B&C SPEAKERS OUTPERFORM

Price (Eu): 2.80

Target Price (Eu): 4.20

SECTOR: Industrials

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1Q12 Outcomes– Expecting Higher Margins

- **1Q12 results.** Revenues came out at Eu6.5mn (flat YoY) 3% lower than our forecast, while EBITDA came to Eu1.3mn (-11% YoY) 18% better than our estimates. EBIT came in at Eu1.1mn (-14% YoY) 19% above our estimates. The company reported a net profit of Eu0.6, beating our projection of Eu0.5mn. The net financial position turned positive to the tune of Eu1.5mn, improving from the net debt of Eu0.5mn posted at the end of FY11.

- **Quarterly factors**. 1Q was a transitional period for B&C Speakers, coming off the back of a year in which it posted excellent results. During 1Q12 the company managed to keep sales unchanged YoY, but margins suffered due to higher raw material costs: the price of neodymium hit record levels in 2011. The company suffered from high costs during 1Q12 given that it has adopted a first-in, first-out (FIFO) system for its inventories. Neodymium prices have fallen sharply since the end of 2011 (closing in on the levels recorded over a year ago); this should lead to a decline in raw material costs as of 2Q12. During this quarter B&C adopted a policy of ensuring high production efficiency that allowed it to manufacture similar quantities YoY but using a smaller labour force. The group's net financial position improved considerably (Eu1.5mn net cash) thanks to the impact of operational results and the management of working capital (the company reabsorbed a significant amount of advanced cash).

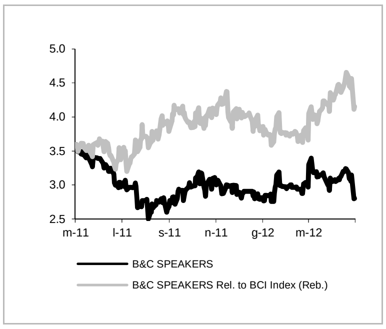
- **Orders already rising in April**. Starting in April the company has recorded a sharp increase in the number of orders received, posting an improvement both compared to 1Q11 and in absolute terms. Positive guidance (further growth) provided by the company at the beginning of the year was confirmed in light of: 1) orders received in the spring, which leave room to imagine an increase in the order book as the year goes on; 2) falling neodymium prices, which will give a serious boost to operating margins.

- **OUTPERFORM confirmed, target Eu4.2 unchanged.** In light of this news we confirm our positive view on the stock. We expect 2012 to be another year of revenues growth (+3.4% YoY), ensuring the company maintains a high market share due to the excellent quality of tis products. B&C has always managed to keep margins high, even in tough times. We expect the net financial position to remain positive throughout the year, which combined with the high earnings expected should lead to payment of a significant dividend, in accordance with company policy.

Key Figures	2010A	2011A	2012E	2013E	2014E
Sales (Eu mn)	23	28	29	30	32
Ebitda (Eu mn)	5	6	7	8	8
Net profit (Eu mn)	3	4	4	4	5
EPS - New (Eu)	0.251	0.357	0.365	0.430	0.472
EPS - Old (Eu)	0.251	0.357	0.365	0.430	
DPS (Eu)	0.160	0.250	0.219	0.256	0.282

Ratios & Multiples	2010A	2011A	2012E	2013E	2014E
P/E	11.2	7.9	7.7	6.5	5.9
Div. Yield	5.7%	8.9%	7.8%	9.1%	10.1%
EV/Ebitda	6.2	4.6	4.4	3.5	3.0
ROCE	35.9%	51.2%	48.7%	58.8%	64.8%

B&C SPEAKERS - 12m Performance



RATING: Unchanged
TARGET PRICE (Eu): Unchanged

Change in EPS est:	2012E	2013E
	0.0%	0.0%

STOCK DATA			
Reuters code:			37B.MI
Bloomberg code:			BEC.IM
Performance	**1m**	**3m**	**12m**
Absolute	-9.5%	-5.5%	-23.0%
Relative	-4.5%	9.6%	10.2%
12 months H/L:			3.60/2.50

SHAREHOLDER DATA	
No. of Ord. shares (mn):	11
Total No. of shares (mn):	11
Mkt Cap Ord (Eu mn):	31
Total Mkt Cap (Eu mn):	31
Mkt Float - ord (Eu mn):	5
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:	2.4
Net Financial Position (Eu mn):	1
Enterprise value (Eu mn):	30

B&C SPEAKERS - *KEY FIGURES*		2010A	2011A	2012E	2013E	2014E
	Fiscal year end	31/12/2010	31/12/2011	31/12/2012	31/12/2013	**31/12/2014**
PROFIT & LOSS (Eu mn)	Sales	23	28	29	30	32
	EBITDA	5	6	7	8	8
	EBIT	4	6	6	7	8
	Financial income (charges)	0	(0)	(0)	(0)	(0)
	Associates & Others	(0)	0	0	0	0
	Pre-tax profit (Loss)	4	6	6	7	7
	Taxes	(2)	(2)	(2)	(2)	(3)
	Tax rate (%)	37.5%	34.9%	34.4%	34.4%	34.4%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	3	4	4	4	5
	Total extraordinary items	(0)	(0)	(0)	(0)	(0)
	Ebitda excl. extraordinary items	5	7	7	8	9
	Ebit excl. extraordinary items	4	6	6	7	8
	Net profit restated	3	4	4	5	5
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	11	11	11	11	11
	EPS stated fd	0.238	0.338	0.347	0.406	0.448
	EPS restated fd	0.251	0.357	0.365	0.430	0.472
	BVPS fd	0.937	1.070	1.167	1.355	1.547
	Dividend per share (ord)	0.160	0.250	0.219	0.256	0.282
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	67.3%	75.8%	64.6%	0.0%	0.0%
CASH FLOW (Eu mn)	Gross cash flow	3	4	4	5	6
	Change in NWC	(1)	(1)	1	0	(0)
	Capital expenditure	(1)	(1)	(1)	(1)	(1)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	1	2	4	5	5
	Acquisitions, divestments & others	0	0	0	0	0
	Dividend	(1)	(2)	(3)	(2)	(3)
	Equity financing/Buy-back	(1)	(1)	0	0	0
	Change in Net Financial Position	(1)	(0)	1	2	2
BALANCE SHEET (Eu mn)	Total fixed assets	5	5	6	6	7
	Net working capital	11	12	11	11	11
	Long term liabilities	(5)	(5)	(5)	(5)	(6)
	Net capital employed	11	12	12	12	12
	Net financial position	(0)	(0)	1	3	5
	Group equity	10	12	13	15	17
	Minorities	0	0	0	0	0
	Net equity	10	12	13	15	17
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	31	31	31	31	31
	Adjustments (associate & minorities)	1	0	0	0	0
	Net financial position	(0)	(0)	1	3	5
	Enterprise value	31	31	30	27	25
RATIOS(%)	EBITDA margin*	21.3%	24.1%	23.8%	26.0%	27.0%
	EBIT margin*	18.6%	21.6%	20.8%	23.2%	24.3%
	Gearing - Debt/equity	4.7%	4.1%	-5.7%	-20.2%	-29.0%
	Interest cover on EBIT	nm	70.4	70.3	83.2	91.5
	Debt/Ebitda	0.10	0.08	nm	nm	nm
	ROCE*	35.9%	51.2%	48.7%	58.8%	64.8%
	ROE*	25.9%	32.8%	30.2%	31.5%	30.3%
	EV/CE	2.5	2.6	2.4	2.3	2.1
	EV/Sales	1.3	1.1	1.0	0.9	0.8
	EV/Ebit	7.1	5.2	5.0	3.9	3.3
	Free Cash Flow Yield	3.9%	7.4%	13.1%	15.4%	15.6%
GROWTH RATES (%)	Sales	36.3%	18.4%	3.4%	6.0%	5.0%
	EBITDA*	48.4%	34.3%	1.9%	16.1%	8.9%
	EBIT*	54.2%	37.4%	-0.2%	18.4%	10.0%
	Net profit	56.8%	38.6%	2.6%	17.5%	10.6%
	EPS restated	54.7%	42.2%	2.2%	17.9%	9.8%

** Excluding extraordinary items*

Source: Intermonte SIM estimates

1Q12 – RESULTS BREAKDOWN

Below we report the outcomes of the quarter compared with our 1Q12 estimates and actual 1Q11 data.

B&C Speakers - P&L (€ mn)	1Q11A	1Q12A	YoY growth	1Q12E	Act vs Est
Net sales	**6.5**	**6.5**	**0%**	**6.7**	**-3%**
Value of Production	**6.5**	**6.7**	**4%**	**6.8**	**0%**
Costs of raw and cons materials	(2.4)	(3.0)	22%	(3.003)	1%
% on net sales	-37.7%	-46.0%		-44.8%	
Labour costs	(1.1)	(1.1)	-6%	(1.117)	5%
% on net sales	-17.4%	-16.4%		-16.7%	
Other costs	(1.4)	(1.4)	-4%	(1.5)	10%
% on net sales	-22.2%	-21.3%		-22.8%	
Extraordinary Costs	(0.0)	(0.1)		(0.0)	
EBITDA	**1.4**	**1.3**	**-11%**	**1.1**	**18%**
Ebitda margin	21.7%	19.4%		15.9%	
D&A	(0.2)	(0.2)	14%	(0.2)	12%
Provisions	(0.0)	(0.0)		(0.0)	
EBIT	**1.3**	**1.1**	**-14%**	**0.9**	**19%**
Ebit margin	19.4%	16.8%		13.6%	
Pre tax profit	**1.2**	**1.1**	**-13%**	**0.9**	**21%**
Taxes	(0.4)	(0.4)		(0.4)	
Net Profit	**0.8**	**0.7**	**-12%**	**0.5**	**35%**
Minorities	0.0	0.0		0.0	
Group Net Profit	**0.8**	**0.6**	**-27%**	**0.5**	**18%**
Net margin	12.5%	9.1%		7.4%	

Source. Company Data - Intermonte Estimates

NEODYMIUM PRICE EVOLUTION

Below we report the price evolution of neodymium raw material year to date. We can notice immediately the drastic decline starting from the second half of the 2011. B&C is going to benefit from this price reduction from the next quarters due to the FIFO warehouse arrangement. (*Source: Bloomberg*)

B&C Speaker Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
B&C Speakers S.p.A.	**2.7**	**EUR - Euro**	**31**	**-12.9%**	**-9.0%**	**-10.3%**	**-7.1%**	**-25.8%**	**-3.1%**
Harman International Industries Inc.	41.7	USD - US Dollar	2,937	-6.7%	-15.6%	0.2%	9.5%	-14.5%	10.8%
RCF Group S.p.A.	0.5	EUR - Euro	15	-23.8%	-26.6%	-27.0%	-27.4%	-44.0%	-46.0%
Auto Suppliers avg				**-15.3%**	**-21.1%**	**-13.4%**	**-8.9%**	**-29.3%**	**-17.6%**
FTSE Italy Small Cap (IT)	**14,613.7**	**EUR - Euro**		**-4.3%**	**-8.8%**	**-5.7%**	**1.1%**	**-35.8%**	**-33.5%**

Source: Factset

B&C Speaker Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	EV/Sales 2012	EV/Sales 2013	EV/Ebitda 2012	EV/Ebitda 2013	EV/Ebit 2012	EV/Ebit 2013	P/E 2012	P/E 2013	Div Yield 2012	Div Yield 2013
B&C Speakers S.p.A.	**2.70**	**EUR - Euro**	**31**	**1.03**	**0.90**	**4.3**	**3.5**	**5.0**	**3.9**	**7.7**	**6.5**	**7.8%**	**9.1%**
Harman International Industries Inc.	41.7	USD - US Dollar	2,937	0.54	0.45	5.45	4.06	7.53	5.11	14.13	10.97	0.7%	0.7%
RCF Group S.p.A.	0.5	EUR - Euro	15	0.52	0.45	4.59	3.27	7.49	4.66	5.53	3.23	3.1%	3.1%
Auto Suppliers avg				**0.53**	**0.45**	**5.45**	**4.06**	**7.53**	**5.11**	**14.13**	**10.97**	**1.9%**	**1.9%**

Source: Intermonte SIM estimates for Sogefi, Brembo and Pirelli; Factset consensus estimates for peer group

B&C Speaker - Estimates Comparison with Consensus

	2012E			2013E		
(Eu mn)	**Intermonte**	**Consensus**	**% diff**	**Intermonte**	**Consensus**	**% diff**
Revenues	28.6	29.0	-1.3%	30.4	30.0	1.2%
Ebitda	6.5	7.0	-7.0%	7.5	8.0	-6.2%
Net Profit	3.7	4.0	-7.0%	4.4	4.0	9.3%
EPS Restated	0.36	0.37	-0.1%	0.4	0.43	0.0%
Net Debt	0.7	1.0	-26.9%	3.0	3.0	0.6%

Source: Intermonte SIM estimates and Factset (45 days consensus estimates)

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Stock NAME	**B&C SPEAKERS**		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	4.20	Previous Target (Eu):	4.20
Current Price (Eu):	2.80	Previous Price (Eu):	3.07
Date of report:	16/05/2012	Date of last report:	19/04/12

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