B&C Speakers S.p.A

Professional Loudspeakers

KT&PARTNERS

A Record-Breaking First-Half of the Year

ADD | Fair Value: €17.19 (€16.54) | Current Price: €11.60 | Upside: 48.2%

Research Update

September 19, 2022 – 7.00 h

€ Million	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Total Revenues	55.1	56.5	32.5	46.0	75.4	81.5	84.8	88.2
EBITDA	10.9	12.6	5.1	8.6	16.8	18.2	19.0	19.7
margin	*19.8%*	*22.3%*	*15.8%*	*18.7%*	*22.3%*	*22.4%*	*22.4%*	*22.4%*
Net Profit	9.3	8.6	1.9	5.0	10.7	11.8	12.4	13.0
margin	*16.9%*	*15.2%*	*5.9%*	*10.8%*	*14.1%*	*14.4%*	*14.6%*	*14.7%*
EPS	0.8	0.8	0.2	0.5	1.0	1.1	1.1	1.2
NFP/ (Cash)	4.6	5.0	(0.6)	3.9	9.3	4.2	(1.1)	(5.7)

Source: Company Data, KT&Partners' Elaboration

Bright 1H22 financial results... In 1H22 B&C's sales revenues experienced a double-digit growth, reaching €37.4mn (+22.2% on our expectations). Growth was mainly driven by both i) a significant increase in volumes (+56% vs 1H21) and ii) an increase in selling price to cope with growing raw material costs (especially Neodymium price). Foreign revenues accounted for 94% of sales, with Europe (ex-Italy) contributing for the bulk (44%) and increasing its stake by 8pp YoY. Gross margin amounted to 34.5% (-2.4pp YoY), factoring in higher raw material and transportation costs. On profitability side, Gross margin reduction was completely offset by a lower-than-expected incidence of fixed cost (despite the recruitment of new resources), that led EBITDA margin to 22.1%, +4.4pp YoY. Net income amounted to €4.4mn, experiencing a +119.7% YoY growth. Finally net debt went from €3.9mn at the end of FY21 to €13.7mn in 1H22, mainly due to a higher cash absorption following i) a strong increase in Inventory to meet growing products demand and to mitigate the raw material shortage crisis impact; ii) higher Trade receivables as result of business expansion; iii) €3.5mn of dividend paid on FY21 Net Income (vs €2.9mn in 2021).

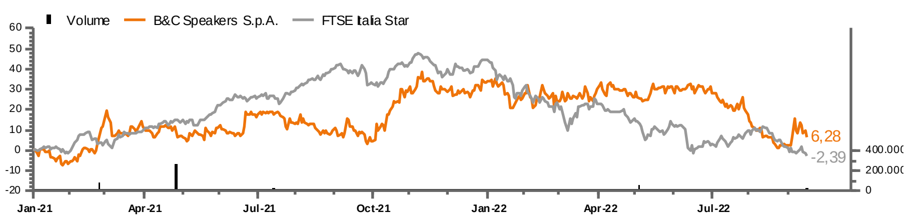
… fully resuming to pre-pandemic level... B&C's strong performance in 1H22 was mainly enhanced by the restart of live events that pushed upwards the demand for premium loudspeakers, enabling the Company to recover to pre-pandemic results. Indeed, the Group registered an increase in sales volumes of +16% on 1H19, with sales revenues that experienced a +32% compared to 1H19 top-line results.

… with orders at all-time highs. The company aims at achieving a FY22 – net of price increase's effect, too – even better than 2019 results (the greatest in company's history until now), also backed by the best June ever in term of sales revenues. A strong signal also come from the record level order portfolio for the company of more than €47.5mn, reached in June 2022.

Change in estimates. In the light of bright 1H22 results, we revised upwards our estimates for the 2022-25 period. We anticipate total revenues at €75.4mn in FY22 (from €60.7mn in our old estimates), growing at a CAGR21-25 of 17.6% and reaching €88.2mn in FY25 (vs €71.7mn expected before), driven by higher volumes. At profitability level, the full production recovery is expected to enable higher economies of scale on labour and G&A expenses, that are expected to more than offset the higher incidence of COGS. We thus foresee an average EBITDA margin at 22.4% over the 2022-25 period, increasing by 3.6pp on FY21 profitability level. In absolute terms, EBITDA is projected to grow at a CAGR21-25 of 23.1%, reaching €19.7mn in FY25 from €16.8mn in FY22E (vs €12.3mn in our old estimates). Finally, we anticipate FY22 net income at €10.7mn, reaching €13mn in FY25 (CAGR21-25 of +27.1%), and a FY22 NFP at €9.3mn, turning positive in FY24 and reaching a net cash position of €5.7mn in FY25.

Valuation. Our valuation – based on both market multiples and DCF method – returns an average equity value of €189.1mn or a fair value of €17.19ps, showing a potential upside of +48.2% on current market price.

Relative Performance Chart since Jan 2021



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Market Data

Main Shareholders	
Lorenzo Coppini	54.0%
Lazard Freres Banque	4.4%
Joh. Berenberg, Gossler & Co. KG	3.5%
First Capital	3.2%
Allianz Global Investor Gmbh	2.4%
Mkt Cap (€ mn)	127.6
EV (€ mn)	131.5
Shares out.	11.0
Free Float	32.4%

Market multiples	2021	2022	2023
EV/EBITDA			
B&C Speakers S.p.A.	15.3x	7.8x	7.2x
Comps Average	16.6x	13.2x	14.0x
B&C Speakers S.p.A. vs Average	*-8%*	*-41%*	*-48%*
P/E			
B&C Speakers S.p.A.	25.7x	12.0x	10.8x
Comps Average	21.9x	24.6x	23.7x
B&C Speakers S.p.A. vs Average	*17%*	*-51%*	*-54%*

Stock Data

52 Wk High (€)	15.40
52 Wk Low (€)	10.25
Avg. Daily Trading 90d	2,367
Price Change 1w (%)	2.20
Price Change 1m (%)	4.50
Price Change YTD (%)	-15.94

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Key Figures - B&C Speakers S.p.A.

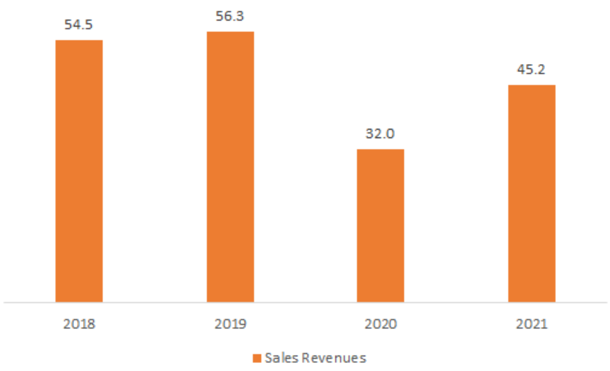
Current price (€)	Fair Value (€)	Sector	Free Float (%)
11.60	17.19	Professional Loudspeakers	32.4%

Per Share Data	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E
Total shares outstanding (mn)	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
EPS	0.85	0.78	0.17	0.45	0.97	1.07	1.13	1.18
Dividend per share (ord)	0.50	n.a.	0.26	0.32	0.68	0.75	0.79	0.83
Dividend pay out ratio (%)	59%	n.a.	149%	71%	70%	70%	70%	70%
Profit and Loss (EUR million)	**2018A**	**2019A**	**2020A**	**2021A**	**2022E**	**2023E**	**2024E**	**2025E**
Total Revenues	55.1	56.5	32.5	46.0	75.4	81.5	84.8	88.2
EBITDA	10.9	12.6	5.1	8.6	16.8	18.2	19.0	19.7
EBIT	9.5	10.3	2.9	6.5	14.9	16.5	17.3	18.1
EBT	9.2	10.6	2.3	6.7	14.6	16.1	17.0	17.8
Taxes	0.1	(2.0)	(0.4)	(1.7)	(3.9)	(4.4)	(4.6)	(4.8)
Tax rate	-1%	19%	16%	26%	27%	27%	27%	27%
Net Income	9.3	8.6	1.9	5.0	10.7	11.8	12.4	13.0
Net Income attributable to the Group	9.3	8.6	1.9	5.0	10.7	11.8	12.4	13.0
Balance Sheet (EUR million)	**2018A**	**2019A**	**2020A**	**2021A**	**2022E**	**2023E**	**2024E**	**2025E**
Total fixed assets	6.5	10.8	9.2	10.5	10.5	10.5	10.7	10.9
Net Working Capital (NWC)	21.7	20.7	17.4	22.6	35.5	35.0	34.1	34.0
Provisions	(0.9)	(0.9)	(1.0)	(0.8)	(1.1)	(1.5)	(1.9)	(2.2)
Total Net capital employed	27.3	30.6	25.6	32.3	44.8	44.0	42.9	42.6
Net financial position/(Cash)	4.6	5.0	(0.6)	3.9	9.3	4.2	(1.1)	(5.7)
Total Shareholder's Equity	22.7	25.6	26.2	28.4	35.5	39.8	44.0	48.3
Cash Flow (EUR million)	**2018A**	**2019A**	**2020A**	**2021A**	**2022E**	**2023E**	**2024E**	**2025E**
Net operating cash flow	11.0	10.5	4.8	6.9	12.8	13.8	14.3	14.9
Change in NWC	(3.2)	1.0	3.3	(5.2)	(12.9)	0.5	0.9	0.1
Capital expenditure	(1.0)	(6.6)	(0.6)	(3.6)	(1.0)	(1.1)	(1.1)	(1.1)
Other cash items/Uses of funds	(0.0)	(0.0)	0.0	(0.0)	0.3	0.4	0.4	0.4
Free cash flow	6.8	4.9	7.5	(1.8)	(0.9)	13.6	14.5	14.2
Enterprise Value (EUR million)	**2018A**	**2019A**	**2020A**	**2021A**	**2022E**	**2023E**	**2024E**	**2025E**
Market Cap	116.6	154.6	113.9	151.8	127.6	127.6	127.6	127.6
Net financial position/(Cash)	4.6	5.0	(0.6)	3.9	9.3	4.2	(1.1)	(5.7)
Enterprise value	121.2	159.6	113.3	155.7	136.9	131.8	126.5	121.9
Ratios (%)	**2018A**	**2019A**	**2020A**	**2021A**	**2022E**	**2023E**	**2024E**	**2025E**
EBITDA margin	19.8%	22.3%	15.8%	18.7%	22.3%	22.4%	22.4%	22.4%
EBIT margin	17.2%	18.2%	8.9%	14.2%	19.8%	20.2%	20.4%	20.5%
Gearing - Debt/equity	20.2%	19.5%	-2.2%	13.8%	26.2%	10.5%	-2.4%	-11.7%
Interest cover on EBIT	2.9%	-3.5%	20.9%	-2.3%	2.3%	2.1%	1.9%	1.7%
NFP/EBITDA	0.4x	0.4x	-0.1x	0.5x	0.6x	0.2x	-0.1x	-0.3x
ROCE	34.7%	33.6%	11.3%	20.2%	33.3%	37.4%	40.3%	42.5%
ROE	41.1%	33.6%	7.3%	17.5%	30.0%	29.5%	28.2%	26.9%
EV/Sales	2.4x	2.3x	4.0x	2.9x	1.7x	1.6x	1.6x	1.5x
EV/EBITDA	12.1x	10.5x	25.7x	15.3x	7.8x	7.2x	6.9x	6.7x
P/E	13.7x	14.8x	66.6x	25.7x	12.0x	10.8x	10.3x	9.8x
Free cash flow yield	5.2%	3.7%	5.7%	-1.4%	-0.7%	10.3%	11.0%	10.8%
Growth Rates (%)	**2018A**	**2019A**	**2020A**	**2021A**	**2022E**	**2023E**	**2024E**	**2025E**
Sales	35.8%	2.5%	-42.5%	41.6%	63.8%	8.1%	4.0%	4.0%
EBITDA	16.8%	15.4%	-59.3%	68.1%	95.2%	8.6%	4.0%	4.0%
EBIT	11.6%	8.7%	-71.9%	126.2%	128.7%	10.2%	5.1%	4.6%
Net Income	49.6%	-7.6%	-77.7%	159.6%	114.1%	10.4%	5.4%	4.8%

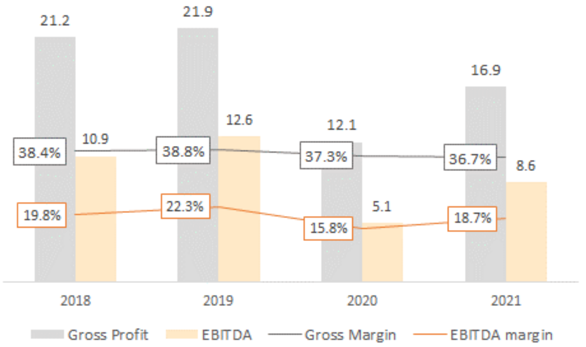
Source: Company Data, KT&Partners' Elaboration

Key Charts

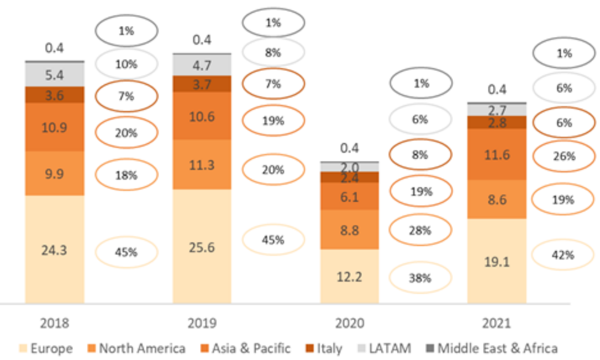
2018-21 Sales Revenues and EBITDA margin (€mn,%)



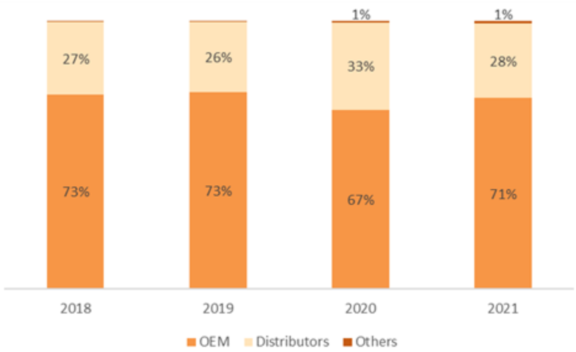
2018-21 Gross profit and Gross margin (€mn,%) [1]



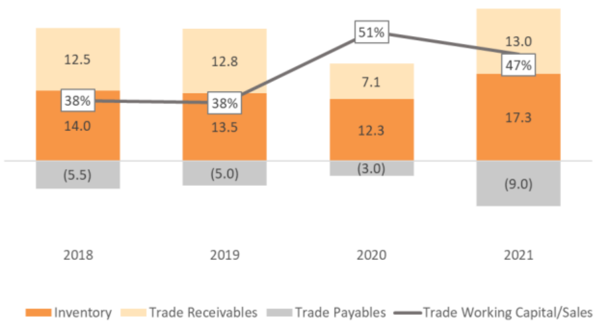
2018-21 Sales Revenues by geographical area (€mn,%)



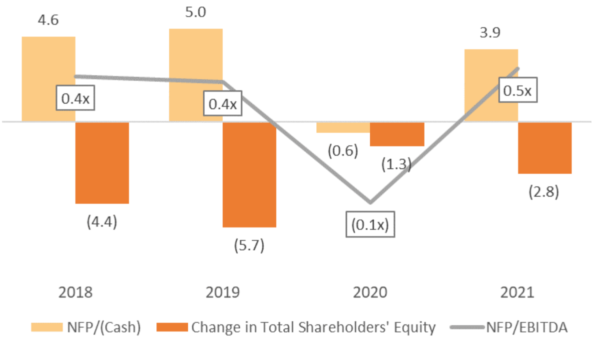
2018-21 Sales Revenues by end-customers (%) [2]



2018-21 Trade Working Capital (€mn, %)



2018-21 NFP and NFP/EBITDA (€mn)



[1] Gross Margin and EBITDA Margin are calculated on Total Revenues
[2] Note: Sales revenues breakdown by distribution channel refers only to the holding company

Overview

Company Description

B&C Speakers is a leading Italian producer, developer, and distributor of premium electro-acoustic transducers. The company boasts a presence in 80+ countries, selling its products to OEM companies and 120+ distributors. Thanks to an intensive R&D activity and a unique production process, B&C manufactures high-quality products with minimal production errors. B&C provides a wide and complete product portfolio: i) high-frequency drivers, ii) low-frequency drivers, iii) coaxial components and iv) horns. B&C's products are mainly destined for live-event and concert organization. However, B&C also serves i) the car audio end-market through its brands (mainly B&C and Ciare) and ii) the Home segment through "Architettura Sonora," a revolutionary designer project of high-performing indoor and outdoor audio solutions and acoustic experiences.

Listed on Euronext Milan in 2007 – and since 2013 on Euronext STAR Milan – B&C leveraged on IPO's proceeds and on the increased visibility to boost its growth path, resulting in outstanding growth (with revenues growing at a +9.7% CAGR13-19) and a sound profitability always above 20% in the period 2013-2019.[3] After a challenging 2020 caused by pandemic restrictions, the company experienced a remarkable 2021, with Sales revenues that grew by +41% YoY.

B&C Speakers now aims at consolidating its positioning in the professional loudspeaker market and expanding its offering through i) an internationalization strategy, focusing on Chinese market, expanding its network of distributors, ii) production synergies with its subsidiaries Eighteen Sound and Ciare, iii) enriching its portfolio offer with new solutions also aimed at mid-premium market and iv) leveraging on external growth opportunities, focusing on electronic field.

Investment Case

- ***A premium player in the loudspeaker market...*** B&C Speakers' offer is made of high-quality electronic transducers, the result of on an intensive R&D activity performed by an internal high-skilled team – that engages ca. 10% of B&C's employees – and a completely internalized production process that preserves the B&C secret, tested and unique "recipe".
- ***… with a worldwide presence...*** With 94% of export on FY21 sales revenues the company boasts a presence in 80+ countries, thanks to a wide network of 120+ distributors and two proprietary distribution centers in strategic countries: US and Brazil.
- ***… and a long-standing relationship with its clients.*** Thanks to a high-quality and reliable offer alongside a constant technical post-sale assistance, the company developed over years a loyal customer base, with 84% of FY21 sales revenues coming from 10+ year clients and a basically zero churn rate.
- ***Strong cash-generation ability.*** Thanks to its wide cash generation capacity – with an average FCF/EBITDA of 56% over the 2010-21 period – the company applies an appealing dividend distribution policy (halted in 2020 only), with an average dividend payout of 80% over the 2010-21 period.

Recent Developments

- ***Recording the best order portfolio.*** Confirming its recovery trend after the pandemic outbreak, the orders' collection achieved a new record, bringing the group's order portfolio at €47.5mn in June, 2022. At the end of 2021, the company already boasted a record order backlog of €27.9mn (vs €4.5mn in 2020 and €8.1mn in 2019).

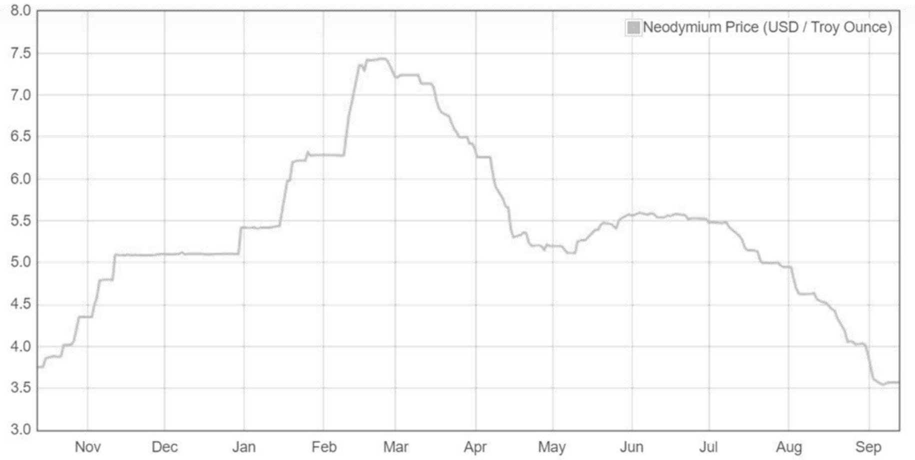
[3] On Sales Revenues

1H22 Financial Results

After a challenging beginning of the year for both 2020 and 2021- with live events either banned or severely restricted due to pandemic – B&C performed a great 1H22, with sales revenues at €37.4mn, +91% YoY and +22.2% on our expectations. The outstanding growth – supported by a high market demand for high-quality products – enabled the company to fully recover and overpass pre-pandemic results, with an increase in sales volumes of 16% if compared to 1H19 and an increase in sales revenues of +32% on the same period.

Indeed, the boost in revenues in the first half of the year was mainly the result of i) increase in selling price during the first months of 2022 following the jump in raw material costs (especially Neodymium price that increased from ca. 3.7 USD/Troy Ounce to its highest peak in February of ca 7.5 USD/Troy Ounce)[4] coupled with ii) a significant increase in volumes (+56% YoY) following the recovery of live events thanks to the massive vaccination campaign.

Neodymium Price Oct 21 – Sept 22 (USD/Troy Ounce)

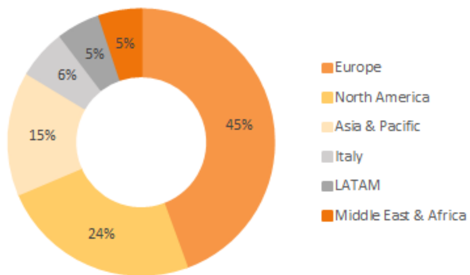


Source: Daily Metal Price, September 2022

An even more positive signal came from the order's portfolio of the company, that reached the record level order portfolio of more than €47.5mn in June 2022, another great achievement after – according to the company – the best June in term of sales in company's history.

Group's revenues mainly came from foreign markets: in 1H22, export accounted for ca. 94% of sales revenues, with the highest contribution attributable to Europe, that (excluding Italy) increased its weight from 36% to 44%, showing a revenue increase of+136% YoY and North America, with revenues more than doubling YoY (+108% YoY) and weighting for ca. 24% in 1H22 (+2pp compared to 1H21). Whereas, Asia & Pacific, accounting for 15% of sales revenues, decreased their incidence by 11pp YoY.

1H22 Sales Revenues' Breakdown by Geographical Area (%)



Source: Company Data

[4] Source: http://www.dailymetalprice.com/metalpricecharts.php?c=nd&u=oz&d=240

Alongside a double-digit growth on revenues, gross profit experienced a +75.3% YoY growth (and +22.4% on our expectations) amounting to €13mn. On the other side, despite a more profitable revenue mix and an improved operational structure, Gross margin decreased by 2.4pp YoY at 34.5%, factoring in both higher raw material and transportation costs.

Following the full production recovery, EBITDA grew in absolute terms to €8.3mn (+133.6% YoY and +40.5% on our forecasts), with an EBITDA margin at 22.1% +4.4pp YoY (and +2.9pp on our projections), almost resuming to 1H19 level. Profitability improvement was the result of a lower-than-expected incidence on revenues of fixed expenses (i.e. G&A and Labour expenses) despite the recruitment of new resources in Commercial and Technical teams, that more than offset the decrease in Gross margin.

1H22 EBIT reached €7.2mn (+190.4% YoY), and an EBIT margin standing at 19.3% (12.5% in 1H21), with D&As in line with 1H21 at ca. €1.1mn. Net income reached €4.4mn more than doubling vs 1H21 net profit (and +20.9% than forecasted), despite the negative item of financial income and expenses for €1.3mn connected to company's securities' portfolio negative performance.

Finally, to face the expected growing production coupled with the increasing trend in raw materials and components costs, the company strongly increased its inventories stocks, leading NWC to €33.3mn (vs €22.6mn at the end of FY21 and €16.9mn in 1H21). In absolute value, NWC increase was also attributable to business' growth and a consequent rise in Trade Receivables (from €13mn in FY21 to €19.7mn in 1H22). Nonetheless the extraordinary Company growth, it should be noted that 1H22 NWC/Sales ratio amounted to 89%, only 3pp above 1H21 ratio. Following the consequent higher cash absorption, net debt went from €3.9mn in FY21 to €13.7mn in 1H22. We note that 1H22 NFP was also negatively impacted from €3.5mn of dividend payment.

1H19-1H22 Consolidated Income Statement

€ Millions	1H19A	1H20A	1H21A	1H22A	YoY %	1H22E	A vs E %
Sales Revenues	**28.4**	**16.9**	**19.6**	**37.4**	**91.0%**	**30.6**	**22.2%**
Other Revenues	0.1	0.1	0.4	0.1		0.2	
Total Revenues	**28.5**	**17.1**	**20.0**	**37.5**	**87.5%**	**30.8**	**21.9%**
COGS	(17.3)	(10.8)	(12.6)	(24.6)		(20.2)	
Gross Profit	**11.1**	**6.2**	**7.4**	**13.0**	**75.3%**	**10.6**	**22.4%**
Gross Margin	*39.1%*	*36.5%*	*36.9%*	*34.5%*	*-2.4%*	*34.4%*	*-0.1%*
G&A Expenses	(2.2)	(1.5)	(2.0)	(2.0)		(2.2)	
Selling Expenses	(0.5)	(0.2)	(0.3)	(0.5)		(0.4)	
Indirect Personnel Expenses	(2.0)	(1.6)	(1.6)	(2.2)		(2.0)	
EBITDA	**6.4**	**2.9**	**3.6**	**8.3**	**133.6%**	**5.9**	**40.5%**
EBITDA margin	*22.6%*	*16.9%*	*17.8%*	*22.1%*	*4.4%*	*19.2%*	*2.9%*
D&A and Provisions	(1.2)	(1.1)	(1.1)	(1.1)		(0.9)	
EBIT	**5.3**	**1.8**	**2.5**	**7.2**	**190.4%**	**5.0**	**45.4%**
EBIT margin	*18.6%*	*10.4%*	*12.5%*	*19.3%*		*16.2%*	
Financial Income and Expenses	0.3	(0.6)	0.2	(1.3)		(0.3)	
Extraordinary items							
EBT	**5.6**	**1.2**	**2.7**	**6.0**	**124.8%**	**4.7**	**27.1%**
Taxes	(1.1)	(0.2)	(0.7)	(1.6)		(1.1)	
Tax Rate	*20.2%*	*14.4%*	*24.9%*	*26.6%*		*22.8%*	
Net Income	**4.4**	**1.0**	**2.0**	**4.4**	**119.7%**	**3.6**	**20.9%**
Net margin	*15.6%*	*6.1%*	*10.0%*	*11.7%*		*11.8%*	
Minorities							
Net Income attributable to the Group	**4.4**	**1.0**	**2.0**	**4.4**	**119.7%**	**3.6**	**20.9%**
Net margin	*15.6%*	*6.1%*	*10.0%*	*11.7%*		*11.8%*	
NFP/(Cash)	**12.2**	**3.6**	**1.5**	**13.7**			

Source: Company Data

Change in Estimates

On the back of the great performance and the sound profitability recorded by the company in 1H22, we revised upwards our projections over the 2022-25 period.

We revised upward our top-line estimates for FY22 to factor in i) the increase in selling price following the raise of raw materials costs during the first months of 2022 and ii) higher-than expected volumes over the first part of the year. For the 2023-2025 period we project that growth will be mainly driven by the increase in volumes, expecting prices of raw materials to gradually reduce. Indeed, we note that Neodymium price in September 2022 came back to one year ago levels, at ca. 3.5 USD/Troy Ounce. We anticipate sales revenues at €75mn in FY22, growing at a CAGR21-25 of 18% (vs 11.9% expected before) and reaching €87.8mn in FY25.

Total revenues are expected to grow at a CAGR21-25 of 17.6% from €75.4mn in FY22 (vs €60.7mn in our old estimates) reaching €88.2mn in FY25 (vs €71.7mn expected before).

The raw material shortage crisis, coupled with an increase in transport costs – exacerbated after war outbreak – are expected to be only partially offset by a more profitable revenue mix, reducing company's gross margin at 35.3% in FY22. On the other side, we note that i) transport costs are gradually decreasing starting from the second-half of the year and ii) increase in energy prices – that is affecting only Italian suppliers, representing ca. 25/30% of Company's suppliers base – is expected to be mitigated by an increase in stock of raw materials, purchased at agreed prices with suppliers. For the 2023-25 period we thus expect Gross margin to gradually improve reaching 35.5% in FY25, from the 34.5% showed in 1H22.

The production resumption to pre-pandemic level is expected to enable higher synergies on fixed costs, with a lower incidence on revenues of i) labour costs and ii) G&A expenses, following the structure standardization and streamlining. This is expected to lead EBITDA margin on average at 22.4% over the 2022-25 period, ca. +3.6pp on FY21 profitability level and ca. +2pp than expected before. In absolute terms, we foresee EBITDA to amount to €16.8mn in FY22 (from €8.6mn in FY21), reaching €19.7mn in FY25 (vs 14.7% projected before) and growing at a CAGR21-25 of 23.1%.

Finally, we anticipate net income to grow at a CAGR21-25 of +27.1% (ca. +10pp than in our old estimates), from €10.7mn in FY22 to €13mn in FY25, with NFP progressively improving over the 2022-25 period, from a net debt of €9.3mn in FY22 (vs €2.3mn in our old estimates due to a higher expected NWC absorption) to a net cash position of €5.7mn in FY25.

Change in Estimates

€ Millions	2020A Actual	2021A Actual	YoY	2022E Old	2022E New	Change	2023E Old	2023E New	Change	2024E Old	2024E New	Change	2025E Old	2025E New	Change	CAGR 2021-25 Old	CAGR 2021-25 New
Revenues	32.5	46.0	41.6%	60.7	75.4	24.2%	65.1	81.5	25.1%	68.7	84.8	23.5%	71.7	88.2	23.0%	11.7%	17.6%
YoY Change (%)	-42.5%	41.6%		31.8%	63.8%		7.3%	8.1%		5.4%	4.0%		4.4%	4.0%			
EBITDA	5.1	8.6	68.1%	12.3	16.8	36.4%	13.2	18.2	38.0%	14.0	19.0	35.6%	14.7	19.7	34.4%	14.3%	23.1%
YoY Change (%)	-59.3%	68.1%		43.1%	95.2%		7.3%	8.6%		5.9%	4.0%		4.9%	4.0%			
EBITDA Margin	15.8%	18.7%		20.3%	22.3%		20.3%	22.4%		20.4%	22.4%		20.5%	22.4%			
EBIT	2.9	6.5	126.2%	10.5	14.9	42.9%	11.4	16.5	44.0%	12.3	17.3	40.4%	13.0	18.1	38.7%	18.9%	29.0%
YoY Change (%)	-71.9%	126.2%		60.0%	128.7%		9.4%	10.2%		7.8%	5.1%		5.9%	4.6%			
EBIT Margin	8.9%	14.2%		17.2%	19.8%		17.5%	20.2%		17.9%	20.4%		18.2%	20.5%			
Net Income	1.9	5.0	159.6%	7.4	10.7	44.2%	8.1	11.8	45.0%	8.8	12.4	41.3%	9.3	13.0	39.6%	17.0%	27.1%
YoY Change (%)	-77.7%	159.6%		48.5%	114.1%		9.8%	10.4%		8.1%	5.4%		6.1%	4.8%			
Net Margin	5.9%	10.8%		12.2%	14.1%		12.5%	14.4%		12.8%	14.6%		13.0%	14.7%			
NFP	(0.6)	3.9	4.5	2.3	9.3	7.0	0.0	4.2	4.2	(3.1)	(1.1)	2.0	(5.8)	(5.7)	0.1		

Source: Company Data, KT&Partners' Elaboration

Valuation

Following the projections of B&C's future financials, we carried out the valuation of the company by applying the DCF and market multiples methods:

1. EV/EBITDA and P/E multiples, which return a value of €19.24ps;
2. DCF analysis based on WACC of 9.4% and 1.5% perpetual growth, returns a value of €15.15ps.

The average of the two methods yields a fair value of €17.19ps or an equity value of €189.1mn.

Valuation Recap

	Equity Value €mn	Value per share €
EV/EBITDA	**191.7**	**17.43**
P/E	**231.4**	**21.04**
Average - multiples	**211.6**	**19.24**
DCF	**166.6**	**15.15**
Average	**189.1**	**17.19**

Source: FactSet, KT&Partners' Elaboration

Market Multiples Valuation

Following the comparables' analysis, we proceeded with the definition of market multiples for each peer group, focusing on 2021-24 data.

Peer Comparison – Market Multiples 2021-2024

Company Name	Exchange	Market Cap	EV/SALES 2021	EV/SALES 2022	EV/SALES 2023	EV/SALES 2024	EV/EBITDA 2021	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBITDA 2024	EV/EBIT 2021	EV/EBIT 2022	EV/EBIT 2023	EV/EBIT 2024	P/E 2021	P/E 2022	P/E 2023	P/E 2024
Gettop Acoustic Co., Ltd. Class A	Shenzhen	603	5.0x	2.8x	1.9x	1.3x	28.1x	18.7x	11.3x	7.6x	n.m	30.9x	18.8x	12.3x	n.m	29.2x	17.1x	11.1x
GoerTek Inc. Class A	Shenzhen	16,049	1.6x	1.1x	0.9x	0.8x	17.6x	13.0x	10.6x	8.9x	30.5x	19.3x	15.3x	12.4x	25.6x	20.2x	16.4x	13.4x
Suzhou Sonavox Electronics Co., Ltd. Class A	Shanghai	1,439	8.3x	5.4x	3.8x	3.0x	n.m	n.m	30.2x	18.9x	n.m	n.m	40.2x	27.6x	n.m	n.m	45.4x	30.8x
Yamaha Corporation	Tokyo	6,792	1.7x	1.7x	1.6x	1.5x	11.6x	11.3x	10.0x	9.3x	16.3x	14.6x	12.7x	11.7x	22.3x	21.9x	19.1x	17.5x
Dolby Laboratories, Inc. Class A	NYSE	7,141	5.8x	4.9x	4.6x	4.2x	17.0x	13.3x	12.0x	10.2x	21.8x	26.6x	20.3x	15.8x	27.5x	36.4x	28.0x	22.6x
Focusrite PLC	London	486	2.3x	2.2x	2.3x	2.2x	8.5x	9.7x	9.9x	9.4x	10.8x	11.7x	12.1x	11.5x	12.0x	15.1x	16.2x	16.5x
Average peer group		5,418	4.1x	3.0x	2.5x	2.2x	16.6x	13.2x	14.0x	10.7x	19.8x	20.6x	19.9x	15.2x	21.9x	24.6x	23.7x	18.6x
Median peer group		4,115	3.7x	2.5x	2.1x	1.8x	17.0x	13.0x	10.9x	9.4x	19.0x	19.3x	17.1x	12.4x	24.0x	21.9x	18.1x	17.0x
B&C Speakers S.p.A.	Milan	128	2.9x	1.8x	1.6x	1.6x	15.3x	7.8x	7.2x	6.9x	20.1x	8.8x	8.0x	7.6x	25.7x	12.0x	10.8x	10.3x

Source: FactSet, KT&Partners' Elaboration

We based our evaluation upon 2022-2024 EV/EBITDA and P/E multiples and our estimates of B&C's EBITDA and Net Income for 2022, 2023 and 2024. Our valuation also includes a 10% liquidity/size discount.

EV/EBITDA Multiple Valuation

Multiple Valuation (€mn)	2022E	2023E	2024E
EV/EBITDA Comps	13.2x	14.0x	10.7x
B&C Speakers S.p.A. EBITDA	16.8	18.2	19.0
Enterprise value	**221.8**	**255.3**	**203.2**
B&C Speakers S.p.A. 1H22 Net Debt	13.7	13.7	13.7
Equity Value	**208.1**	**241.6**	**189.5**
Average Equity Value		**213.1**	
Liquidity/Size Discount		*10%*	
Equity Value Post-Discount		**191.7**	
Number of shares (mn)		*11.0*	
Value per Share €		**17.43**	

P/ E Multiple Valuation

Multiple Valuation (€mn)	2022E	2023E	2024E
P/E Comps	24.6x	23.7x	18.6x
B&C Speakers S.p.A. Net Income	10.7	11.8	12.4
Equity Value	**261.7**	**278.7**	**231.1**
Average Equity Value		**257.1**	
Liquidity/Size Discount		*10%*	
Equity Value Post-Discount		**231.4**	
Number of shares (mn)		*11.0*	
Value per Share €		**21.04**	

Source: FactSet, KT&Partners' Elaboration

DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 11.6% cost of equity, 3% cost of debt, and a D/E ratio of 30.3% (Damodaran for Electronics (Consumer and Office)). The cost of equity is a function of the risk-free rate of 3.3% (vs 2% in our previous research - Italian 10y BTP), 5.09% equity risk premium (vs 4.61% in our previous research - Damodaran for a mature market – Oct 2021/ Sept 2022 average) and a premium for size and liquidity of 1.72% (source: Duff&Phelps). We, therefore, obtained a 9.4% WACC.

We discounted 2022E-25E annual cash flows and considered a terminal growth rate of 1.5%; then we carried out a sensitivity analysis on the terminal growth rate (+/- 0.25%) and on WACC (+/- 0.25%).

DCF Valuation

€ Millions	2022E	2023E	2024E	2025E
EBIT	**14.9**	**16.5**	**17.3**	**18.1**
Taxes	(4.0)	(4.4)	(4.7)	(4.9)
D&A	1.9	1.8	1.7	1.6
Change in Net Working Capital	(12.9)	0.5	0.9	0.1
Change in Funds	0.3	0.4	0.4	0.4
Net Operating Cash Flow	**0.2**	**14.6**	**15.6**	**15.4**
Capex	(1.0)	(1.1)	(1.1)	(1.1)
FCFO	**(0.9)**	**13.6**	**14.5**	**14.2**
g	***1.5%***			
Wacc	***9.4%***			
FCFO (discounted)	(0.8)	12.1	11.8	10.6
Discounted Cumulated FCFO	33.7			
TV	183.8			
TV (discounted)	136.9			
Enterprise Value	**170.5**			
NFP FY21	3.9			
Equity Value	**166.6**			
Current number of shares (mn)	11.0			
Value per share (€)	**15.1**			

Source: Company Data, KT&Partners' Elaboration

Sensitivity Analysis

€ Millions		WACC				
Terminal growth Rate		9.9%	9.6%	9.4%	9.1%	8.9%
	1.0%	148.4	153.0	157.8	162.9	168.4
	1.3%	152.2	157.0	162.1	167.5	173.3
	1.5%	156.2	161.2	166.6	172.4	178.5
	1.8%	160.4	165.7	171.5	177.5	184.1
	2.0%	164.9	170.6	176.6	183.1	190.1

Source: Company Data, KT&Partners' Elaboration

Appendix

Peer Comparison

In order to define B&C Speakers' peer sample, we carried out an in-depth analysis of listed companies active in the acoustic and loudspeaker market. In selecting potential peers, we consider B&C Speakers' offering, business model, growth, and profitability profile.

For peer analysis, we built a sample of six companies which includes:

- **Gettop Acoustic Co., Ltd. Class A (002655-CN):** listed on Shenzhen stock exchange with a market capitalization of €0.6bn, Gettop Acoustic engages in the manufacture of electro-acoustic components and assemblies and the provision of complete electro-acoustic solutions. Its main products include miniature microphones, miniature speakers and receivers, and array modules, which are widely used in mobile communication devices, portable personal computers, flat panel televisions, personal digital devices, car kits, and other consumer electronics. In FY21, Gettop Acoustic reached €122mn of sales revenues.
- **GoerTek Inc. Class A (002241-CN):** listed on Shenzhen stock exchange with a market capitalization of €18.6bn, GoerTek engages in the development, manufacture, and sale of acoustic components and audio consumer electronic products. Its products include smart watches, mini-microphone, drones, micro speaker/receiver, Bluetooth products, portable audio products, 3D electronic glasses, and LED series products. Company's FY21 sales revenues amounted to €10.2bn.
- **Suzhou Sonavox Electronics Co., Ltd. Class A (688533-CN):** listed on Shanghai stock exchange with a market capitalization of €1.1bn, Suzhou Sonavox Electronics develops, designs, and produces automotive acoustic products. It offers car speaker systems, car power amplifiers, and acoustic vehicle alerting systems. The company reached €170mn of sales revenues in 2021.
- **Yamaha Corporation (7951-JP):** listed on Tokyo stock exchange with a market capitalization of €7.5bn, Yamaha Corp. engages in the manufacture and sale of musical instruments, audio equipment, and electronic components. It operates through the following segments: Musical Instruments, Audio Equipment (offering audio products, professional audio and telecommunications equipment), and Others (producing among the others electronic parts, automobile interior parts and factory automation equipment). In FY21, Yamaha Corp. reached €3.1bn of sales revenues.
- **Dolby Laboratories, Inc. Class A (DLB-US):** listed on NYSE stock exchange with a market capitalization of €7bn, Dolby Laboratories, Inc., engages in the provision of audio and imaging technologies. From movies and TV shows, to apps, music, sports and gaming, Dolby transforms the science of sight and sound into spectacular experiences for billions of people worldwide with Dolby Atmos, Dolby Vision, Dolby Cinema, and Dolby.io. In 2021, Dolby's sales revenues amounted to €1.1bn.
- **Focusrite PLC (TUNE-GB):** listed on London stock exchange with a market capitalization of €0.8bn, Focusrite Plc engages in developing and marketing proprietary hardware and software products. It operates under the following brands: Focusrite, Focusrite Pro, Novation, ADAM Audio, Martin Audio, and third parties' brand (included into the residual Distribution segment). In 2021, the company reached €198mn of sales revenues.

Then we compared the peers' historical and projected marginalities with B&C's historical and projected financials. In 2021, the peer companies have a level of profitability in line with B&C's results: average peer's EBITDA margin for FY21 was 18.8%, while B&C's EBITDA margin was equal to 18.7%. Also for the following years, B&C's profitability is projected to be above the profitability of our peer's panel (22.4% vs an average peers' EBITDA margin of 20% in

2024), while for EBIT margin and Net margin B&C is expected to reach a +6.9pp and +2.5pp on average peer's margins.

Peer Comparison – EBITDA Margin, EBIT Margin and Net Margin

Company Name	EBITDA Margin						EBIT Margin						Net Margin					
	2019	*2020*	*2021*	*2022*	*2023*	*2024*	*2019*	*2020*	*2021*	*2022*	*2023*	*2024*	*2019*	*2020*	*2021*	*2022*	*2023*	*2024*
Gettop Acoustic Co., Ltd. Class A	*11.6%*	*12.6%*	*17.7%*	*15.1%*	*16.7%*	*17.7%*	*3.8%*	*5.4%*	*8.7%*	*9.1%*	*10.0%*	*10.9%*	*3.2%*	*3.9%*	*7.1%*	*9.1%*	*10.4%*	*11.4%*
GoerTek Inc. Class A	*11.1%*	*9.7%*	*8.9%*	*8.5%*	*8.6%*	*8.8%*	*5.4%*	*5.9%*	*5.1%*	*5.7%*	*5.9%*	*6.3%*	*3.7%*	*4.9%*	*5.5%*	*5.2%*	*5.4%*	*5.7%*
Suzhou Sonavox Electronics Co., Ltd. Class A	*11.5%*	*13.3%*	*10.2%*	*10.1%*	*12.4%*	*15.7%*	*8.2%*	*9.5%*	*6.5%*	*7.1%*	*9.3%*	*10.7%*	*6.6%*	*7.0%*	*4.7%*	*6.4%*	*8.4%*	*9.7%*
Yamaha Corporation	*15.4%*	*15.5%*	*14.8%*	*15.0%*	*16.0%*	*16.6%*	*11.2%*	*10.9%*	*10.5%*	*11.6%*	*12.6%*	*13.2%*	*8.4%*	*7.1%*	*9.1%*	*8.8%*	*9.6%*	*10.0%*
Dolby Laboratories, Inc. Class A	*30.5%*	*26.8%*	*34.1%*	*36.6%*	*38.1%*	*41.1%*	*23.6%*	*19.0%*	*26.6%*	*18.3%*	*22.4%*	*26.4%*	*20.5%*	*19.9%*	*24.2%*	*18.4%*	*21.1%*	*23.9%*
Focusrite PLC	*20.3%*	*21.9%*	*27.3%*	*n.m.*	*n.m.*	*n.m.*	*16.0%*	*15.4%*	*21.5%*	*n.m.*	*n.m.*	*n.m.*	*13.8%*	*3.1%*	*16.3%*	*n.m.*	*n.m.*	*n.m.*
Peers Average	**16.7%**	**16.6%**	**18.8%**	**17.0%**	**18.4%**	**20.0%**	**11.4%**	**11.0%**	**13.2%**	**10.4%**	**12.1%**	**13.5%**	**9.4%**	**7.7%**	**11.1%**	**9.6%**	**11.0%**	**12.1%**
B&C Speakers S.p.A.	**22.3%**	**15.8%**	**18.7%**	**22.3%**	**22.4%**	**22.4%**	**18.2%**	**8.9%**	**14.2%**	**19.8%**	**20.2%**	**20.4%**	**15.2%**	**5.9%**	**10.8%**	**14.1%**	**14.4%**	**14.6%**

Source: FactSet, KT&Partners' Elaboration

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