B&C SPEAKERS OUTPERFORM

Price (Eu): 7.14

Target Price (Eu): 9.00

SECTOR: Industrials

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Solid 1Q, Current Backlog Supports FY Expectations

- **1Q16 results slightly better than expected.** B&C's revenues for the period came to Eu8.8mn (+2.2% YoY), vs. Eu9.1mn expected: strong performances in Europe and North America more than offset the weakness in Asian and South American markets. EBITDA increased by 9.3% YoY to Eu2.1mn (vs our Eu1.9mn est.), coming to 23.7% of sales, a 150bps increase YoY. Net income reached Eu1.3mn, slightly better than our Eu1.1mn estimate. Finally, the net financial position was positive to the tune of Eu2.3mn, higher than the Eu1.5mn reported as at the end of 2015 and our forecast (Eu2.0mn). As at 31st March 2016, the order book of the parent company amounted to Eu8.9mn, up from Eu6.5mn at the end of December.

- **Supportive 2016 outlook.** With regard to the full-year forecast for 2016, company management believes that this will represent a year of consolidation, especially after the major growth achieved in 2015. As for the collection of new orders, the company affirmed that the intake in April and the beginning of May was satisfactory, with the order portfolio amounting to around Eu10.4mn when 1Q16 results were approved.

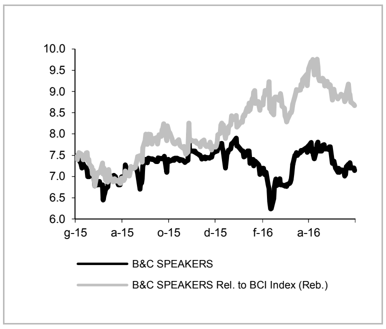
- **EPS estimates unchanged.** Following the release of 1Q16 results we have lowered our revenues estimates slightly to take into account a minor downturn in Asian markets, which saw revenues fall due to slowing orders from Chinese customers. Thanks to lower SG&A, however, we have lifted our margin assumptions, meaning our 2016-18 EPS estimates remain broadly unchanged. With regard to cash generation, we expect the NFP to be positive to the tune of Eu3.8mn at the end of 2018.

- **OUTPERFORM reaffirmed, target unchanged at Eu9.0.** A healthy order intake is expected to continue to support revenue growth in 2016. We expect the mismatch between costs and revenues in USD to have been neutralised by greater incidence of dollar-denominated sales, with a structural positive impact on profitability (which should recover further in 2016). Finally, B&C Speakers boasts a strong balance sheet and is therefore in a position to develop new applications for speakers. These additional organic growth options are not included in our estimates yet. Our valuation, the simple average of a DCF and an EV/ROACE method, yields a target price of Eu9.0 per share. At our target price, B&C Speakers would be trading at 14.4x P/E and 9.0x EV/EBITDA on 2018 figures.

Key Figures	2014A	2015A	2016E	2017E	2018E
Sales (Eu mn)	33	37	38	40	42
Ebitda (Eu mn)	7	8	9	10	11
Net profit (Eu mn)	4	5	6	6	7
EPS - New (Eu)	0.396	0.457	0.548	0.587	0.625
EPS - Old (Eu)		0.457	0.548	0.587	
DPS (Eu)	0.320	0.342	0.411	0.441	1.093

Ratios & Multiples	2014A	2015A	2016E	2017E	2018E
P/E	18.0	15.6	13.0	12.2	11.4
Div. Yield	4.5%	4.8%	5.8%	6.2%	15.3%
EV/Ebitda	10.2	9.1	8.0	7.5	6.3
ROCE	39.1%	43.6%	46.0%	45.9%	46.1%

B&C SPEAKERS - 12m Performance



RATING: Unchanged
TARGET PRICE (Eu): Unchanged

Change in EPS est:	2016E	2017E
	%	%

STOCK DATA			
Reuters code:			37B.MI
Bloomberg code:			BEC IM
Performance	**1m**	**3m**	**12m**
Absolute	-7.3%	5.3%	-3.8%
Relative	-5.1%	0.8%	14.2%
12 months H/L:			8.00/6.24

SHAREHOLDER DATA	
No. of Ord. shares (mn):	11
Total No. of shares (mn):	11
Mkt Cap Ord (Eu mn):	79
Total Mkt Cap (Eu mn):	79
Mkt Float - ord (Eu mn):	30
Mkt Float (in %):	*38.5%*
Main shareholder:	
Research & Development Int.	61.5%

BALANCE SHEET DATA	2016
Book value (Eu mn):	20
BVPS (Eu):	1.85
P/BV:	3.9
Net Financial Position (Eu mn):	2
Enterprise value (Eu mn):	76

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B&C SPEAKERS - *KEY FIGURES*		2014A	2015A	2016E	2017E	2018E
	Fiscal year end	31/12/2014	31/12/2015	31/12/2016	31/12/2017	**31/12/2018**
PROFIT & LOSS (Eu mn)	Sales	33	37	38	40	42
	EBITDA	7	8	9	10	11
	EBIT	7	8	9	9	10
	Financial income (charges)	0	(0)	0	0	0
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	7	7	9	9	10
	Taxes	(2)	(2)	(3)	(3)	(3)
	Tax rate (%)	31.7%	32.9%	30.5%	30.5%	30.5%
	Minorities & discontinue activities	(0)	0	0	0	0
	Net profit	4	5	6	6	7
	Total extraordinary items	0	0	0	0	1
	Ebitda excl. extraordinary items	7	8	9	10	12
	Ebit excl. extraordinary items	7	8	9	9	11
	Net profit restated	4	5	6	6	7
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	11	11	11	11	11
	EPS stated fd	0.396	0.457	0.548	0.587	0.625
	EPS restated fd	0.396	0.457	0.548	0.587	0.625
	BVPS fd	1.585	1.645	1.851	2.027	2.212
	Dividend per share (ord)	0.320	0.342	0.411	0.441	1.093
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	80.8%	75.0%	75.0%	75.0%	175.0%
CASH FLOW (Eu mn)	Gross cash flow	10	5	6	7	8
	Change in NWC	(5)	(0)	(1)	(1)	(1)
	Capital expenditure	(1)	(1)	(1)	(1)	(1)
	Other cash items	(0)	(0)	(0)	(0)	(0)
	Free cash flow (FCF)	4	3	5	6	6
	Acquisitions, divestments & others	0	0	0	0	0
	Dividend	(4)	(4)	(4)	(5)	(5)
	Equity financing/Buy-back	(1)	(1)	(1)	(1)	(1)
	Change in Net Financial Position	(0)	(0)	1	1	1
BALANCE SHEET (Eu mn)	Total fixed assets	6	6	7	7	7
	Net working capital	15	16	16	17	18
	Long term liabilities	(5)	(4)	(4)	(3)	(2)
	Net capital employed	17	18	19	21	22
	Net financial position	2	2	2	3	4
	Group equity	17	18	20	22	24
	Minorities	0	0	0	0	0
	Net equity	17	18	20	22	24
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	79	79	79	79	79
	Adjustments (associate & minorities)	0	0	0	0	1
	Net financial position	2	2	2	3	4
	Enterprise value	76	77	76	75	74
RATIOS(%)	EBITDA margin*	22.9%	23.1%	24.9%	25.2%	28.0%
	EBIT margin*	20.1%	20.7%	22.6%	23.0%	25.9%
	Gearing - Debt/equity	-11.5%	-8.5%	-11.1%	-13.4%	-15.8%
	Interest cover on EBIT	nm	47.9	nm	nm	nm
	Debt/Ebitda	nm	nm	nm	nm	nm
	ROCE*	39.1%	43.6%	46.0%	45.9%	46.1%
	ROE*	25.4%	28.3%	31.4%	30.3%	29.5%
	EV/CE	4.5	4.4	4.1	3.8	3.5
	EV/Sales	2.3	2.1	2.0	1.9	1.8
	EV/Ebit	11.6	10.2	8.8	8.2	6.8
	Free Cash Flow Yield	4.9%	4.4%	6.5%	7.2%	7.9%
GROWTH RATES (%)	Sales	1.5%	11.6%	4.1%	5.1%	4.3%
	EBITDA*	-6.4%	12.9%	12.3%	6.4%	15.7%
	EBIT*	-7.7%	15.1%	13.8%	7.0%	17.2%
	Net profit	-7.7%	15.3%	20.1%	7.2%	6.4%
	EPS restated	-7.7%	15.3%	20.1%	7.2%	6.4%

** Excluding extraordinary items*

Source: Intermonte SIM estimates

1Q16 results

Eu mn		1Q15A	1Q16A	YoY growth	1Q16E	Act vs Est
Net sales		**8.6**	**8.8**	**2.2%**	**9.1**	**-3.1%**
Value of Production		**8.7**	**8.9**	**2.1%**	**9.2**	**-3.1%**
EBITDA		**1.9**	**2.1**	**9.3%**	**1.9**	**8.3%**
	EBITDA margin	22.2%	23.7%		21.2%	
D&A		(0.2)	(0.2)		(0.2)	
Provisions		(0.0)	(0.0)		0.0	
EBIT		**1.7**	**1.9**	**10.6%**	**1.7**	**10.8%**
	EBIT margin	19.9%	21.5%		18.8%	
Net Financials		0.0	0.1		1.4%	
Pre tax profit		**1.7**	**2.0**	**17.0%**	**1.7**	**16.8%**
Taxes		(0.6)	(0.7)		(0.6)	
Net Profit		**1.1**	**1.3**		**1.1**	
Minorities		0.0	0.0		0.0	
Group Net Profit		**1.1**	**1.3**	**26.0%**	**1.1**	**20.8%**
	Net margin	12.4%	15.3%		12.3%	
Net Cash		**3.2**	**2.3**		**2.0**	

Source: Intermonte SIM estimates (E) and Company data (A)

Change in estimates

		2016E			2017E			2018E		
(Eu mn)		**New**	**Old**	**%**	**New**	**Old**	**%**	**New**		**%**
Net Sales		**38.1**	**38.6**	**-1.4%**	**40.0**	**40.6**	**-1.4%**	**41.7**		
	YoY growth	4.1%	5.5%		5.1%	5.1%		4.3%		
EBITDA		**9.5**	**9.5**	**-0.1%**	**10.1**	**10.1**	**0.0%**	**10.7**		
	YoY growth	12.3%	12.4%		6.4%	6.3%		5.8%		
	EBITDA margin	24.9%	24.6%		25.2%	24.9%		25.6%		
EBIT		**8.6**	**8.6**	**0.0%**	**9.2**	**9.2**	**0.1%**	**9.8**		
	EBIT margin	22.6%	22.3%		23.0%	22.7%		23.5%		
Pre tax profit		**8.7**	**8.7**	**0.0%**	**9.3**	**9.3**	**0.1%**	**9.9**		
Group Net Profit		**6.0**	**6.0**	**0.0%**	**6.5**	**6.5**	**0.1%**	**6.9**		
Net Cash		**2.3**	**2.3**	**-0.8%**	**3.0**	**3.0**	**-0.2%**	**3.8**		

Source: Intermonte SIM estimates

Valuation summary

			Details
DCF	Eu ps	9.2	WACC 7.5%, g 1.5%
EV/ROACE	Eu ps	8.6	
Target Price	**Eu ps**	**9.0**	
Current Price	Eu ps	7.2	
Potential upside/(downside)		25%	

Source: Intermonte SIM estimates

Implicit multiples (at TP)

	2016	2017	2018
P/E	16.4	15.3	14.4
EV/SALES	2.5	2.4	2.3
EV/EBITDA	10.2	9.5	9.0
EV/EBIT	11.2	10.4	9.8

Source: Intermonte SIM estimates

B&C SPEAKERS Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
B&C SPEAKERS	**7.14**	**EUR**	**79**	**-7.3%**	**5.3%**	**-5.7%**	**-7.5%**	**-3.8%**	**-6.7%**
DOLBY	47.45	USD	4,762	-0.3%	20.1%	37.2%	41.0%	21.2%	14.2%
DTS	25.85	USD	452	18.5%	9.2%	0.5%	14.5%	-18.5%	42.7%
HARMAN INT	---	USD	5,520	1.9%	2.0%	-24.2%	-17.0%	-35.1%	-25.5%
Mean performance				**3.2%**	**9.2%**	**1.9%**	**7.8%**	**-9.0%**	**6.2%**
Italy FTSE Mib	18,025.3	EUR	253,956	-3.1%	2.3%	-20.7%	-15.8%	-23.3%	-16.7%

Source: FactSet

B&C SPEAKERS Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	EV/Sales 2016	EV/Sales 2017	EV/Ebitda 2016	EV/Ebitda 2017	EV/Ebit 2016	EV/Ebit 2017	P/E 2016	P/E 2017	Div Yield 2016	Div Yield 2017
B&C SPEAKERS	**7.14**	**EUR**	**79**	**2.0**	**1.9**	**8.0**	**7.5**	**8.8**	**8.2**	**13.0**	**12.2**	**5.8%**	**6.2%**
DOLBY	47.45	USD	4,762	4.2	4.0	12.7	11.3	19.4	17.6	27.4	26.9		1.0%
DTS	25.85	USD	452	2.6	2.2	7.4	6.1	8.1	6.5	11.9	10.7	0.0%	0.0%
HARMAN INT	78.24	USD	5,520	0.9	0.9	8.3	7.2	10.5	9.0	13.7	12.6	1.7%	1.8%
Median				**2.6**	**2.2**	**8.3**	**7.2**	**10.5**	**9.0**	**13.7**	**12.6**	**0.9%**	**1.0%**

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

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SELL: 0.0%

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NEUTRAL: 18.42%
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DETAILS ON STOCKS RECOMMENDATION

Stock NAME	B&C SPEAKERS		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	9.00	Previous Target (Eu):	9.00
Current Price (Eu):	7.14	Previous Price (Eu):	7.52
Date of report:	01/06/2016	Date of last report:	15/03/2016

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