover and operating profit figures recorded in 2010.

Given that the increase in orders is even more extensive than the already impressive rise in turnover, we believe that the group may well achieve very high production and sales volumes during 2H10.

There was a considerable recovery in turnover from 2009 figures, and actions have been taken to keep costs under control, especially fixed and labour costs. This provides some room for continued investments, in order to provide the group with the best tangible and intangible resources. We believe that the company will continue to invest heavily in research and development (both through existing projects being carried to completion and new attractive development projects that are also likely to be pursued).

In light of these considerations, we believe that our previous expectations in terms of profitability and net profit may be viewed as conservative. We are revising our estimates upwards, especially in light of more aggressive expectations in terms of an increase in turnover and a further pick-up in profitability following on from the excellent result delivered in 2010, thanks to a lower weight of fixed costs, as well as improved profitability from both the company's Brazilian subsidiary and the new "Architettura Sonora" division: this division's innovative product range is being completed and appropriate sales channels have been pinpointed.

VALUATION

We have used a DCF model to evaluate 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 9.6%, maintaining group debt at zero given the high amount of cash generated (in a standalone scenario) with a terminal growth rate of 2.0%. We reached an enterprise value of Eu50.7mn, to which we added the company's estimated positive net financial position of Eu1.6mn, and the value attached to the treasury shares (Eu0.2mn). We obtained an equity value of Eu52.5mn. Divided by the number of shares (11.0mn), we get a fair value of Eu4.80 per share.

B&C Speakers - DCF (€ mn)	2011E	2012E	2013E	2014E	2015E	2016E	2017E	Terminal year
Consolidated net sales	**26.2**	**28.6**	**30.3**	**31.5**	**32.6**	**33.6**	**34.4**	**35.1**
YoY growth rate	12.0%	9.0%	6.0%	4.0%	3.5%	3.0%	2.5%	4.5%
Ebitda	**6.1**	**7.0**	**7.4**	**7.5**	**7.6**	**7.7**	**7.9**	**8.0**
Ebit margin (%)	23.3%	24.5%	24.4%	23.9%	23.4%	22.9%	22.9%	22.9%
Amortization & Depreciation	(0.7)	(0.7)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Ebit	**5.4**	**6.3**	**6.8**	**6.9**	**7.1**	**7.1**	**7.3**	**7.5**
Ebit margin (%)	20.7%	21.9%	22.4%	22.0%	21.6%	21.2%	21.3%	21.3%
Change in Working Capital	0.3	0.2	(0.0)	(0.4)	(0.4)	(0.3)	(0.3)	(0.2)
Capex	(0.9)	(0.9)	(0.9)	(1.0)	(1.0)	(1.0)	(1.0)	(0.6)
YoY growth rate	-3.3%	-3.2%	-3.1%	-3.1%	-3.1%	-3.0%	-2.9%	-1.6%
Tax Rate	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%
Taxes on EBIT	(2.0)	(2.3)	(2.5)	(2.6)	(2.6)	(2.7)	(2.7)	(2.8)
Operating Free Cash Flow	**3.5**	**3.9**	**3.9**	**3.5**	**3.6**	**3.7**	**3.8**	**4.4**
Discounting Factor	1.00	0.91	0.83	0.76	0.69	0.63	0.58	0.53
Discounted Free Cash Flow	**3.5**	**3.6**	**3.2**	**2.7**	**2.5**	**2.3**	**2.2**	**2.3**
WACC	**9.6%**	**9.6%**	**9.6%**	**9.6%**	**9.6%**	**9.6%**	**9.6%**	**9.6%**
Debt Weight	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%
Tax Rate	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%
Kd	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
Risk Free	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%
Risk Premium	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
Ke	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%
Terminal growth (g)								**2.0%**

Actual Value Free Cash Flow	20.0
Terminal Value	58.3
Actual Terminal Value	30.7
Enterprise Value	**50.7**
(+) net debt 2011	1.6
(+) Treasury shares	0.2
(+) minorities	0.0
Total Value	**52.5**
N. of shares (mn):	11.0
Fair value per share (€):	**4.8**

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 2013 (discounted back) to obtain a fair value of Eu4.60 per share.

B&C Speakers - Ev/Roace Model (Eu mn)	2011E	2012E	2013E
Capital Employed - year average	11.2	11.9	12.3
Ebit	5.4	6.3	7.3
ROACE	48.5%	52.7%	59.1%
Tax load ratio (%)	27.5%	27.5%	27.5%
ROCEAT	35.1%	38.2%	42.8%
WACC	**0.0%**	**0.0%**	**0.0%**
Terminal growth (g)	2.0%	2.0%	2.0%
Required return	-2.0%	-2.0%	-2.0%
EV / CE	3.7	4.0	4.5
Enterprise Value (Eu mn)	**41.0**	**47.3**	**55.1**
NFP (-)	1.6	2.8	4.5
(+) minorities	0.0	0.0	0.0
Fair Value (Eu mn)	**42.6**	**50.1**	**59.6**
Fair value per share (Eu)	**4.07**	**4.75**	**5.61**
Average 2011 - 2013 disc. back (Eu ps)	**4.6**		

Source: Intermonte SIM estimates

Target Price Calculation

The average of these two methods results in a target price of Eu4.70 per share.

B&C Speakers - Target Price calculation		
DCF Fair Price calculation	Eu ps	4.80
EV/ROACE Fair Price calculation	Eu ps	4.60
Target Price	Eu ps	4.70
Current Price	Eu ps	3.78
Potential upside/(downside)		24%

Source: Intermonte Sim Estimates

INVESTMENT CONCLUSION

OUTPERFORM confirmed, target price raised from Eu3.95to Eu4.70.

We are reaffirming our positive stance on the stock and confirming our OUTPERFORM recommendation, increasing our target price to Eu4.70 (from Eu3.95). The target price is calculated by averaging fair values obtained through DCF and EV/ROACE valuation methods, which have both gone up on the back of tangible increases in the total turnover and margins we expect B&C will generate over the next few years.

B&C Speakers is characterized by its undisputed ability to maintain extremely good margins even in unprecedented tough times, as well as by a resilient market share thanks to high brand recognition. Furthermore, the company has no net debt and is expected to generate growing cashflows over the next few years, thanks to an EBITDA margin of almost 25% on average and an EBIT margin of 20%.

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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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DETAILS ON STOCKS RECOMMENDATION

Stock NAME	**B&C SPEAKERS**		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	4.70	Previous Target (Eu):	3.95
Current Price (Eu):	3.78	Previous Price (Eu):	3.38
Date of report:	19/04/2011	Date of last report:	08/09/10

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