# B&C SPEAKERS OUTPERFORM

*SECTOR: Industrials*

**Price (Eu): 6.00**

**Target Price (Eu): 6.80**

Alessandro Schiavo +39-02-77115.358
e-mail: alessandro.schiavo@intermonte.it

## High Margins Solidified in 3Q

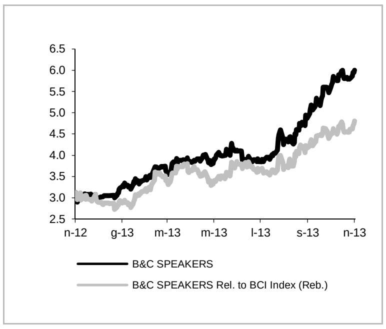
- **3Q13 results.** Yesterday, B&C's Board approved a set of positive results that were better than our expectations. Sales came to Eu8.1mn (+7% YoY, vs. Eu8.4mn expected), EBITDA was Eu2.3mn (+15% YoY, vs. Eu2.1mn exp.) and net income before non-recurring items was Eu1.4mn (+21% YoY, vs. Eu1.2mn exp.). No particular surprises emerged: P&L continued to benefit from a strong order portfolio (Eu7.9mn in September, +4% YoY) and low raw material prices, which we believe are going to stabilize at recent levels. The net financial position was better than our projection of Eu-0.1mn at a cash-positive Eu0.6mn, improving from Eu-1.4mn at the end of June.
- **Company projections for FY 2013.** B&C confirmed it is on track to achieve 2013 guidance, so we expect to see positive results in 4Q as well, with top line growth for the year expected at about +10% YoY. The strong YoY NFP improvement (Eu0.6 vs. Eu-0.9mn in 3Q12) will ensure a substantial dividend payment next year. We currently include a dividend per share of Eu0.33 in our model.
- **Higher margins consolidated.** In 3Q13, B&C continued to benefit from low raw material prices and from management's efforts to contain operating costs. In particular, neodymium has stabilised at low prices. These factors have benefited operating margins: the EBITDA and EBIT margins landed at 26% and 24%, respectively, in the third quarter. Assuming this cost stability continues, we believe there is some more room for improvement on our projections.
- **Change in estimates.** In light of the 3Q revenues figure, we have reduced our top line growth projection for 2013 (in line with company guidance, though) and consequently for forthcoming years as well due to rolling effects. However, we have lifted our operating margin estimates following the assumptions described above: our 2013 and 2014 EBITDA margin estimates are for respective improvements on previous estimates of 90bps and 100bps to 24.9% and 25.0%. After these top line and margin revisions, we have raised our EPS estimates by 1.5% for '13 and by 2.5% for '14.
- **Investment conclusion**. After adjusting our estimates an rolling the valuation of one year forward, our evaluation on the stock goes up to Eu6.8ps (from Eu5.5ps) based on a 50/50 weighting of DCF and EV/ROACE methods. We therefore maintain our OUTPERFORM recommendation. Based on the idea that B&C has almost reached the top of its potential margin range, the attention now moves to efforts to increase volumes further. At this stage we maintain sales growth estimates of 6% for 2014 and 5% for 2015, but we would not rule out the possibility of more bullish guidance and/or an unexpected order intake increase, which could compel us to revise estimates upwards. At our target price, the stock would trade at 8.6x EV/EBITDA '14 and 14.4x P/E '14.

| Key Figures | 2011A | 2012A | 2013E | 2014E | 2015E |
|---|---|---|---|---|---|
| Sales (Eu mn) | 28 | 31 | 34 | 36 | 37 |
| Ebitda (Eu mn) | 6 | 7 | 8 | 9 | 9 |
| Net profit (Eu mn) | 4 | 4 | 5 | 5 | 5 |
| EPS - New (Eu) | 0.357 | 0.403 | 0.457 | 0.494 | 0.523 |
| EPS - Old (Eu) | | 0.403 | 0.455 | 0.482 | 0.507 |
| DPS (Eu) | 0.250 | 0.280 | 0.329 | 0.355 | 0.378 |

| Ratios & Multiples | 2011A | 2012A | 2013E | 2014E | 2015E |
|---|---|---|---|---|---|
| P/E | 16.8 | 14.9 | 13.1 | 12.2 | 11.5 |
| Div. Yield | 4.2% | 4.7% | 5.5% | 5.9% | 6.3% |
| EV/Ebitda | 9.9 | 8.5 | 7.5 | 7.0 | 6.5 |
| ROCE | 47.5% | 46.0% | 46.9% | 47.3% | 47.6% |



**B&C SPEAKERS - 12m Performance**




**RATING: Unchanged**
**TARGET PRICE (Eu): from 5.50 to 6.80**

| Change in EPS est: | 2013E | 2014E |
|---|---|---|
| | 1.5% | 2.5% |

| **STOCK DATA** | |
|---|---|
| Reuters code: | 37B.MI |
| Bloomberg code: | BEC.IM |

| Performance | 1m | 3m | 12m |
|---|---|---|---|
| Absolute | 7.1% | 37.9% | 92.3% |
| Relative | 7.0% | 30.8% | 67.5% |
| 12 months H/L: | | | 6.00/2.90 |

| **SHAREHOLDER DATA** | |
|---|---|
| No. of Ord. shares (mn): | 11 |
| Total No. of shares (mn): | 11 |
| Mkt Cap Ord (Eu mn): | 66 |
| Total Mkt Cap (Eu mn): | 66 |
| Mkt Float - ord (Eu mn): | 22 |
| *Mkt Float (in %):* | *32.9%* |
| Main shareholder: | |
| Coppini Lorenzo | 64.9% |

| **BALANCE SHEET DATA** | **2013** |
|---|---|
| Book value (Eu mn): | 17 |
| BVPS (Eu): | 1.55 |
| P/BV: | 3.9 |
| Net Financial Position (Eu mn): | 1 |
| Enterprise value (Eu mn): | 65 |

| B&C SPEAKERS - *KEY FIGURES* | | 2011A | 2012A | 2013E | 2014E | 2015E |
|---|---|---|---|---|---|---|
| | Fiscal year end | 31/12/2011 | 31/12/2012 | 31/12/2013 | 31/12/2014 | 31/12/2015 |
| **PROFIT & LOSS (Eu mn)** | Sales | 28 | 31 | 34 | 36 | 37 |
| | EBITDA | 6 | 7 | 8 | 9 | 9 |
| | EBIT | 6 | 6 | 7 | 8 | 8 |
| | Financial income (charges) | (0) | (0) | (0) | (0) | (0) |
| | Associates & Others | 0 | (0) | 0 | 0 | 0 |
| | Pre-tax profit (Loss) | 6 | 6 | 7 | 8 | 8 |
| | Taxes | (2) | (2) | (3) | (3) | (3) |
| | Tax rate (%) | 34.9% | 31.0% | 35.0% | 35.0% | 35.0% |
| | Minorities & discontinue activities | 0 | 0 | 0 | 0 | 0 |
| | Net profit | 4 | 4 | 5 | 5 | 5 |
| | Total extraordinary items | (0) | (0) | (0) | (0) | (0) |
| | Ebitda excl. extraordinary items | 7 | 8 | 9 | 9 | 10 |
| | Ebit excl. extraordinary items | 6 | 7 | 8 | 8 | 9 |
| | Net profit restated | 4 | 4 | 5 | 5 | 6 |
| **PER SHARE DATA (Eu)** | Total shares out (mn) - average fd | 11 | 11 | 11 | 11 | 11 |
| | EPS stated fd | 0.338 | 0.376 | 0.439 | 0.473 | 0.504 |
| | EPS restated fd | 0.357 | 0.403 | 0.457 | 0.494 | 0.523 |
| | BVPS fd | 1.118 | 1.395 | 1.554 | 1.697 | 1.847 |
| | Dividend per share (ord) | 0.250 | 0.280 | 0.329 | 0.355 | 0.378 |
| | Dividend per share (sav) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | Dividend pay out ratio (%) | 75.8% | 70.9% | 0.0% | 0.0% | 0.0% |
| **CASH FLOW (Eu mn)** | Gross cash flow | 4 | 4 | 5 | 6 | 6 |
| | Change in NWC | (1) | 2 | (1) | (1) | (1) |
| | Capital expenditure | (1) | (1) | (1) | (1) | (1) |
| | Other cash items | 0 | (1) | 0 | 0 | 0 |
| | Free cash flow (FCF) | 2 | 4 | 4 | 4 | 5 |
| | Acquisitions, divestments & others | 0 | 0 | 0 | 0 | 0 |
| | Dividend | (2) | (3) | (3) | (4) | (4) |
| | Equity financing/Buy-back | (1) | 0 | 0 | 0 | 0 |
| | Change in Net Financial Position | (0) | 1 | 1 | 1 | 1 |
| **BALANCE SHEET (Eu mn)** | Total fixed assets | 5 | 7 | 7 | 7 | 7 |
| | Net working capital | 12 | 9 | 11 | 11 | 12 |
| | Long term liabilities | (4) | (1) | (2) | (2) | (2) |
| | Net capital employed | 13 | 15 | 16 | 17 | 18 |
| | Net financial position | (0) | 1 | 1 | 2 | 2 |
| | Group equity | 12 | 15 | 17 | 19 | 20 |
| | Minorities | 0 | 0 | 0 | 0 | 0 |
| | Net equity | 12 | 15 | 17 | 19 | 20 |
| **ENTERPRISE VALUE (Eu mn)** | Average mkt cap - current | 66 | 66 | 66 | 66 | 66 |
| | Adjustments (associate & minorities) | 0 | 0 | 0 | 0 | 0 |
| | Net financial position | (0) | 1 | 1 | 2 | 2 |
| | Enterprise value | 66 | 65 | 65 | 64 | 64 |
| **RATIOS(%)** | EBITDA margin* | 24.1% | 24.9% | 25.8% | 26.0% | 26.1% |
| | EBIT margin* | 21.6% | 22.3% | 22.7% | 23.1% | 23.2% |
| | Gearing - Debt/equity | 3.9% | -5.3% | -5.8% | -8.6% | -11.6% |
| | Interest cover on EBIT | 66.7 | 46.4 | 52.0 | 77.0 | 132.6 |
| | Debt/Ebitda | 0.08 | nm | nm | nm | nm |
| | ROCE* | 47.5% | 46.0% | 46.9% | 47.3% | 47.6% |
| | ROE* | 32.1% | 31.4% | 29.2% | 28.5% | 27.9% |
| | EV/CE | 5.5 | 4.7 | 4.2 | 3.9 | 3.6 |
| | EV/Sales | 2.4 | 2.1 | 1.9 | 1.8 | 1.7 |
| | EV/Ebit | 11.1 | 9.5 | 8.5 | 7.8 | 7.3 |
| | Free Cash Flow Yield | 3.4% | 5.5% | 5.5% | 6.4% | 7.1% |
| **GROWTH RATES (%)** | Sales | 18.4% | 10.9% | 9.2% | 6.0% | 5.0% |
| | EBITDA* | 34.3% | 14.3% | 13.2% | 6.9% | 5.2% |
| | EBIT* | 37.4% | 14.9% | 11.1% | 7.6% | 5.6% |
| | Net profit | 38.6% | 19.8% | 8.9% | 7.8% | 6.7% |
| | EPS restated | 42.2% | 12.8% | 13.5% | 8.0% | 6.0% |

** Excluding extraordinary items*

Source: Intermonte SIM estimates

### 3Q13 Results better than expected

Yesterday, B&C's Board approved a set of positive results that were better than our expectations. Sales came to Eu8.1mn (+7% YoY, vs. Eu8.4mn expected), EBITDA was Eu2.3mn (+15% YoY, vs. Eu2.1mn exp.) and net income before non-recurring items was Eu1.4mn (+21% YoY, vs. Eu1.2mn exp.). No particular surprises emerged: P&L continued to benefit from a strong order portfolio (Eu7.9mn in September, +4% YoY) and low raw material prices, which we believe are going to stabilize at recent levels. The net financial position was better than our projection of Eu-0.1mn at a cash-positive Eu0.6mn, improving from Eu-1.4mn at the end of June.

| B&C Speakers - P&L (€ mn) | 3Q12A | 3Q13A | YoY growth | 3Q13E | Act vs Est | 9M12A | 9M13A | YoY growth | 9M13E | Act vs Est |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net sales** | **7.6** | **8.1** | **7%** | **8.4** | **-3%** | **22.4** | **25.1** | **12%** | **25.4** | **-1%** |
| **Value of Production** | **8.1** | **7.7** | **-5%** | **8.8** | **-13%** | **24.0** | **25.5** | **6%** | **26.6** | **-4%** |
| Costs of raw and cons materials | (3.3) | (2.5) | -24% | (3.5) | 28% | (10.4) | (9.6) | -7% | (10.6) | 9% |
| % on net sales | -43.7% | -31.1% | | -41.7% | | -46.2% | -38.2% | | -41.6% | |
| Labour costs | (1.1) | (1.2) | 14% | (1.3) | | (3.3) | (4.0) | 21% | (4.1) | |
| % on net sales | -14.3% | -15.3% | | -15.4% | | -14.9% | -16.1% | | -16.1% | |
| Other costs | (1.7) | (1.6) | -4% | (1.8) | | (4.7) | (5.1) | 8% | (5.3) | |
| % on net sales | -22.0% | -19.8% | | -21.4% | | -21.2% | -20.3% | | -20.8% | |
| Extraordinary Costs | (0.1) | (0.1) | | (0.1) | | (0.3) | (0.2) | | (0.2) | |
| **EBITDA** | **2.0** | **2.3** | **15%** | **2.1** | **5%** | **5.2** | **6.6** | **26%** | **6.5** | **2%** |
| Ebitda margin | 25.7% | 27.7% | | 25.5% | | 23.3% | 26.1% | | 25.4% | |
| **EBITDA Restated** | **2.5** | **3.0** | **20%** | **3.0** | | **1.4** | **1.3** | **-10%** | **1.3** | |
| Ebitda margin | 22.1% | 22.6% | | 22.6% | | 22.3% | 20.2% | | 20.2% | |
| D&A | (0.2) | (0.2) | 6% | (0.2) | | (0.5) | (0.6) | 8% | (0.6) | |
| Provisions | (0.0) | (0.0) | | (0.0) | | (0.0) | (0.0) | | (0.0) | |
| **EBIT** | **1.8** | **2.0** | **15%** | **1.9** | **6%** | **4.6** | **5.9** | **28%** | **5.8** | **2%** |
| Ebit margin | 23.1% | 25.0% | | 23.0% | | 20.7% | 23.6% | | 22.9% | |
| **Pre tax profit** | **1.8** | **2.0** | **13%** | **1.9** | | **4.6** | **5.8** | **28%** | **5.7** | |
| Taxes | (0.6) | (0.6) | | (0.7) | | (1.6) | (2.0) | | (2.0) | |
| **Net Profit** | **1.1** | **1.4** | **21%** | **1.2** | **10%** | **3.0** | **3.9** | **30%** | **3.8** | **3%** |
| Minorities | 0.0 | 0.0 | | 0.0 | | 0.0 | 0.0 | | 0.0 | |
| **Group Net Profit** | **1.2** | **1.3** | **4%** | **1.3** | **-2%** | **2.9** | **3.9** | **36%** | **3.9** | **-2%** |
| Net margin | 16.0% | 15.6% | | 15.5% | | 12.7% | 15.4% | | 15.5% | |
| **NFP** | **-0.9** | **0.6** | | **-0.1** | | **-0.9** | **0.6** | | **-0.1** | |

| 2012A | 2013E | YoY Chg |
|---|---|---|
| **30.7** | **33.5** | **9%** |
| **30.9** | **34.0** | |
| -12.06 | -13.18 | 9% |
| -39.3% | -39.3% | |
| -4.6 | -5.3 | 15% |
| -15.0% | -15.8% | |
| -6.6 | -6.8 | 3% |
| -21.6% | -20.3% | |
| -0.4 | -0.3 | |
| **7.2** | **8.4** | **16%** |
| 23.5% | 24.9% | |
| -0.7 | -1.0 | |
| -0.1 | -0.1 | |
| **6.4** | **7.3** | **14%** |
| 21.0% | 21.8% | |
| **6.3** | **7.3** | **16%** |
| -2.0 | -2.5 | |
| **4.1** | **4.8** | **17%** |
| 0.0 | 0.0 | |
| **4.1** | **4.8** | **17%** |
| 13.5% | 14.4% | |
| **0.8** | **1.0** | **21%** |

Source. Company Data - Intermonte Estimates

### Change in estimates

| | *New* | *Old* | | *New* | *Old* | | *New* | *Old* | |
|---|---|---|---|---|---|---|---|---|---|
| **B&C Speakers - P&L (Eu mn)** | **2013E** | **2013E** | **New vs Old** | **2014E** | **2014E** | **New vs Old** | **2015E** | **2015E** | **New vs Old** |
| **Sales** | 33.5 | 34.5 | -2.8% | 35.6 | 36.6 | -2.8% | 37.3 | 38.4 | -2.8% |
| *YoY growth* | *9.2%* | *12.3%* | | *6.0%* | *6.0%* | | *5.0%* | *5.0%* | |
| **Value of Production** | 34.0 | 34.8 | -2.3% | 36.0 | 36.9 | -2.4% | 37.7 | 38.6 | -2.4% |
| Costs of raw and consumable materials | (13.2) | (13.7) | -4.0% | (13.9) | (14.6) | -5.2% | (14.4) | (15.4) | -5.9% |
| Labour costs | (5.3) | (5.2) | 2.4% | (5.3) | (5.2) | 2.7% | (5.4) | (5.2) | 4.5% |
| Other Costs | (6.8) | (7.2) | -5.1% | (7.5) | (7.9) | -5.0% | (8.2) | (8.6) | -5.0% |
| Extraordinary costs | (0.3) | (0.4) | -21.1% | (0.4) | (0.4) | 0.0% | (0.3) | (0.3) | 0.0% |
| **EBITDA** | **8.4** | **8.3** | **0.9%** | **8.9** | **8.8** | **1.5%** | **9.4** | **9.2** | **2.2%** |
| *Ebitda margin* | *24.9%* | *24.0%* | | *25.0%* | *24.0%* | | *25.2%* | *24.0%* | |
| Total D&A | (1.0) | (0.8) | | (1.1) | (0.8) | | (1.1) | (0.9) | |
| **EBIT** | **7.3** | **7.4** | **-1.7%** | **7.9** | **7.9** | **-0.9%** | **8.3** | **8.4** | **-0.1%** |
| *Ebit margin* | *21.8%* | *21.6%* | | *22.1%* | *21.7%* | | *22.3%* | *21.8%* | |
| Net financials | (0.1) | (0.1) | | (0.1) | (0.1) | | (0.1) | (0.1) | |
| Pre tax profit | 7.3 | 7.3 | -0.6% | 7.9 | 7.8 | 0.5% | 8.4 | 8.3 | 1.5% |
| Taxes | (2.5) | (2.6) | -0.6% | (2.7) | (2.7) | 0.5% | (2.9) | (2.9) | 1.5% |
| *Tax Rate* | *-35.0%* | *-35.0%* | | *-35.0%* | *-35.0%* | | *-35.0%* | *-35.0%* | |
| Minorities | 0.0 | 0.0 | | 0.0 | 0.0 | | 0.0 | 0.0 | |
| **Group Net Profit** | **4.8** | **4.8** | **1.5%** | **5.2** | **5.1** | **2.5%** | **5.5** | **5.4** | **3.4%** |

*Source: Intermonte SIM estimates (E); Company data (A)*

## Valuation

Our DCF valuation now includes a more generous beta of 0.8 (from 1.0 previously) which consequently benefits our WACC to the tune of about 100bps. This new beta represents the stock's correlation with the FTSE STAR Italy Index, to which B&C's belongs. Moreover, we have rolled our valuation over by one year to 2018.

| B&C Speakers - DCF (€ mn) | 2014E | 2015E | 2016E | 2017E | 2018E | Terminal year |
|---|---|---|---|---|---|---|
| ***Consolidated net sales*** | ***35.6*** | ***37.3*** | ***39.2*** | ***40.8*** | ***42.4*** | ***43.2*** |
| *YoY growth rate* | *6.0%* | *5.0%* | *5.0%* | *4.0%* | *4.0%* | *10.3%* |
| ***Ebitda*** | ***8.9*** | ***9.4*** | ***10.0*** | ***10.4*** | ***10.8*** | ***11.0*** |
| *Ebit margin (%)* | *25.0%* | *25.2%* | *25.5%* | *25.5%* | *25.5%* | *25.5%* |
| *Amortization & Depreciation* | *(1.1)* | *(1.1)* | *(1.1)* | *(1.1)* | *(1.1)* | *(1.1)* |
| ***Ebit*** | ***7.9*** | ***8.3*** | ***8.9*** | ***9.3*** | ***9.7*** | ***9.9*** |
| *Ebit margin (%)* | *22.1%* | *22.3%* | *22.7%* | *22.8%* | *22.9%* | *22.9%* |
| *Change in Working Capital* | *(0.8)* | *(0.7)* | *(0.6)* | *(0.5)* | *(0.5)* | *(0.3)* |
| *Capex* | *(0.7)* | *(0.8)* | *(0.8)* | *(0.9)* | *(0.9)* | *(1.1)* |
| *YoY growth rate* | *-2.1%* | *-2.1%* | *-2.1%* | *-2.1%* | *-2.1%* | *-2.6%* |
| *Tax Rate* | *35.0%* | *35.0%* | *35.0%* | *35.0%* | *35.0%* | *35.0%* |
| *Taxes on EBIT* | *(2.7)* | *(2.9)* | *(3.1)* | *(3.3)* | *(3.4)* | *(3.5)* |
| ***Operating Free Cash Flow*** | ***4.6*** | ***5.0*** | ***5.4*** | ***5.8*** | ***6.0*** | ***6.2*** |
| *Discounting Factor* | *0.92* | *0.84* | *0.77* | *0.71* | *0.65* | *0.60* |
| ***Discounted Free Cash Flow*** | ***4.3*** | ***4.2*** | ***4.2*** | ***4.1*** | ***3.9*** | ***3.7*** |
| ***WACC*** | ***8.9%*** | ***8.9%*** | ***8.9%*** | ***8.9%*** | ***8.9%*** | ***8.9%*** |
| *Debt Weight* | *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%* |
| *Tax Rate* | *35.0%* | *35.0%* | *35.0%* | *35.0%* | *35.0%* | *35.0%* |
| *Kd* | *3.3%* | *3.3%* | *3.3%* | *3.3%* | *3.3%* | *3.3%* |
| *Risk Free* | *4.5%* | *4.5%* | *4.5%* | *4.5%* | *4.5%* | *4.5%* |
| *Risk Premium* | *5.5%* | *5.5%* | *5.5%* | *5.5%* | *5.5%* | *5.5%* |
| *Beta* | *0.80* | *0.80* | *0.80* | *0.80* | *0.80* | *0.80* |
| *Ke* | *8.9%* | *8.9%* | *8.9%* | *8.9%* | *8.9%* | *8.9%* |
| **Terminal growth (g)** | | | | | | ***2.0%*** |

| | |
|---|---|
| *Actual Value Free Cash Flow* | *20.7* |
| *Terminal Value* | *89.4* |
| *Actual Terminal Value* | *53.6* |
| ***Enterprise Value*** | ***74.4*** |
| *(+) net cash(debt) 2013E* | *1.0* |
| *(+) Treasury shares* | *0.1* |
| *(+) minorities* | *0.0* |
| ***Total Value*** | ***75.5*** |
| *N. of shares (mn):* | *11.0* |
| ***Fair value per share (€):*** | ***6.9*** |

*Source: Intermonte SIM estimates*

| B&C Speakers - Ev/Roace Model (Eu mn) | 2014E | 2015E | 2016E |
|---|---|---|---|
| *Capital Employed - year average* | *16.6* | *17.5* | *18.7* |
| *Ebit* | *7.9* | *8.3* | *8.9* |
| *ROACE* | *47.3%* | *47.6%* | *47.6%* |
| *Tax load ratio (%)* | *35.0%* | *35.0%* | *35.0%* |
| *ROCEAT* | *30.8%* | *31.0%* | *30.9%* |
| ***WACC*** | ***8.9%*** | ***8.9%*** | ***8.9%*** |
| *Terminal growth (g)* | *2.0%* | *2.0%* | *2.0%* |
| *Required return* | *6.9%* | *6.9%* | *6.9%* |
| ***EV / CE*** | *4.5* | *4.5* | *4.5* |
| ***Enterprise Value (Eu mn)*** | ***74.0*** | ***78.6*** | ***84.0*** |
| *NFP (-)* | *1.6* | *2.4* | *2.8* |
| *(+) minorities* | *0.0* | *0.0* | *0.0* |
| ***Fair Value (Eu mn)*** | ***75.6*** | ***80.9*** | ***86.8*** |
| ***Discounted Fair value per share (Eu)*** | ***6.6*** | ***6.7*** | ***6.9*** |
| ***Average 2011 - 2013 disc. back (Eu ps)*** | ***6.7*** | | |

*Source: Intermonte SIM estimates*

## Investment Conclusions

After adjusting our estimates an rolling the valuations of one year forward, our evaluation on the stock goes up to Eu6.8ps (from Eu5.5ps) based on a 50/50 weighting of DCF and EV/ROACE methods. We therefore maintain our OUTPERFORM recommendation. Based on the idea that B&C has almost reached the top of its potential margin range, the attention now moves to efforts to increase volumes further. At this stage we maintain sales growth estimates of 6% for 2014 and 5% for 2015, but we would not rule out the possibility of more bullish guidance and/or an unexpected order intake increase, which could compel us to revise estimates upwards. At our target price, the stock would trade at 8.6x EV/EBITDA '14 and 14.4x P/E '14.

| **B&C Speakers - Target Price calculation** | | |
|---|---|---|
| DCF Fair Price calculation | Eu ps | *6.9* |
| EV/ROACE Fair Price calculation | Eu ps | *6.7* |
| Target Price | Eu ps | ***6.8*** |
| Current Price | Eu ps | *6.0* |
| *Potential upside/(downside)* | | *14%* |

*Source: Intermonte Sim Estimates*

**DISCLAIMER (for more details go to http://intermonte.it/ disclosures.asp)**

**IMPORTANT DISCLOSURES**

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from Intermonte.
This report is directed exclusively at market professional and other institutional investors (Institutions)and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.
The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by the Intermonte. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.
This disclaimer is constantly updated on Intermonte's website www.intermonte.it under DISCLOSURES. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question.

**ANALYST CERTIFICATION**

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certify that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.
The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including Intermonte's total profits, a portion of which is generated by Intermonte's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.
Intermonte's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.

**GUIDE TO FUNDAMENTAL RESEARCH**

Reports on all companies listed on the S&PMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.
A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.
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.

**CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS**

Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms. As at September 30th 2013 Intermonte's Research Department covered 147 companies.
Intermonte's distribution of stock ratings is as follows:
BUY: 17.69%
OUTPERFORM: 36.73%
NEUTRAL: 40.50%
UNDERPERFORM: 4.08%
SELL: 0.68%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (26 in total) is as follows:
BUY: 15.38%
OUTPERFORM: 50.00%
NEUTRAL: 34.62%
UNDERPERFORM: 0.00%
SELL: 0.00%

**CONFLICT OF INTEREST**

In order to disclose its possible conflicts of interest Intermonte SIM states that:

- within the last year, Intermonte SIM managed or co-managed/is managing or is co-managing (see companies indicated in bold type) an Institutional Offering and/or , managed or co-managed/is managing or is co-managing (see companies indicated in bold type) an offering with firm commitment underwriting of the securities of the following Companies: Compagnia della Ruota, **Made in Italy**, Sesa, TerniGreen, UniCredit.
- Intermonte SIM is Specialist and/or Corporate Broker and/or Broker in charge of the share buyback activity of the following Companies: Banca Ifis, Be, Biancamano, B&C Speakers, Bolzoni, Carraro, Cattolica Assicurazioni, Cell Therapeutics, Credito Valtellinese, Datalogic, DeA capital, Digital Bros, EL.En, Fiera Milano, Fintel Energia Group, Gefran, IGD, Kinexia, Mondo TV, Primi sui Motori, QF Alpha Immobiliare, QF Beta Immobiliare, Reno de Medici, Recordati, Reply, Saes Getters, Servizi Italia, Sesa, TESMEC, TBS Group, TerniGreen, Ternienergia,TXT e-solutions, Vittoria Assicurazioni, VR Way.
- Intermonte SIM SpA and its subsidiaries do not hold a stake of equal to or over 1% in any class of common equity securities of the subject company.
- 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): | 6.80 | Previous Target (Eu): | 5.50 |
| Current Price (Eu): | 6.00 | Previous Price (Eu): | 3.91 |
| Date of report: | 15/11/2013 | Date of last report: | 19/09/2013 |



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