B&C SPEAKERS OUTPERFORM

Price (Eu): **3.32**

Target Price (Eu): **4.20**

SECTOR: Industrials

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Back to Pre-Crisis Level: A Sound Reality

- **FY11 results beat our estimates.** B&C Speakers has continued its positive results trend, confirming its business is sound. The company reached Eu27.7mn in sales (+18% YoY), EBITDA of Eu6.4mn (2% above our estimate of Eu6.3mn), EBIT of Eu5.7mn (more than 1% over the expected Eu5.6mn) and Eu5.6mn pre-tax profit (4% above our Eu5.4mn forecast) and a positive net profit (11% above our expectations). The company's margins improved steadily: the EBITDA margin was 23% (a YoY improvement of about 300bp), in line with our estimation of 22.9%; the EBIT margin of 20.4% was a big step up from the 17.6% in 2010 (in line with our estimate). Raw material costs rose from 37% to 39.6% of sales due to the high price of the neodymium faced during the year. Net debt was Eu0.5mn, steady YoY and beating our expectations of Eu0.56mn. The dividend returned to its pre-crisis high of Eu2.75mn (payout ratio 74%), validating a good 2011 at B&C.

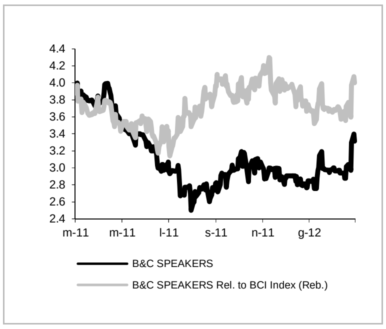
- **FY12-13E.** The outlook for next year has not changed. The global slowdown and the unstable European economy mean there are few guarantees, not even for solid companies like B&C. Considering this view, we are trimming our FY12 growth forecast to 4% from our previous 8% estimate due to the company's 58% exposure to Europe. Positive signals are coming from a sharp decrease in the price of neodymium (-65% in the last few months), going back to the level seen in March 2011. Looking ahead to FY13, we are not cutting our estimates substantially, although we are reducing the cost of raw materials and raising our OPEX margins forecast.

- **OUTPERFORM confirmed, TP raised from Eu4.0 to Eu4.2.** We are reaffirming our positive stance on the stock and confirming our OUTPERFORM recommendation, increasing our target price to Eu4.2 (from Eu4.0). B&C Speakers is characterized by an undisputed ability to maintain extremely good margins even in tough times, as well as by a resilient market shares thanks to high brand recognition. The company showed a good performance in 2011, containing debt and continuing to generate growing cash flows. These cash flows are expected to be distributed as dividends, consistent with the generous company policy. An additional plus sign is that raw material costs are expected to drop.

Key Figures	2009A	2010A	2011A	2012E	2013E
Sales (Eu mn)	17	23	28	29	30
Ebitda (Eu mn)	3	5	6	7	8
Net profit (Eu mn)	2	3	4	4	4
EPS - New (Eu)	0.162	0.251	0.357	0.365	0.430
EPS - Old (Eu)		0.251	0.304	0.305	0.374
DPS (Eu)	0.130	0.160	0.250	0.219	0.256

Ratios & Multiples	2009A	2010A	2011A	2012E	2013E
P/E	20.4	13.2	9.3	9.1	7.7
Div. Yield	3.9%	4.8%	7.5%	6.6%	7.7%
EV/Ebitda	10.7	7.3	5.5	5.2	4.2
ROCE	23.1%	35.9%	51.2%	48.7%	58.8%

B&C SPEAKERS - 12m Performance



RATING: Unchanged		
TARGET PRICE (Eu): from 4.00 to 4.20		
Change in EPS est:	2012E	2013E
	12.2%	9.0%

STOCK DATA

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

Performance	1m	3m	12m
Absolute	11.2%	15.0%	-14.5%
Relative	9.6%	0.2%	1.9%
12 months H/L:			4.00/2.50

SHAREHOLDER DATA

No. of Ord. shares (mn):	11
Total No. of shares (mn):	11
Mkt Cap Ord (Eu mn):	36
Total Mkt Cap (Eu mn):	36
Mkt Float - ord (Eu mn):	6
Mkt Float (in %):	*16.8%*
Main shareholder:	
Research & Development Int.	66.3%

BALANCE SHEET DATA	2012
Book value (Eu mn):	13
BVPS (Eu):	1.17
P/BV:	2.8
Net Financial Position (Eu mn):	1
Enterprise value (Eu mn):	35

B&C SPEAKERS - *KEY FIGURES*		2009A	2010A	2011A	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	28	29	30
	EBITDA	3	5	6	7	8
	EBIT	3	4	6	6	7
	Financial income (charges)	(0)	0	(0)	(0)	(0)
	Associates & Others	0	(0)	0	0	0
	Pre-tax profit (Loss)	3	4	6	6	7
	Taxes	(1)	(2)	(2)	(2)	(2)
	Tax rate (%)	36.4%	37.5%	34.9%	34.4%	34.4%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	2	3	4	4	4
	Total extraordinary items	(0)	(0)	(0)	(0)	(0)
	Ebitda excl. extraordinary items	3	5	7	7	8
	Ebit excl. extraordinary items	3	4	6	6	7
	Net profit restated	2	3	4	4	5
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	11	11	11	11	11
	EPS stated fd	0.152	0.238	0.338	0.347	0.406
	EPS restated fd	0.162	0.251	0.357	0.365	0.430
	BVPS fd	0.899	0.937	1.070	1.167	1.355
	Dividend per share (ord)	0.130	0.160	0.250	0.219	0.256
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	85.7%	67.3%	75.8%	64.6%	0.0%
CASH FLOW (Eu mn)	Gross cash flow	2	3	4	4	5
	Change in NWC	1	(1)	(1)	1	0
	Capital expenditure	(1)	(1)	(1)	(1)	(1)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	2	1	2	4	5
	Acquisitions, divestments & others	0	0	0	0	0
	Dividend	(2)	(1)	(2)	(3)	(2)
	Equity financing/Buy-back	(0)	(1)	(1)	0	0
	Change in Net Financial Position	0	(1)	(0)	1	2
BALANCE SHEET (Eu mn)	Total fixed assets	4	5	5	6	6
	Net working capital	10	11	12	11	11
	Long term liabilities	(1)	(5)	(5)	(5)	(5)
	Net capital employed	13	11	12	12	12
	Net financial position	0	(0)	(0)	1	3
	Group equity	10	10	12	13	15
	Minorities	0	0	0	0	0
	Net equity	10	10	12	13	15
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	36	36	36	36	36
	Adjustments (associate & minorities)	0	1	0	0	0
	Net financial position	0	(0)	(0)	1	3
	Enterprise value	36	36	36	35	33
RATIOS(%)	EBITDA margin*	19.5%	21.3%	24.1%	23.8%	26.0%
	EBIT margin*	16.4%	18.6%	21.6%	20.8%	23.2%
	Gearing - Debt/equity	-2.3%	4.7%	4.1%	-5.7%	-20.2%
	Interest cover on EBIT	198.0	nm	70.4	70.3	83.2
	Debt/Ebitda	nm	0.10	0.08	nm	nm
	ROCE*	23.1%	35.9%	51.2%	48.7%	58.8%
	ROE*	16.6%	25.9%	32.8%	30.2%	31.5%
	EV/CE	3.1	3.0	3.1	2.9	2.7
	EV/Sales	2.1	1.6	1.3	1.2	1.1
	EV/Ebit	12.7	8.4	6.1	5.9	4.7
	Free Cash Flow Yield	6.6%	3.3%	6.2%	11.0%	13.0%
GROWTH RATES (%)	Sales	-19.7%	36.3%	18.4%	3.4%	6.0%
	EBITDA*	-37.2%	48.4%	34.3%	1.9%	16.1%
	EBIT*	-43.2%	54.2%	37.4%	-0.2%	18.4%
	Net profit	-45.7%	56.8%	38.6%	2.6%	17.5%
	EPS restated	-41.9%	54.7%	42.2%	2.2%	17.9%

** Excluding extraordinary items*

Source: Intermonte SIM estimates

FY11 RESULTS

The table below outlines 4Q11 and FY11 results compared to our estimates.

B&C Speakers - P&L (€ mn)	4Q10A	4Q11A	YoY growth	4Q11E	Act vs Est	2010A	2011A	YoY growth	2011E	Act vs Est
Net sales	**6.8**	**7.2**	**5%**	**6.7**	**7%**	**23.4**	**27.7**	**18%**	**27.2**	**2%**
Value of Production	**5.1**	**5.6**	**10%**	**4.9**	**14%**	**23.6**	**28.0**	**19%**	**27.2**	**3%**
Costs of raw and cons materials	(0.9)	(1.3)	42%	(0.6)	115%	(8.6)	(11.0)	27%	(10.3)	7%
% on net sales	-13.9%	-18.8%		-9.3%		-36.9%	-39.7%		-37.7%	
Labour costs	(1.2)	(1.0)	-11%	(1.2)	-14%	(4.4)	(4.5)	2%	(4.6)	-4%
% on net sales	-17.2%	-14.5%		-18.1%		-18.6%	-16.1%		-17.0%	
Other costs	(1.4)	(1.4)	5%	(1.5)	-5%	(5.6)	(5.8)	4%	(5.9)	-1%
% on net sales	-19.9%	-20.0%		-22.3%		-24.1%	-21.1%		-21.7%	
Extraordinary Costs	(0.2)	(0.1)	n.m.	0.0	n.m.	(0.2)	(0.3)	32%	(0.2)	n.m.
EBITDA	**1.4**	**1.7**	**22%**	**1.6**	**7%**	**4.7**	**6.4**	**34%**	**6.3**	**2%**
Ebitda margin	20.6%	23.9%		23.8%		20.3%	23.0%		22.9%	
D&A	(0.2)	(0.2)	32%	(0.2)	33%	(0.6)	(0.7)	18%	(0.6)	8%
Provisions	(0.0)	(0.0)	-22%	(0.0)	2%	(0.1)	(0.0)	n.m.	(0.0)	n.m.
EBIT	**1.2**	**1.5**	**22%**	**1.4**	**5%**	**4.1**	**5.7**	**38%**	**5.6**	**1%**
Ebit margin	17.7%	20.6%		21.0%		17.6%	20.4%		20.5%	
Pre tax profit	**1.3**	**1.5**	**20%**	**1.3**	**14%**	**4.2**	**5.6**	**33%**	**5.4**	**3%**
Taxes	(0.5)	(0.4)	-16%	(0.5)		(1.6)	(1.9)	24%	(2.0)	
Net Profit	**0.8**	**1.2**	**53%**	**0.8**	**44%**	**2.6**	**3.7**	**42%**	**3.4**	**11%**
Minorities	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.	0.0	n.m.
Group Net Profit	**0.8**	**1.0**	**24%**	**0.7**	**38%**	**2.6**	**3.6**	**39%**	**3.4**	**8%**
Net margin	11.8%	13.9%		10.8%		11.2%	13.1%		12.3%	

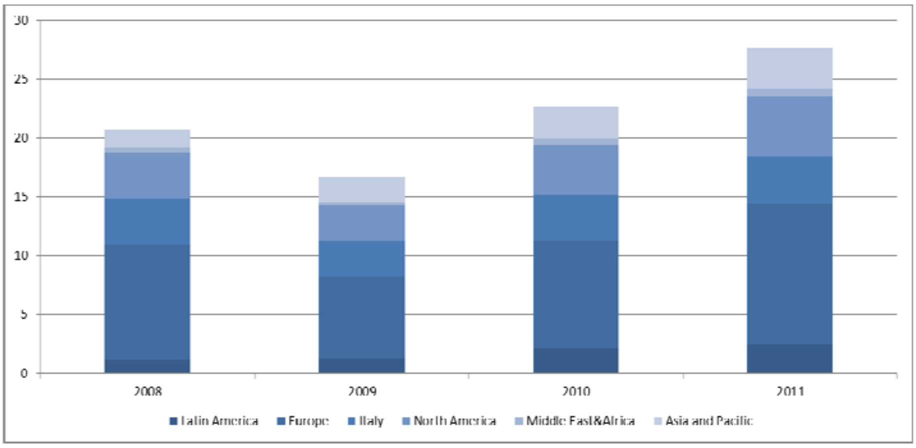
The next table shows the company's P&L for the second half of 2011.

B&C Speakers - P&L (€ mn)	2H10A	2H11A	YoY growth	2H11E	Act vs Est
Net sales	**12.1**	**14.5**	**19%**	**14.0**	**3%**
Value of Production	**11.4**	**13.5**	**18%**	**12.7**	**6%**
Costs of raw and cons materials	(3.9)	(4.8)	24%	(4.1)	18%
% on net sales	-31.9%	-33.2%		-29.1%	
Labour costs	(2.2)	(2.1)	-3%	(2.3)	-8%
% on net sales	-18.3%	-14.8%		-16.6%	
Other costs	(2.8)	(2.8)	1%	(2.9)	-2%
% on net sales	-23.1%	-19.5%		-20.6%	
Extraordinary Costs	(0.2)	(0.1)	n.m.	(0.0)	n.m.
EBITDA	**2.2**	**3.5**	**58%**	**3.4**	**3%**
Ebitda margin	18.6%	24.6%		24.5%	
D&A	(0.3)	(0.3)	17%	(0.3)	17%
Provisions	(0.0)	(0.0)	-22%	(0.0)	n.m.
EBIT	**1.9**	**3.2**	**66%**	**3.1**	**2%**
Ebit margin	15.8%	21.9%		22.1%	
Pre tax profit	**1.8**	**3.1**	**69%**	**2.9**	**6%**
Taxes	(0.7)	(1.0)	48%	(1.1)	
Net Profit	**1.2**	**2.2**	**79%**	**1.8**	**20%**
Minorities	(0.0)	0.0	n.m.	0.0	n.m.
Group Net Profit	**1.1**	**2.1**	**85%**	**1.8**	**15%**
Net margin	9.4%	14.5%		13.0%	

REVENUES

Consolidated revenues in the fourth quarter of 2011 amounted to Eu7.2mn, growing 5% YoY from the Eu6.8mn in 4Q 2010. The very strong growth trend that began in the second half of 2009 is continuing in this sound direction. This boosted operating income even during the second half of the 2011 when the neodymium price rose exponentially. Consolidated 4Q11 sales therefore actually came above the expectations of a sectorial slowdown, beating our forecast of Eu6.7mn (7% above).

Revenues – Geographical Breakdown



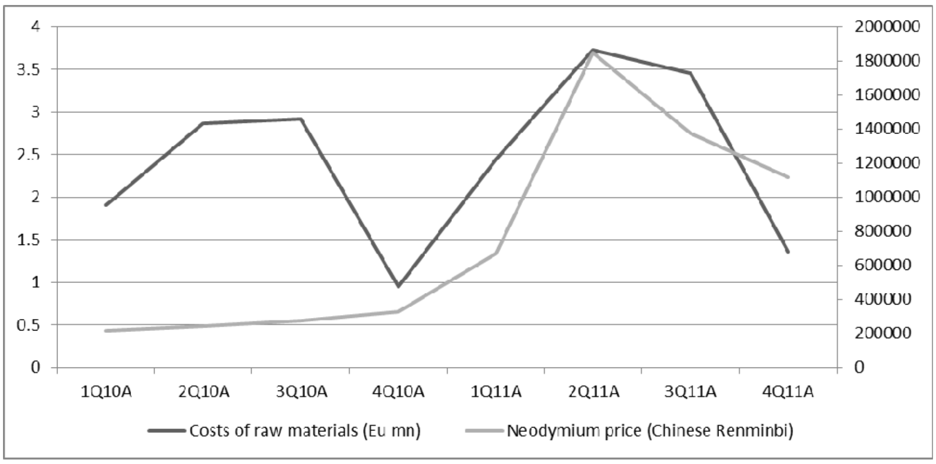
The company's geographical breakdown of sales shows large increases in Europe (23%), South America (19%) and China (25%).

B&C Speakers closed 2011 with an order book increasing to Eu28.04mn and on the 31st of December the company was holding a backlog of Eu7.04mn, 3.5% higher than a year before (Eu6.8mn at 31st December 2010).

COSTS

<u>Supply of Raw Material, Consumables and Semi-finished Goods</u>

During 2011 the costs of raw and consumable materials rose by 27% YoY due to an increase in the price of neodymium. The table below reports the quarterly change in neodymium and the correlated total cost of raw and consumable materials faced by the company during the last two years. B&C Speakers had to face an increase of almost 40% YoY over the course of the year.



The company adopts an FIFO warehouse arrangement, so it will continue to register high raw material costs during the first quarter of 2012. But, thanks to the neodymium price reduction, these costs will come down for the rest of the financial year.

Personnel Costs

The cost of labour at B&C remained stable (Eu4.5mn compared to Eu4.4mn in 2010), 4% below our estimate. As a percent of sales, such costs went down by 250 basis points to 16%. This reduction is the fruit of better production from the existing workforce, thanks in part to optimal conditions at production plants and a reduction on new hirings. Labour costs therefore contributed to the recovery in profitability in 2011.

Other Costs

Expenses for services rose by 4% YoY, so the incidence of this item on sales remain broadly unchanged (bang in line with our expectation). Other costs remained very low and they did not change considerably, staying at around 21% of total sales.

EBITDA and EBITDA MARGIN

EBITDA for the 2011 financial year amounted to Eu6.4mn, 23% of revenues, significantly higher than the previous financial year (when EBITDA came to Eu4.7mn, or 20% of revenues). It is noteworthy that 2011 EBITDA increased thanks to the 18% YoY net revenues improvement and to the reduction in marginal costs. The figures are highly satisfactory, consistent with a recovery year, both in Europe (where the company obtains 58% of total sales) and in its specific sector.

Based on the comforting YTD turnover figures (+18% YoY) and the significant order inflow, management believes that FY12 will be another profitable year, registering robust growth, although slightly below our initial expectations. This is due to an unstable macroeconomic environment. Good news for the EBITDA margin this year has come in the form of a drop in the price of neodymium. Another factor playing in favour is that the company reached a 14% market share in its sector last year.

EBIT and EBIT MARGIN

2011 EBIT came to Eu5.7mn, up on the Eu4.1mn recorded in 2010. An insignificant increase was registered in D&A expenses, while capex for the year was limited.

GROUP NET PROFIT and NFP

At the end of 2011 the group's overall profit came to Eu3.6mn, or 13.1% of consolidated revenues. The respective figures in 2010 were Eu2.6mn and 11.2%.

The group's ability to generate cash and its financial solidity were confirmed in 2011: at the end of the financial year, the net financial position was slightly negative to the tune of Eu-0.5mn, in line with our expectation. It confirms the high level of costs sustained to buy raw materials. The group also decided to raise the dividend, thanks the good achievements of the year, to Eu0.25 per share, reporting a payout ratio of around 74%.

ESTIMATES REVISION

The following table details our new estimates for 2012 and 2013, compared with our previous estimates.

B&C Speakers - Estimates Revision

	New	Old		New	Old	
B&C Speakers - P&L (Eu mn)	**2012E**	**2012E**	**New vs Old**	**2013E**	**2013E**	**New vs Old**
Sales	28.6	29.3	*-2.3%*	30.4	31.1	*-2.4%*
YoY growth	*3.4%*	*12.0%*		*6.0%*	*6.0%*	
Value of Production	28.8	30.0	*-3.9%*	30.6	31.7	*-3.6%*
Costs of raw and consumable materials	(11.4)	(13.5)	*15.3%*	(11.8)	(13.8)	*14.3%*
Labour costs	(4.5)	(4.6)	*2.8%*	(4.4)	(4.8)	*7.6%*
Other Costs	(6.1)	(5.9)	*-3.6%*	(6.4)	(5.9)	*-8.3%*
Extraordinary costs	(0.3)	0.0	*n.m.*	(0.4)	0.0	*n-m*
EBITDA	**6.5**	**6.0**	***8.5%***	**7.5**	**7.2**	***4.2%***
Ebitda margin	*22.7%*	*20.4%*		*24.7%*	*23.1%*	
Total D&A	(0.8)	(0.6)	*-41.5%*	(0.8)	(0.6)	*-41.6%*
EBIT	**5.7**	**5.4**	***4.8%***	**6.7**	**6.6**	***0.8%***
Ebit margin	*19.8%*	*18.3%*	*n.m*	*21.9%*	*21.1%*	*n.m.*
Net financials	(0.1)	0.0	*n.m*	(0.1)	0.0	*n.m*
Pre tax profit	5.7	5.4	*5.0%*	6.7	6.6	*1.0%*
Taxes	(2.0)	(2.0)	*-2.3%*	(2.3)	(2.5)	*8.2%*
Tax Rate	*-34.4%*	*-37.5%*		*-34.4%*	*-37.5%*	
Minorities	0.0	0.0	*n.m.*	0.0	0.0	*n.m.*
Group Net Profit	**3.8**	**3.4**	***12.2%***	**4.5**	**4.1**	***9.0%***

Source: Intermonte SIM estimates; Company data

At the end of 2011, the order book had increased and the outlook for 2012 is positive. The FY11 backlog was Eu7.04mn, +3.5% YoY.

Thanks to these better than expected FY11 results, we have raised our FY12 estimates, mostly because margins have enlarged (we expect no substantial rise in costs) and because the company beat our full year estimates. Overall we are projecting slight growth, supported first of all by the record order backlog at parent company B&C speakers SpA, which ensures that the company will be working at full capacity until at least the end of the first quarter. The drop in operating costs as a percent of sales will improve the EBITDA margin and, finally, thanks to lower taxation, we have increased our net profit estimate.

Concerning the FY13E, we are still considering a reduction in operating costs as a percent of revenues, because we are still not projecting much higher costs of raw consumable materials. Personnel costs should be kept down because there is no real need to increase the workforce (the existing one has confirmed its success, especially in Research and Development).

VALUATION

We have used a DCF model to assess the value the company. We did not compare the company to peers (as we would normally do) because the only listed companies in similar sectors (RCF SpA and Harman International Industry Inc.) are actually producers of complete sound systems, not just speakers.

DCF

We have a value-weighted WACC of 11%, maintaining the group's debt at zero from this year, given the high amount of cash generated. With a terminal growth rate at 1%, we reach an enterprise value of Eu46.5mn, to which we added the company's zero net financial position and the value of treasury shares (Eu1.6mn). We obtained an equity value of Eu48.1mn. Divided by 11mn outstanding shares, we get a fair value of Eu4.4 per share.

B&C Speakers - DCF (€ mn)	2011A	2012E	2013E	2014E	2015E	2016E	2017E	Terminal year
Consolidated net sales	**27.7**	**28.6**	**30.4**	**31.9**	**33.1**	**34.1**	**34.8**	**35.2**
YoY growth rate	18.4%	3.4%	6.0%	5.0%	4.0%	3.0%	2.0%	3.0%
Ebitda	**6.7**	**6.8**	**7.4**	**7.9**	**8.3**	**8.7**	**8.8**	**8.9**
Ebit margin (%)	24.1%	23.8%	24.4%	24.9%	24.9%	25.4%	25.4%	25.4%
Amortization & Depreciation	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)	(0.7)	(0.7)	(0.7)
Ebit	**6.0**	**6.0**	**6.6**	**7.1**	**7.5**	**7.9**	**8.2**	**8.2**
Ebit margin (%)	21.6%	20.8%	21.6%	22.4%	22.6%	23.3%	23.4%	23.4%
Change in Working Capital	(1.1)	0.7	0.3	(0.5)	(0.5)	(0.4)	(0.2)	(0.1)
Capex	(0.9)	(0.9)	(0.9)	(1.0)	(1.0)	(1.0)	(1.0)	(0.7)
YoY growth rate	-3.3%	-3.2%	-3.1%	-3.1%	-3.1%	-3.0%	-2.9%	-2.0%
Tax Rate	34.9%	34.4%	34.4%	34.4%	34.4%	34.4%	34.4%	34.4%
Taxes on EBIT	(2.1)	(2.1)	(2.3)	(2.5)	(2.6)	(2.7)	(2.8)	(2.8)
Operating Free Cash Flow	**2.6**	**4.6**	**4.5**	**3.9**	**4.2**	**4.6**	**4.8**	**5.3**
Discounting Factor	1.00	0.90	0.82	0.74	0.67	0.61	0.55	0.50
Discounted Free Cash Flow	**2.6**	**4.1**	**3.7**	**2.9**	**2.8**	**2.8**	**2.6**	**2.6**
WACC	**10.2%**	**10.5%**	**10.5%**	**10.5%**	**10.5%**	**10.5%**	**10.5%**	**10.5%**
Debt Weight	3.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cost of debt	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Tax Rate	34.9%	34.4%	34.4%	34.4%	34.4%	34.4%	34.4%	34.4%
Kd	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%
Risk Free	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Risk Premium	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Beta	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Ke	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
Terminal growth (g)								**1.0%**

Actual Value Free Cash Flow	18.9
Terminal Value	55.5
Actual Terminal Value	27.6
Enterprise Value	**46.5**
(+) net debt 2012E	0.0
(+) Treasury shares	1.6
(+) minorities	0.0

Total Value	**48.1**
N. of shares (mn):	11.0
Fair value per share (€):	**4.4**

Source: Intermonte SIM estimates

EV/ROACE Model

We have used the same assumptions for this method as in our DCF, taking the average between 2012 and 2013, obtaining a fair value of Eu4.0 per share.

B&C Speakers - Ev/Roace Model (Eu mn)	2011A	2012E	2013E
Capital Employed - year average	*11.5*	*12.2*	*12.0*
Ebit	*6.0*	*6.0*	*7.1*
ROACE	*51.8%*	*48.9%*	*58.8%*
Tax load ratio (%)	*34.9%*	*34.4%*	*34.4%*
ROCEAT	*33.7%*	*32.1%*	*38.6%*
WACC	***0.0%***	***0.0%***	***0.0%***
Terminal growth (g)	*1.0%*	*1.0%*	*1.0%*
Required return	*-1.0%*	*-1.0%*	*-1.0%*
EV / CE	*3.3*	*3.1*	*3.7*
Enterprise Value (Eu mn)	***38.0***	***37.2***	***44.0***
NFP (-)	*(0.5)*	*0.7*	*3.0*
(+) minorities	*0.0*	*0.0*	*0.0*
Fair Value (Eu mn)	***37.5***	***37.9***	***47.1***
Fair value per share (Eu)	***3.61***	***3.65***	***4.48***
Average 2011 - 2013 disc. back (Eu ps)	***4.0***		

Source: Intermonte SIM estimates

TARGET PRICE CALCULATION

The average of these two methods results in a target price of Eu4.2 per share.

B&C Speakers - Target Price calculation		
DCF Fair Price calculation	Eu ps	*4.40*
EV/ROACE Fair Price calculation	Eu ps	*4.00*
Target Price	Eu ps	*4.20*
Current Price	Eu ps	*3.40*
Potential upside/(downside)		*24%*

Source: Intermonte Sim Estimates

INVESTMENT CONCLUSION

OUTPERFORM Confirmed, TP lifted from Eu4.0 to Eu4.2

We are reaffirming our positive stance on the stock, which is currently trading at a low price that we struggle to justify. We are raising our target based on the average of the fair values obtained through DCF and EV/ROACE valuation method on the back of the 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 ability to improve extremely good margins rising the quality of the product;

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

3) the absence of any debt;

4) positive cash flow that is forecast to grow over the next years;

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

Short selling: restrictions on net short positions in financial sector securities have lapsed, but the obligation to report such positions to Consob and the prohibition of "uncovered" short selling on all shares listed on Italian regulated markets remain in force.
Consob decided not to renew the restrictive measures on net short positions on shares in the financial sector adopted on by Resolution no. 17902 August 12, 2011 and subsequently extended by Resolution no. 18060 until February 24 2012. Therefore, the prohibition on taking net short positions or increasing existing net short positions on shares in the banking and insurance sectors is no longer in force (as of February 24, 2012).
The obligation to report to Consob significant net short positions on shares listed in Italy and the prohibition of "uncovered" short sales remains in place, with no scheduled deadline.

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UNDERPERFORM: stock expected to underperform the market by between –10% and -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):	4.20	Previous Target (Eu):	4.00
Current Price (Eu):	3.32	Previous Price (Eu):	3.00
Date of report:	21/03/2012	Date of last report:	22/02/12

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