B&C SPEAKERS OUTPERFORM

SECTOR: Industrials

Price (Eu): 3.00

Target Price (Eu): 4.20

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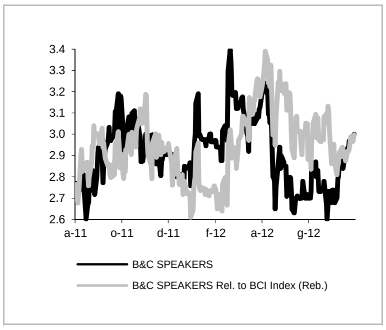
Return to High Margins – Positive Expectations For FY12

- **2Q12 results beat our estimates.** B&C Speakers posted a good set of 2Q results, confirming our already positive expectations. In detail, the company reported 2Q revenues of Eu8.3mn (bang in line with our estimate), EBITDA of Eu1.99mn (2% below our estimate of Eu2.04mn), EBIT of Eu1.79mn (3% below our forecast), and Eu1.69mn in pre-tax profit, 3% below our estimate of Eu1.74mn. Margins improved strongly QoQ, matching the heights posted at FY11. In more detail, EBITDA reached 24% and EBIT 21.7%. Finally, net profit closed at Eu1.04mn, up 45% YoY and only slightly below our positive expectation of Eu1.07mn. The net financial position closed at Eu-1.88mn, worse than our more neutral forecast, not only due to dividends and tax payment but also the sharp increase in working capital.
- **Key quarterly developments:** 1) B&C reported a very strong increase in Asia (+75%) and, contrary to our expectations, also posted positive growth in Europe (+24%, excluding Italy which felt by 28%); 2) the company's order intake rose to Eu16.7mn (+20.1% YoY), guaranteeing continued production until the end of next November; 3) Neodymium prices dropped sharply YoY thanks to the opening up of Chinese barriers and lower demand; 4) after completion of its launch period, the Architettura Sonora division is starting to post orders intake, raising expectations for a breakeven as of next year.
- **FY1 EPS estimates raised.** We are revising our estimates upwards by 2% on average over the FY12. Not only do we now expect higher turnover, but B&C is likely to maintain high operating leverage thanks to attentive cost control (especially on labour cost) and low raw material prices. Moreover, the company is benefiting from overseas clients (in particularly from China) and the increasing interest in new Architettura Sonora division.
- **OUTPERFORM confirmed, target price Eu4.2.** We are reaffirming our positive stance on the stock and confirming our OUTPERFORM recommendation, maintaining our target price to Eu4.2. The target price is calculated by averaging fair values obtained through DCF and EV/ROACE methods, which have stayed stable on the back of only a little tangible increases in the total turnover and margins we expect B&C to generate over FY12. B&C Speakers is characterised by a solid Cash flow statement that guarantee the company to generate high free cash flow. Most of the generated cash is used as dividend confirming the company's policy to maintain high dividend yield (dividend yield FY12E around 8%).

Key Figures	2010A	2011A	2012E	2013E	2014E
Sales (Eu mn)	23	28	30	31	33
Ebitda (Eu mn)	5	6	7	8	8
Net profit (Eu mn)	3	4	4	4	5
EPS - New (Eu)	0.251	0.357	0.374	0.435	0.479
EPS - Old (Eu)	0.251	0.357	0.365	0.435	
DPS (Eu)	0.160	0.250	0.230	0.260	0.288

Ratios & Multiples	2010A	2011A	2012E	2013E	2014E
P/E	11.9	8.4	8.0	6.9	6.3
Div. Yield	5.3%	8.3%	7.7%	8.7%	9.6%
EV/Ebitda	6.6	4.9	4.6	3.7	3.3
ROCE	35.9%	51.2%	50.3%	57.6%	60.8%

B&C SPEAKERS - 12m Performance



RATING: Unchanged
TARGET PRICE (Eu): Unchanged

Change in EPS est:	2012E	2013E
	1.9%	0.0%

STOCK DATA

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

Performance	1m	3m	12m
Absolute	9.7%	4.4%	12.0%
Relative	-0.5%	-7.5%	9.7%
12 months H/L:			3.40/2.60

SHAREHOLDER DATA

No. of Ord. shares (mn):	11
Total No. of shares (mn):	11
Mkt Cap Ord (Eu mn):	33
Total Mkt Cap (Eu mn):	33
Mkt Float - ord (Eu mn):	7
Mkt Float (in %):	*22.1%*
Main shareholder:	
R&D International SrL (Coppini Roberto)	66.3%

BALANCE SHEET DATA	2012
Book value (Eu mn):	13
BVPS (Eu):	1.17
P/BV:	2.6
Net Financial Position (Eu mn):	0
Enterprise value (Eu mn):	32

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	30	31	33
	EBITDA	5	6	7	7	8
	EBIT	4	6	6	7	7
	Financial income (charges)	0	(0)	(0)	(0)	(0)
	Associates & Others	(0)	0	0	0	0
	Pre-tax profit (Loss)	4	6	6	6	7
	Taxes	(2)	(2)	(2)	(2)	(2)
	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	4
	Total extraordinary items	(0)	(0)	(0)	(0)	(0)
	Ebitda excl. extraordinary items	5	7	7	8	8
	Ebit excl. extraordinary items	4	6	6	7	7
	Net profit restated	3	4	4	4	5
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	11	11	11	11	11
	EPS stated fd	0.238	0.338	0.353	0.385	0.413
	EPS restated fd	0.251	0.357	0.374	0.408	0.434
	BVPS fd	0.937	1.070	1.174	1.329	1.499
	Dividend per share (ord)	0.160	0.250	0.230	0.242	0.260
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	67.3%	75.8%	66.7%	0.0%	0.0%
CASH FLOW (Eu mn)	Gross cash flow	3	4	4	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)	1	2	4	4	4
	Acquisitions, divestments & others	0	0	0	0	0
	Dividend	(1)	(2)	(3)	(3)	(3)
	Equity financing/Buy-back	(1)	(1)	0	0	0
	Change in Net Financial Position	(1)	(0)	1	1	1
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)	(5)
	Net capital employed	11	12	12	13	14
	Net financial position	(0)	(0)	0	2	3
	Group equity	10	12	13	15	16
	Minorities	0	0	0	0	0
	Net equity	10	12	13	15	16
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	33	33	33	33	33
	Adjustments (associate & minorities)	1	0	0	0	0
	Net financial position	(0)	(0)	0	2	3
	Enterprise value	33	33	32	31	30
RATIOS(%)	EBITDA margin*	21.3%	24.1%	23.7%	24.4%	24.6%
	EBIT margin*	18.6%	21.6%	21.1%	21.7%	22.0%
	Gearing - Debt/equity	4.7%	4.1%	-3.5%	-12.6%	-18.0%
	Interest cover on EBIT	nm	70.4	30.5	33.2	35.3
	Debt/Ebitda	0.10	0.08	nm	nm	nm
	ROCE*	35.9%	51.2%	50.3%	53.9%	55.0%
	ROE*	25.9%	32.8%	30.7%	30.1%	28.6%
	EV/CE	2.7	2.8	2.6	2.4	2.2
	EV/Sales	1.4	1.2	1.1	1.0	0.9
	EV/Ebit	7.6	5.5	5.1	4.5	4.1
	Free Cash Flow Yield	3.7%	6.9%	11.3%	12.0%	11.7%
GROWTH RATES (%)	Sales	36.3%	18.4%	6.6%	6.0%	5.0%
	EBITDA*	48.4%	34.3%	4.6%	9.4%	5.7%
	EBIT*	54.2%	37.4%	4.5%	8.9%	6.5%
	Net profit	56.8%	38.6%	4.6%	9.1%	7.4%
	EPS restated	54.7%	42.2%	4.9%	8.9%	6.4%

** Excluding extraordinary items*

Source: Intermonte SIM estimates

1H12 Results

The table below compares 2Q12 and 1H12 results to our estimates.

B&C Speakers - P&L (€ mn)	2Q11A	2Q12A	YoY growth	2Q12E	Act vs Est	1H11A	1H12A	YoY growth	1H12E	Act vs Est	2011A	2012E	YoY growth
Net sales	**6.75**	**8.29**	**23%**	**8.29**	**0%**	**13.24**	**14.77**	**12%**	**14.77**	**0%**	**27.69**	**29.52**	**7%**
Value of Production	**8.03**	**9.11**	**13%**	**9.16**	**-1%**	**14.50**	**15.85**	**9%**	**15.90**	**0%**	**27.96**	**29.72**	**6%**
Costs of raw and cons materials	-3.73	-4.03	8%	-4.03	0%	-6.18	-7.02	14%	-7.02	0%	-10.98	-11.96	9%
% on net sales	-55.2%	-48.6%		-48.6%		-46.7%	-47.5%		-47.5%		-39.7%	-40.5%	
Labour costs	-1.19	-1.18	0%	-1.18	0%	-2.32	-2.25	-3%	-2.25	0%	-4.46	-4.55	2%
% on net sales	-17.6%	-14.3%		-14.3%		-17.5%	-15.2%		-15.2%		-16.1%	-15.4%	
Other costs	-1.58	-1.68	6%	-1.68	0%	-3.02	-3.06	2%	-3.06	0%	-5.83	-6.23	7%
% on net sales	-23.4%	-20.3%		-20.3%		-22.8%	-20.7%		-20.7%		-21.1%	-21.1%	
Extraordinary Costs	-0.13	-0.22		-0.22		-0.17	-0.28	66%	-0.28	n.m.	-0.31	-0.35	n.m.
EBITDA	**1.41**	**1.99**	**41%**	**2.04**	**-2%**	**2.82**	**3.25**	**15%**	**3.30**	**-1%**	**6.37**	**6.64**	**4%**
Ebitda margin	20.9%	24.0%		24.6%		21.3%	22.0%		22.3%		23.0%	22.5%	
EBITDA Restated	**1.54**	**2.22**	**44%**	**2.26**		**2.99**	**3.53**		**3.57**		**6.69**	**6.99**	**5%**
Ebitda margin	22.8%	26.7%		27.3%		22.6%	23.9%		24.2%		24.1%	23.7%	
D&A	-0.18	-0.18	-1%	-0.18	0%	-0.33	-0.35	6%	-0.35	0%	-0.68	-0.72	
Provisions	0.00	-0.02		-0.02		0.00	-0.02	n.m.	-0.02	n.m.	-0.03	-0.03	
EBIT	**1.23**	**1.79**	**45%**	**1.84**	**-3%**	**2.49**	**2.88**	**16%**	**2.92**	**-2%**	**5.66**	**5.89**	**4%**
Ebit margin	18.2%	21.6%		22.1%		18.8%	19.5%		19.8%		20.4%	20.0%	
Pre tax profit	**1.23**	**1.69**	**38%**	**1.74**	**-3%**	**2.47**	**2.77**	**12%**	**2.82**	**-2%**	**5.57**	**5.78**	**4%**
Taxes	-0.50	-0.58		-0.63		-0.94	-0.95	2%	-1.00		-1.95	-1.99	2%
Net Profit	**0.73**	**1.11**	**53%**	**1.11**	**0%**	**1.53**	**1.82**	**19%**	**1.82**	**0%**	**3.72**	**3.89**	**4%**
Minorities	0.00	0.00		0.00		0.00	0.00	n.m.	0.00	n.m.			
Group Net Profit	**0.72**	**1.04**	**45%**	**1.07**	**-3%**	**1.53**	**1.63**	**7%**	**1.66**	**-2%**	**3.72**	**3.89**	**4%**
Net margin	10.6%	12.6%		12.6%		11.5%	11.0%		11.0%		13.4%	13.2%	

Source. Company Data - Intermonte Estimates

There were no particular surprises from quarterly results as we were already incorporating a positive outcome in our estimates. The only divergence was in the NFP, where B&C reported a debt of Eu1.88mn vs. our more neutral forecast. This was due to dividend and tax payments and the increase in working capital.

Some Key Facts at a Glance

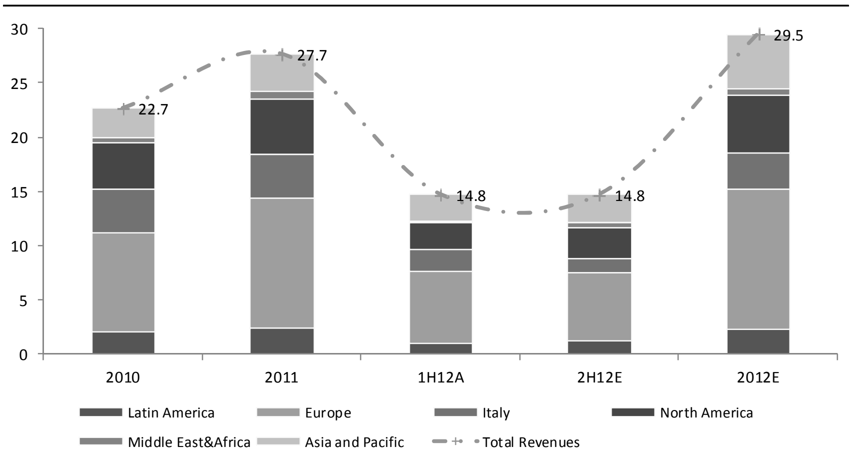
1) Cost of Raw Materials

The **price of neodymium** dropped sharply YoY (it is now price at lower than one half of the August 2011 level). We believe that starting from now B&C will maintain low raw material costs, allowing the company to hold high operating margins as were posted in FY11 (its best year of operations since 2007).

2) Sales Breakdown

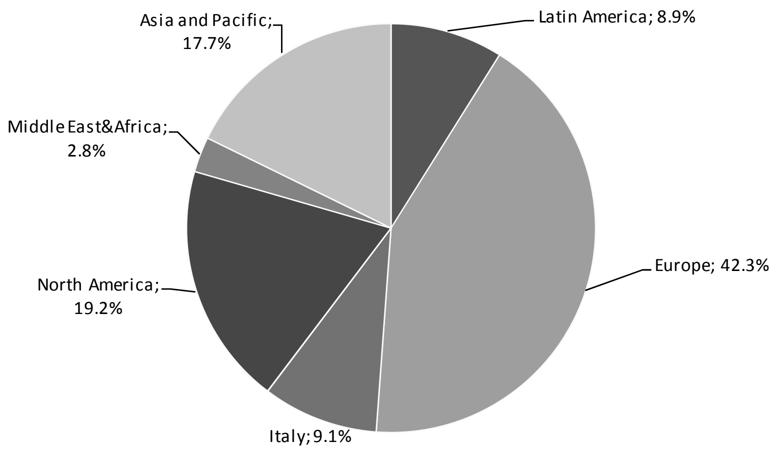
1H revenues held up well in Europe contrary to our expectations, confirming a +6% YoY increase including Italy and 24% excluding Italy. Better results come from Asia where sales rose a huge 75%, boosted by interest in high quality speakers. We expect continued growth in this direction.
On the following page we show a graph with actual and estimated revenues broken down by region. We also include 2H and FY12 estimates based on positive expectations for the end of the year.

Revenues breakdown by country (Eu mn)



Source: Company Data

1H12 Revenues breakdown by country (%)



Source: Company Data

Estimate Revision

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

B&C Speakers - P&L (Eu mn)	New 2012E	Old 2012E	New vs Old
Sales	29.5	28.6	*3.1%*
YoY growth	*6.6%*	*3.4%*	
Value of Production	29.7	28.8	*3.1%*
Costs of raw and consumable materials	(12.0)	(11.4)	*4.5%*
Labour costs	(4.5)	(4.5)	*1.7%*
Other Costs	(6.2)	(6.1)	*1.9%*
Extraordinary costs	(0.4)	(0.3)	*16.7%*
EBITDA	**6.6**	**6.5**	***2.0%***
Ebitda margin	*22.5%*	*22.7%*	
Total D&A	(0.7)	(0.8)	
EBIT	**5.9**	**5.7**	***4.1%***
Ebit margin	*20.0%*	*19.8%*	
Net financials	(0.2)	(0.1)	
Pre tax profit	5.8	5.7	*1.9%*
Taxes	(2.0)	(2.0)	
Tax Rate	*-34.4%*	*-34.4%*	
Minorities	0.0	0.0	
Group Net Profit	**3.9**	**3.8**	***1.9%***

Source: Intermonte SIM estimates; Company data

We are raising our estimates based on:

1- high order intake in 1H (+20.1% YoY to Eu16.7mn), boosting our FY top line estimate;
2- low cost of neodymium which would maintain high operating margins;
3- growing interest in the Architettura Sonora division (orders are coming in from the Middle East) which would enhance the possibility of the division achieving some profit as of the end of this year;
4- increased interest in B&C products from clients in fast growing markets (such as Brazil and China) which would augment our sales estimates

Valuation

We have used DCF and EV/ROACE to evaluate the company. The average of these two methods results in a target price of Eu4.2ps

B&C Speakers - Target Price calculation		
DCF Fair Price calculation	Eu ps	*4.10*
EV/ROACE Fair Price calculation	Eu ps	*4.30*
Target Price	Eu ps	***4.20***
Current Price	Eu ps	*3.00*
Potential upside/(downside)		*40%*

Source: Intermonte Sim Estimates

Investment Conclusion

We are reaffirming our positive stance on the stock, which is currently trading at a low price that we do not believe can be justified. We are confirming our target price to Eu4.2, following the change in estimates.

B&C Speaker Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
B&C Speakers S.p.A.	**3.0**	**EUR - Euro**	**34**	**9.7%**	**5.1%**	**0.9%**	**3.1%**	**10.6%**	**-4.2%**
Harman International Industries Inc.	45.7	USD - US Dollar	3,071	11.8%	9.9%	-6.9%	20.2%	26.5%	42.0%
RCF Group S.p.A.	0.5	EUR - Euro	17	36.5%	31.2%	-19.7%	-19.3%	-25.4%	-30.4%
Auto Suppliers avg				**24.2%**	**20.5%**	**-13.3%**	**0.4%**	**0.6%**	**5.8%**
FTSE Italy Small Cap (IT)	**14,406.2**	**EUR - Euro**		**9.4%**	**2.7%**	**-11.7%**	**-0.3%**	**-17.7%**	**-32.8%**

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.	**3.00**	**EUR - Euro**	**34**	**1.09**	**0.96**	**4.7**	**3.9**	**5.2**	**4.4**	**8.1**	**7.3**	**7.3%**	**8.2%**
Harman International Industries Inc.	45.7	USD - US Dollar	3,071	0.61	0.53	6.13	4.84	8.55	6.37	15.60	11.97	0.6%	1.0%
RCF Group S.p.A.	0.5	EUR - Euro	17	0.56	0.51	5.58	4.42	10.10	7.08	11.62	5.34	2.0%	2.0%
Auto Suppliers avg				**0.58**	**0.47**	**5.27**	**4.16**	**7.50**	**5.44**	**13.59**	**10.55**	**1.3%**	**1.5%**

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

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CONSOB (with resolution n. 18298 dated 27th July 2012 resolved to extend the restrictions on the short-selling of shares in the financial sector, originally provided by Resolution no. 18283 of 23rd July 2012, until 14th September 2012. The sale of shares in the banking and insurance sectors is prohibited unless shares are both owned by the seller and available for transfer.
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Explanation of our ratings system:
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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NEUTRAL: 36.21%
UNDERPERFORM: 10.24%
SELL: 0.00%

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OUTPERFORM: 46.88%
NEUTRAL: 31.24%
UNDERPERFORM: 0.00%
SELL: 0.00%

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- Intermonte SIM SpA acts as Financial Advisor to the following companies: Cattolica Assicurazioni.

DETAILS ON STOCKS RECOMMENDATION

Stock NAME	**B&C SPEAKERS**		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	4.20	Previous Target (Eu):	4.20
Current Price (Eu):	3.00	Previous Price (Eu):	2.70
Date of report:	31/08/2012	Date of last report:	08/08/2012

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