B&C SPEAKERS OUTPERFORM

SECTOR: Industrials

Price (Eu): 7.42

Target Price (Eu): 8.50

Jacopo Tagliaferri +39-02-77115.230
e-mail: jacopo.tagliaferri@intermonte.it
Carlo Maritano +39-02-77115.358
e-mail: carlo.maritano@intermonte.it

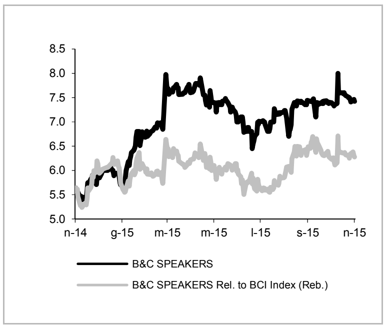
Quarterly Results In Line, Order Intake Support Revenue Growth

- **3Q15 results show strong revenue growth and sound operating leverage.** Net revenues came to Eu8.7mn in the quarter (+17.0% YoY), above our Eu8.5mn estimate. Strong performances in Asia and North America more than offset a slight decrease in the European market. EBITDA jumped 44.1% YoY to Eu2.0mn (in line with our estimate). The EBITDA margin improved 420bps YoY to 22.5%, thanks to higher average selling prices and an increased proportion of dollar-denominated sales. Net income reached Eu0.9mn (well below our Eu1.4mn estimate), negatively affected by losses on FOREX (approx. Eu0.3mn) and slightly higher taxes. Finally, the net financial position turned negative to the tune of Eu0.8mn at the end of September, from a positive Eu0.4mn at the end of June due to typical working capital seasonality. By the end of October the net financial position was back in the black.
- **Promising outlook in 4Q.** According to the press release, management believes that, given dynamic demand and the company's production capacity, year-end figures should reveal a significant increase on the previous year, while the Brazilian subsidiary's results were well below expectations due to the deteriorating political and economic situation in the country. Finally, since the end of 3Q the parent company has received a significant flow of orders.
- **Estimates fine-tuned.** Following the release of 3Q15 results we have slightly trimmed our FY15 revenues and EBITDA estimates (-1.8% and -1.6% respectively) due to an expected lower contribution from the Brazilian subsidiary. Finally, having incorporated the Eu0.3mn of FOREX losses booked in 3Q15, we have cut our net profit estimate by 6.3% for FY15. We are therefore forecasting FY15 sales growth of 10.2% to Eu36.1mn, EBITDA to come to Eu8.7mn (the margin on sales will improve by 120bps to 24.1%), and net profit to reach Eu5.2mn (+19.7% YoY). Net cash is forecast at Eu2.2mn at year end. We have left our FY16 and FY17 estimates unchanged.
- **OUTPERFORM reaffirmed, target price unchanged at Eu8.50.** An healthy order intake is expected to continue to support revenue growth in 4Q. We expect the mismatch between costs and revenues in USD to be neutralised by price hikes in the short-term and a greater incidence of dollar-denominated sales in the medium-term, with a structural positive impact on profitability (which should recover from 2014 levels). Finally, B&C Speakers boasts a strong balance sheet and is therefore in a position to exploit external growth opportunities and develop new applications for speakers. These additional options are not included in our estimates. Our valuation, the simple average of a DCF and an EV/ROACE method, yields a target price of Eu8.50 per share (unchanged). At our target price, B&C Speakers would be trading at 15.5x P/E and 9.6x EV/EBITDA on 2016 figures.

Key Figures	2013A	2014A	2015E	2016E	2017E
Sales (Eu mn)	32	33	36	39	41
Ebitda (Eu mn)	8	7	9	10	10
Net profit (Eu mn)	5	4	5	6	6
EPS - New (Eu)	0.429	0.396	0.474	0.547	0.587
EPS - Old (Eu)	0.429	0.396	0.506	0.547	0.587
DPS (Eu)	0.320	0.320	0.356	0.410	0.440

Ratios & Multiples	2013A	2014A	2015E	2016E	2017E
P/E	17.3	18.7	15.7	13.6	12.6
Div. Yield	4.3%	4.3%	4.8%	5.5%	5.9%
EV/Ebitda	9.9	10.6	9.1	8.3	7.7
ROCE	43.5%	39.1%	44.4%	44.7%	44.6%

B&C SPEAKERS - 12m Performance



Eu/USD: 1.33 2014; 1.1 2015/16
Eu/BRL: 3.12 2014; 3.85 2015/16

RATING: Unchanged
TARGET PRICE (Eu): Unchanged

Change in EPS est:	2015E	2016E
	-6.3%	0.0%

STOCK DATA

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

Performance	1m	3m	12m
Absolute	0.2%	2.6%	31.6%
Relative	0.1%	6.8%	13.3%
12 months H/L:			8.00/5.40

SHAREHOLDER DATA

No. of Ord. shares (mn):	11
Total No. of shares (mn):	11
Mkt Cap Ord (Eu mn):	82
Total Mkt Cap (Eu mn):	82
Mkt Float - ord (Eu mn):	31
Mkt Float (in %):	*38.5%*
Main shareholder:	
Research & Development Int.	61.5%

BALANCE SHEET DATA	2015
Book value (Eu mn):	19
BVPS (Eu):	1.74
P/BV:	4.3
Net Financial Position (Eu mn):	2
Enterprise value (Eu mn):	79

Please see important disclaimer on the last page of this report

B&C SPEAKERS - *KEY FIGURES*		2013A	2014A	2015E	2016E	2017E
	Fiscal year end	31/12/2013	31/12/2014	31/12/2015	31/12/2016	31/12/2017
PROFIT & LOSS (Eu mn)	Sales	32	33	36	39	41
	EBITDA	8	7	9	10	10
	EBIT	7	7	8	9	9
	Financial income (charges)	(0)	0	(0)	0	0
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	7	7	8	9	9
	Taxes	(2)	(2)	(2)	(3)	(3)
	Tax rate (%)	35.0%	31.7%	31.0%	30.5%	30.5%
	Minorities & discontinue activities	0	(0)	0	0	0
	Net profit	5	4	5	6	6
	Total extraordinary items	0	0	0	0	0
	Ebitda excl. extraordinary items	8	7	9	10	10
	Ebit excl. extraordinary items	7	7	8	9	9
	Net profit restated	5	4	5	6	6
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	11	11	11	11	11
	EPS stated fd	0.429	0.396	0.474	0.547	0.587
	EPS restated fd	0.429	0.396	0.474	0.547	0.587
	BVPS fd	1.533	1.585	1.739	1.930	2.107
	Dividend per share (ord)	0.320	0.320	0.356	0.410	0.440
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	74.6%	80.8%	75.0%	75.0%	75.0%
CASH FLOW (Eu mn)	Gross cash flow	5	10	5	6	7
	Change in NWC	(1)	(5)	(0)	(1)	(1)
	Capital expenditure	(1)	(1)	(1)	(1)	(1)
	Other cash items	0	(0)	(0)	(0)	(0)
	Free cash flow (FCF)	4	4	4	5	6
	Acquisitions, divestments & others	0	0	0	0	0
	Dividend	(3)	(4)	(4)	(4)	(5)
	Equity financing/Buy-back	(0)	(1)	(1)	(1)	(1)
	Change in Net Financial Position	1	(0)	0	0	1
BALANCE SHEET (Eu mn)	Total fixed assets	7	6	7	7	7
	Net working capital	10	15	16	16	17
	Long term liabilities	0	(5)	(4)	(3)	(2)
	Net capital employed	17	17	18	20	21
	Net financial position	2	2	2	3	3
	Group equity	17	17	19	21	23
	Minorities	0	0	0	0	0
	Net equity	17	17	19	21	23
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	82	82	82	82	82
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	2	2	2	3	3
	Enterprise value	79	80	79	79	78
RATIOS(%)	EBITDA margin*	24.8%	22.9%	24.1%	24.3%	24.6%
	EBIT margin*	22.1%	20.1%	21.6%	22.0%	22.4%
	Gearing - Debt/equity	-12.4%	-11.5%	-11.3%	-11.9%	-14.3%
	Interest cover on EBIT	37.3	nm	30.6	nm	nm
	Debt/Ebitda	nm	nm	nm	nm	nm
	ROCE*	43.5%	39.1%	44.4%	44.7%	44.6%
	ROE*	29.3%	25.4%	28.5%	29.8%	29.1%
	EV/CE	4.8	4.7	4.5	4.1	3.8
	EV/Sales	2.5	2.4	2.2	2.0	1.9
	EV/Ebit	11.1	12.1	10.2	9.2	8.5
	Free Cash Flow Yield	4.5%	4.7%	5.0%	5.7%	7.0%
GROWTH RATES (%)	Sales	9.1%	1.5%	10.2%	8.3%	5.2%
	EBITDA*	17.3%	-6.4%	16.3%	9.1%	6.5%
	EBIT*	17.3%	-7.7%	18.7%	10.1%	7.2%
	Net profit	11.3%	-7.7%	19.7%	15.4%	7.3%
	EPS restated	11.3%	-7.7%	19.7%	15.4%	7.3%

** Excluding extraordinary items*

Source: Intermonte SIM estimates

Results

B&C Speakers – 3Q15 Results

(Eu mn)	3Q14A	3Q15A	YoY growth	3Q15E	A vs E	9M14A	9M15A	YoY growth	9M15E	A vs E
Net Sales	**7.4**	**8.7**	**17.0%**	**8.5**	**1.6%**	**24.1**	**27.2**	**13.0%**	**27.1**	**0.5%**
Value of Production	**7.5**	**8.6**	**14.3%**	**8.6**	**-0.4%**	**24.2**	**27.2**	**12.2%**	**27.2**	**-0.1%**
Change in inventories	0.7	0.0		0.0		0.5	1.5		1.5	
Costs of raw and cons materials	(3.6)	(3.7)		(3.7)		(9.8)	(12.1)		(12.1)	
% on net sales	-48.1%	-42.9%		-43.6%		-40.6%	-44.6%		-44.8%	
Labour costs	(1.3)	(1.3)		(1.3)		(4.0)	(4.4)		(4.4)	
% on net sales	-17.4%	-14.6%		-14.9%		-16.7%	-16.3%		-16.4%	
Other costs	(1.9)	(1.6)		(1.6)		(5.1)	(5.5)		(5.5)	
% on net sales	-25.2%	-18.8%		-19.1%		-21.1%	-20.4%		-20.5%	
Extraordinary Costs	(0.1)	0.0		0.0		(0.3)	(0.2)		(0.2)	
EBITDA	**1.4**	**2.0**	**44.1%**	**2.0**	**-1.6%**	**5.6**	**6.5**	**15.7%**	**6.5**	**-0.1%**
EBITDA margin	18.3%	22.5%		23.2%		23.2%	23.8%		23.9%	
D&A	(0.2)	(0.2)		(0.2)		(0.6)	(0.6)		(0.6)	
Provisions	(0.0)	0.0		(0.0)		(0.0)	0.0		(0.0)	
EBIT	**1.2**	**1.8**	**51.6%**	**1.7**	**0.2%**	**4.9**	**5.9**	**19.2%**	**5.8**	**0.5%**
EBIT margin	15.6%	20.2%		20.5%		20.4%	21.6%		21.6%	
Net financial charges	0.0	(0.3)		(0.1)		0.1	-0.3		-0.1	
Pre tax profit	**1.2**	**1.5**		**1.7**		**5.0**	**5.6**		**5.7**	
Taxes	(0.4)	(0.6)		(0.5)		(1.7)	(2.1)		(1.9)	
Net Profit	**0.8**	**0.9**		**1.2**		**3.2**	**3.5**		**3.8**	
Minorities	0.0	0.0		0.0		0.0	0.0		0.0	
Group Net Profit	**0.8**	**0.9**	**13.9%**	**1.2**	**nm**	**3.2**	**3.5**	**10.7%**	**3.8**	**-7.6%**
Net margin	10.2%	9.9%		13.8%		13.2%	13.0%		14.1%	
NFP	**1.3**	**-0.8**		**1.1**		**1.3**	**-0.8**		**1.1**	

Source: Company Data and Intermonte SIM estimates

Change In Estimates

B&C Speakers – Change in Estimates

	2015E			2016E			2017E		
(Eu mn)	New	Old	%	New	Old	%	New	Old	%
Net Sales	**36.1**	**36.8**	**-1.8%**	**39.1**	**39.1**	**0.0%**	**41.2**	**41.2**	**0.0%**
YoY growth	10.2%	12.2%		8.3%	6.4%		5.2%	5.2%	
EBITDA	**8.7**	**8.9**	**-1.6%**	**9.5**	**9.5**	**0.0%**	**10.1**	**10.1**	**0.0%**
YoY growth	16.3%	18.2%		9.1%	7.3%		6.5%	6.5%	
EBITDA margin	24.1%	24.1%		24.3%	24.3%		24.6%	24.6%	
EBIT	**7.8**	**8.0**	**-1.8%**	**8.6**	**8.6**	**0.0%**	**9.2**	**9.2**	**0.0%**
EBIT margin	21.6%	21.6%		22.0%	22.0%		22.4%	22.4%	
Pre tax profit	**7.6**	**8.0**	**-5.6%**	**8.7**	**8.7**	**0.0%**	**9.3**	**9.3**	**0.0%**
Group Net Profit	**5.2**	**5.6**	**-6.3%**	**6.0**	**6.0**	**0.0%**	**6.5**	**6.5**	**0.0%**
NFP	**2.2**	**2.3**	**-5.6%**	**2.5**	**2.6**	**-2.8%**	**3.3**	**3.4**	**-2.2%**

Source: Company Data and Intermonte SIM estimates

Valuation

B&C Speakers – Valuation

			Details
DCF	Eu ps	9.1	WACC 7.4%, g 1.5%
EV/ROACE	Eu ps	7.9	
Target Price	**Eu ps**	**8.5**	
Current Price	Eu ps	7.4	
Potential upside/(downside)		14%	

Source: Company Data and Intermonte SIM estimates

B&C Speakers – Multiples At Target Price

	2015	**2016**	**2017**
P/E	17.9	15.5	14.5
EV/SALES	2.5	2.3	2.2
EV/EBITDA	10.5	9.6	8.9
EV/EBIT	11.7	10.6	9.8

Source: Company Data and Intermonte SIM estimates

B&C SPEAKERS Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
B&C SPEAKERS	**7.4**	**EUR**	**81.6**	**0.2%**	**2.6%**	**0.3%**	**23.7%**	**31.6%**	**23.7%**
DOLBY	34.9	USD	3,580.2	-0.6%	2.5%	-12.3%	-19.1%	-19.0%	-2.2%
DTS	25.4	USD	437.6	-12.9%	-7.4%	-21.9%	-17.6%	-22.5%	16.8%
HARMAN INT	101.6	USD	7,224.7	-4.3%	-5.3%	-19.2%	-4.8%	-7.0%	25.9%
Mean performance				**-4.4%**	**-1.9%**	**-13.3%**	**-4.4%**	**-4.2%**	**16.1%**
Italy Fixed	22,091.6	EUR	303,927	-1.1%	-5.6%	-4.8%	16.2%	14.2%	15.6%

Source: FactSet

B&C SPEAKERS Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	EV/Sales 2015	EV/Sales 2016	EV/Ebitda 2015	EV/Ebitda 2016	EV/Ebit 2015	EV/Ebit 2016	P/E 2015	P/E 2016	Div Yield 2015	Div Yield 2016
B&C SPEAKERS	**7.4**	**EUR**	**81.6**	**2.2**	**2.0**	**9.1**	**8.3**	**10.2**	**9.2**	**15.7**	**13.6**	**4.8%**	**5.5%**
DOLBY	34.9	USD	3,580.2	3.0	2.7	9.0	9.2	13.8	12.3	20.2	21.7		
DTS	25.4	USD	437.6	4.0	2.6	15.1	7.7	17.9	8.3	23.7	11.8		
HARMAN INT	101.6	USD	7,224.7	1.2	1.1	10.7	8.5	13.6	10.7	17.8	15.6	1.3%	1.3%
Median				**2.6**	**2.3**	**9.9**	**8.4**	**13.7**	**9.9**	**19.0**	**14.6**	**3.1%**	**3.4%**

Source: Intermonte SIM estimates for covered companies, FactSet consensus estimates for peer group

B&C SPEAKERS - Estimates Comparison with Consensus

	2015			2016		
(Eu mn)	**Intermonte**	**Consensus**	**%diff**	**Intermonte**	**Consensus**	**%diff**
Revenues	36.1	37.0	-2.4%	39.1	39.0	0.3%
Ebitda	8.7	9.0	-3.2%	9.5	10.0	-5.0%
Net Profit	5.2	6.0	-13.1%	6.0	6.0	0.3%
EPS	0.5	0.5	-6.3%	0.5	0.5	0.0%
Net Debt	2.2	(2.0)	-208.1%	2.5	(3.0)	-184.5%

Source: Intermonte SIM estimates and Factset consensus estimates

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BUY: stock expected to outperform the market by over 25% over a 12 month period;
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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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UNDERPERFORM: 0.00%
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DETAILS ON STOCKS RECOMMENDATION

Stock NAME	B&C SPEAKERS		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	8.50	Previous Target (Eu):	8.50
Current Price (Eu):	7.42	Previous Price (Eu):	7.40
Date of report:	19/11/2015	Date of last report:	31/08/2015

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