B&C Speakers S.p.A.

Professional Loudspeakers

M&A Contribution Offsets Challenges in Asia for B&C Speakers

ADD | Fair Value: €19.32 (€21.20) | Current Price: €14.95 | Upside: +29.23%

Research Update

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€ Million	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E
Total Revenues	46.0	82.4	94.5	103.4	111.4	116.4	121.6
EBITDA	8.6	20.2	21.8	22.9	24.9	26.2	27.6
margin	*18.7%*	*24.6%*	*23.1%*	*22.1%*	*22.3%*	*22.5%*	*22.7%*
Net Profit	5.0	12.2	14.0	14.9	16.3	17.3	18.5
margin	*10.8%*	*14.9%*	*14.8%*	*14.4%*	*14.6%*	*14.9%*	*15.2%*
EPS	0.5	1.1	1.3	1.4	1.5	1.6	n.a.
NFP/ (Cash)	3.9	9.4	0.7	(2.9)	(9.0)	(16.7)	(25.1)

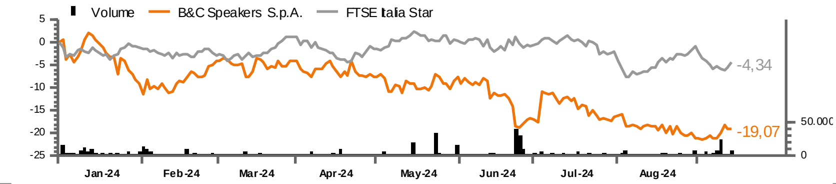
Source: Company data (2020-2023), KT&Partners' elaboration (2024E-2027E)

1H24 Financial Results. In 1H24, B&C Speakers delivered solid results, with total sales reaching €51.2mn, up +5.6% YoY, but slightly below our estimate of €52.4mn. Growth was driven by contributions from the newly acquired subsidiaries Eminence Speakers LLC and B&C Speakers China, which collectively added €6.3mn in sales. Europe remained the largest market, growing +7% YoY, while North America saw a strong +21% increase, thanks to Eminence. However, Asia-Pacific experienced a -7% YoY decline due to weaker demand in China. EBITDA came in at €11.5mn, below our forecast of €12.7mn, with the margin dropping to 22.4%, down from 24.8% in 1H23, due to the dilutive impact of the acquisitions and higher indirect personnel costs. Excluding the acquisitions, the EBITDA margin would have reached 25.2%. Operating expenses increased, notably in indirect personnel costs (+6.7% of revenues), following the integration of senior resources aimed at strengthening the company's commercial structure. Net income, however, surged to €11.7mn (+44.6% YoY), boosted by a €3.9mn tax benefit from the Patent Box. On the balance sheet side, the NFP increased to €1.8mn in 1H24 (vs €0.65mn in 1H23). This growth was supported by strong cash-flow generation of €7.9mn, despite the €7.7mn dividend payout in May.

Change in Estimates. Due to a slightly lower-than-expected top-line performance, we have revised our projections to reflect increased uncertainty in key markets, particularly in Asia-Pacific, where demand recovery has been slower than anticipated. As a result, we now forecast FY24E sales revenues at €102.9mn (vs. prior estimate of €107.8mn), representing a 9.4% YoY growth, primarily driven by the full-year contribution of Eminence Speaker LLC and B&C Speakers China. We expect sales revenues to reach €121.0mn by FY27E (and total revenues to €121.6mn). On the profitability side, we expect the integration of Eminence to continue diluting margins in FY24E, with the EBITDA margin remaining at 22.1%, in line with prior estimates. In absolute terms, EBITDA is now projected at €22.9mn (vs. €24.0mn previously). Margins are expected to gradually improve in subsequent years, reaching an EBITDA of €27.6mn in FY27E, with a margin of 22.7%. EBIT is forecasted at €20.7mn for FY24E, slightly lower than our previous estimate of €21.8mn, maintaining a 20.0% EBIT margin. Despite these adjustments, we anticipate improvements in Trade Working Capital management, supporting the company's strong cash flow generation. As a result, we expect B&C Speakers' net financial position (NFP) to reach a net cash position of €2.9mn by FY24E (vs. €1.9mn previously) and further strengthen to €25.1mn by FY27E.

Valuation. Our valuation – based on both market multiples and DCF method – returns an average equity value of €212.47mn or a fair value of €19.32ps, showing a potential upside of 29.23% on current market price.

Relative Performance Chart - YTD



Market Data

Main Shareholders	
Research&Development International	54.0%
Lazard Freres Banque	4.7%
Joh. Berenberg, Gossler & Co. KG	3.1%
First Capital	3.2%
Allianz Global Investor Gmbh	2.9%
Mkt Cap (€ mn)	164.5
EV (€ mn)	161.5
Shares out.	11.0
Free Float	32.1%

Market multiples	2023	2024	2025
EV/EBITDA			
B&C Speakers S.p.A.	7.6x	7.2x	6.6x
Comps Median	13.3x	9.4x	8.5x
B&C Speakers S.p.A. vs Median	*-43%*	*-23%*	*-22%*
P/E			
B&C Speakers S.p.A.	11.8x	11.0x	10.1x
Comps Median	19.7x	19.0x	16.5x
B&C Speakers S.p.A. vs Median	*-40%*	*-42%*	*-39%*

Stock Data

52 Wk High (€)	19.80
52 Wk Low (€)	14.20
Avg. Daily Trading 90d	4,574
Price Change 1w (%)	1.71
Price Change 1m (%)	-1.33
Price Change YTD (%)	-19.07

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

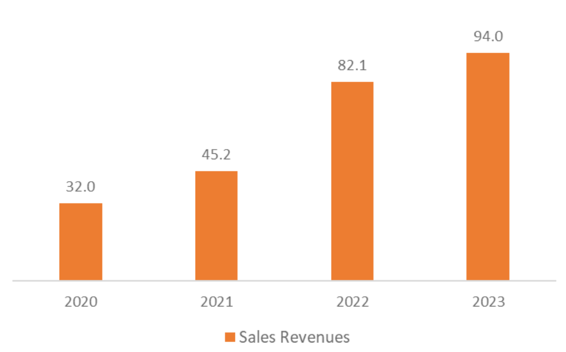
Current price (€)	Fair Value (€)	Sector	Free Float (%)
14.95	19.32	Professional Loudspeakers	32.10%

Per Share Data	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E
Total shares outstanding (mn)	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
EPS	0.17	0.45	1.11	1.27	1.36	1.48	1.58	1.68
Dividend per share (ord)	0.26	0.32	0.70	0.70	0.75	0.81	0.87	0.92
Dividend pay out ratio (%)	149%	71%	63%	55%	55%	55%	55%	55%
Profit and Loss (EUR million)	**2020A**	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**	**2027E**
Total Revenues	32.5	46.0	82.4	94.5	103.4	111.4	116.4	121.6
EBITDA	5.1	8.6	20.2	21.8	22.9	24.9	26.2	27.6
EBIT	2.9	6.5	18.1	19.5	20.7	22.6	23.9	25.4
EBT	2.3	6.7	16.8	19.0	20.4	22.3	23.7	25.3
Taxes	(0.4)	(1.7)	(4.6)	(5.1)	(5.5)	(6.0)	(6.4)	(6.8)
Tax rate	16%	26%	27%	27%	27%	27%	27%	27%
Net Income	1.9	5.0	12.2	14.0	14.9	16.3	17.3	18.5
Net Income attributable to the Group	1.9	5.0	12.2	14.0	14.9	16.3	17.3	18.5
Balance Sheet (EUR million)	**2020A**	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**	**2027E**
Total fixed assets	9.2	10.5	10.4	13.7	15.2	15.3	15.5	15.7
Net Working Capital (NWC)	17.4	22.6	36.5	35.7	38.4	40.7	41.7	42.4
Provisions	(1.0)	(0.8)	(0.8)	(2.6)	(3.0)	(3.5)	(3.9)	(4.4)
Total Net capital employed	25.6	32.3	46.1	46.9	50.5	52.5	53.2	53.8
Net financial position/(Cash)	(0.6)	3.9	9.4	0.7	(2.9)	(9.0)	(16.7)	(25.1)
Total Shareholder's Equity	26.2	28.4	36.7	46.2	53.4	61.5	69.9	78.9
Cash Flow (EUR million)	**2020A**	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**	**2027E**
Net operating cash flow	4.8	6.9	15.3	16.6	17.3	18.8	19.8	20.8
Change in NWC	3.3	(5.2)	(13.9)	0.7	(2.6)	(2.3)	(1.0)	(0.7)
Capital expenditure	(0.6)	(3.6)	(1.8)	(5.4)	(2.9)	(1.7)	(1.7)	(1.7)
Other cash items/Uses of funds	0.0	(0.0)	(0.1)	1.6	0.4	0.5	0.5	0.5
Free cash flow	7.5	(1.8)	(0.6)	13.6	12.2	15.2	17.5	18.8
Enterprise Value (EUR million)	**2020A**	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**	**2027E**
Market Cap	113.9	151.8	138.6	201.9	164.5	164.5	164.5	164.5
Minorities	-	-	-	-	-	-	-	-
Net financial position/(Cash)	(0.6)	3.9	9.4	0.7	(2.9)	(9.0)	(16.7)	(25.1)
Enterprise value	113.3	155.7	148.0	202.5	161.5	155.4	147.8	139.3
Ratios (%)	**2020A**	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**	**2027E**
EBITDA margin	15.8%	18.7%	24.6%	23.1%	22.1%	22.3%	22.5%	22.7%
EBIT margin	8.9%	14.2%	22.0%	20.7%	20.0%	20.3%	20.6%	20.9%
Gearing - Debt/equity	-2.2%	13.8%	25.7%	1.4%	-5.5%	-14.6%	-23.9%	-31.8%
Interest cover on EBIT	20.9%	-2.3%	7.3%	2.5%	1.3%	1.0%	0.8%	0.6%
NFP/EBITDA	-0.1x	0.5x	0.5x	0.0x	-0.1x	-0.4x	-0.6x	-0.9x
ROCE	11.3%	20.2%	39.3%	41.7%	41.0%	42.9%	45.0%	47.3%
ROE	7.3%	17.5%	33.4%	30.3%	27.9%	26.5%	24.8%	23.4%
EV/Sales	5.2x	3.7x	2.0x	1.8x	1.6x	1.5x	1.4x	1.4x
EV/EBITDA	32.2x	19.2x	8.2x	7.6x	7.2x	6.6x	6.3x	6.0x
P/E	85.8x	33.1x	13.4x	11.8x	11.0x	10.1x	9.5x	8.9x
Free cash flow yield	3.7%	-0.9%	-0.3%	6.7%	6.0%	7.5%	8.7%	9.3%
Growth Rates (%)	**2020A**	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**	**2027E**
Sales	-42.5%	41.6%	79.0%	14.7%	9.4%	7.7%	4.5%	4.4%
EBITDA	-59.3%	68.1%	135.1%	7.7%	4.9%	8.7%	5.5%	5.3%
EBIT	-71.9%	126.2%	177.6%	7.7%	6.0%	8.9%	6.1%	6.3%
Net Income	-77.7%	159.6%	146.1%	14.3%	6.7%	9.2%	6.4%	6.5%

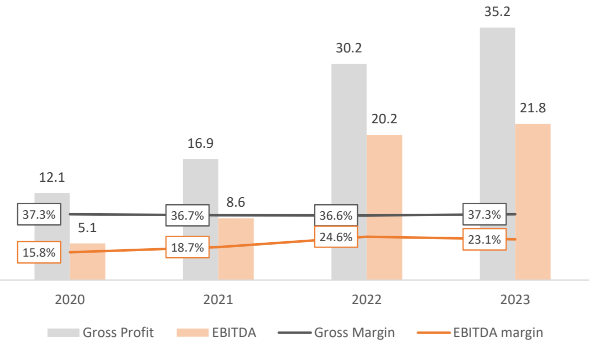
Source: Company data (2020-2023), KT&Partners' elaboration (2024E-2027E)

Key Charts

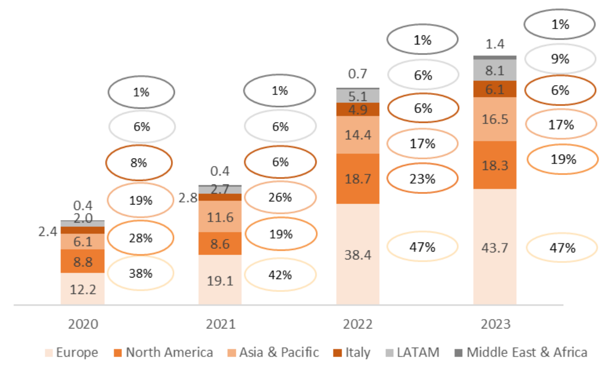
Sales Revenues (€mn)



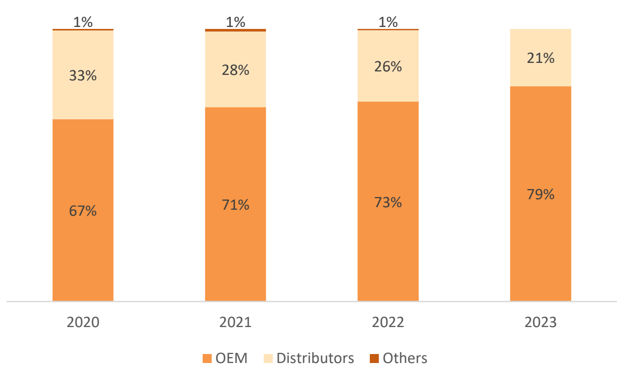
Gross profit, EBITDA and margins (€mn,%)[1]



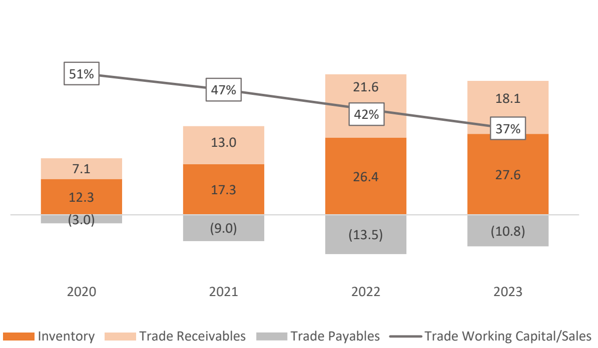
Sales Revenues by geographical area (€mn,%)



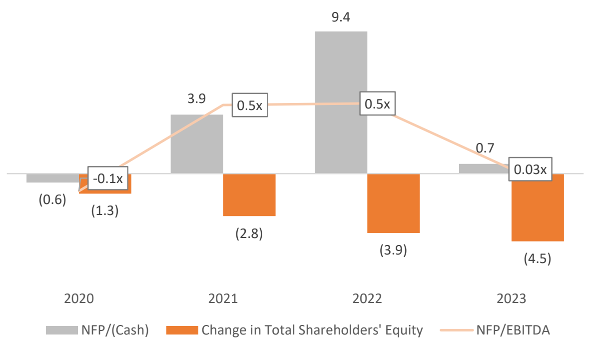
Sales Revenues by end-customers (%)[2]



Trade Working Capital (€mn, %)



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 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 organizations. 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. To further boost its internationalization path, in September 2023 B&C Speakers acquired the 100% capital of the US-based Eminence Speaker – leading international company active in the design and manufacture of electro-acoustic transducers for professional use – for a total consideration of $4.5mn.

Listed on Euronext Milan in 2007 – and since 2013 on Euronext STAR Milan – B&C leveraged on IPO's proceeds and on increased visibility to boost its growth path, resulting in outstanding growth (with revenues growing at a +11.5% CAGR18-23) and a sound profitability always of ca. 20% or above in the period 2012-2023.[3]

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 the US and Chinese market – also thanks to the recently acquired Eminence – 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 the 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 highly 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 FY23 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 constant technical post-sale assistance, the company developed over years a loyal customer base, with 85.2% of FY22 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 OCF/EBITDA of 72% over the 2018-23 period – the company applies an appealing dividend distribution policy (halted in 2020 only), with an average dividend payout of more than 40% over the 2018-23 period.

[3] On Sales Revenues. Note: Without considering FY20, negatively impacted by COVID-19 pandemic.

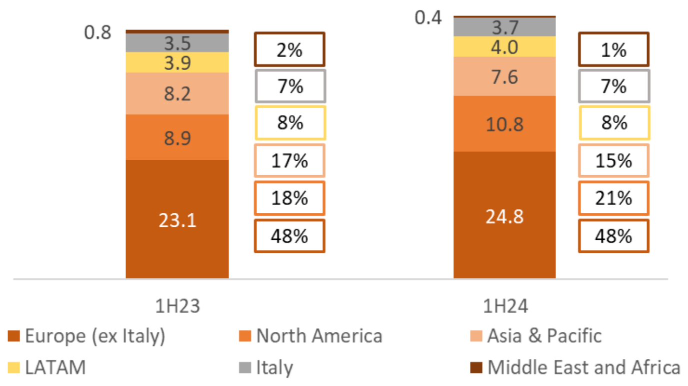
1H24 Financial Results

Despite navigating a more complex global environment, B&C Speakers reported solid 1H24 results, reflecting a mixed picture across its different markets. Sales Revenues reached €51.2mn, marking a +5.6% YoY growth compared to €48.5mn in 1H23, closely below our estimate of €52.4mn. This growth was primarily fueled by contributions from the newly acquired subsidiaries Eminence Speakers LLC and B&C Speakers China, which collectively contributed €6.3mn: with Eminence generating €3.6mn sales revenues in North America and B&C Speakers China contributing for €2.7mn.

Analyzing the revenue breakdown by geography, Europe remains the company's largest market, growing by +7% YoY to represent 48% of total sales. North America also performed well, growing +21% YoY and representing 21% of revenues, aided by the contribution from Eminence. In contrast, Asia-Pacific (including China) saw a -7% YoY decline, now contributing 15% to total sales, mainly due to weaker demand in China caused by the broader slowdown in the Chinese live-events sector. Latin America registered a modest growth of +1%, accounting for 8% of revenues, while the Middle East and Africa region saw a notable decline of -55%, albeit representing less than 1% of sales. Overall, foreign sales continue to dominate B&C Speakers' performance, comprising nearly 93% of the total.

Yet should be noted that the orders backlog continues to show improvements: the company registered €50mn in new orders during 1H24, a +64% increase compared to the same period in 2023, when it stood at €30mn. This reflects strong confidence in B&C's product portfolio and is an encouraging sign for the second half of the year, although it's yet below the boom witnessed in FY22.

1H23-1H24 Revenues Breakdown by Geography



Source: Company data

At the profitability level, 1H24 Gross Profit amounted to €19.2mn, with a margin of 37.5%, slightly improving from the prior year's 37.3% - COGS remained relatively stable due to the combined effect of an improvement in production components costs (by more than 2% on revenues) that was offset by higher direct personnel costs - driven by lower production volumes and the integration of the newly acquired subsidiaries.

EBITDA came in at €11.5mn, below our forecasted €12.7mn and the FY23's €12.1mn. The EBITDA margin decreased to 22.4%, from 24.8% in 1H23, as expected, reflecting the dilutive impact of the two new acquisitions which operate at lower margins – by excluding these acquisitions, the EBITDA margin would have improved to 25.2%. The consolidation of the two new companies also led to higher-than-expected indirect personnel costs (6.7% of revenues, up from 5.1% in 1H23) and increased selling expenses (+33.6% YoY). It is worth noting that the rise in indirect personnel costs was primarily due to the decision to integrate senior resources into the commercial structure to revitalize and refresh the business in weaker regions.

Finally, Net income for 1H24 stood at €11.7mn, resulting in a Net Margin of 22.9%, showing a material increase of +44.6% from 1H23 – largely attributable to a €3.9mn tax benefit (Patent Box), linked to the revenues arising from some protected intangible assets.

On the balance sheet side, the company reported an NFP of €1.8mn at the end of 1H24 increasing by c.€1.1mn from FY23. The net debt level benefitted from the strong operating cash-flow generation during the semester of €7.9mn, which was able to face the debt reimbursement that took place in the period and the material dividend cash-out of €7.7mn in May.

1H23-1H24 Consolidated Income Statement

€ Millions	1H23A	FY23A	1H24A	YoY %	1H24E	A vs E %
Sales Revenues	**48.5**	**94.0**	**51.2**	**5.6%**	**52.4**	**-2.1%**
Growth %						
Other Revenues	0.2	0.5	0.2	-6.2%	0.2	-21.2%
Total Revenues	**48.7**	**94.5**	**51.4**	**5.5%**	**52.6**	**-2.2%**
Growth %						
COGS	(30.5)	(59.3)	(32.0)	5.2%	(32.7)	-1.9%
Gross Profit	**18.1**	**35.2**	**19.2**	**6.4%**	**19.9**	**-3.5%**
Gross Margin	*37.2%*	*37.3%*	*37.5%*		*37.9%*	
G&A Expenses	(3.2)	(7.1)	(3.8)	18.7%	(3.4)	12.0%
Selling Expenses	(0.5)	(1.0)	(0.6)	33.6%	(0.7)	-13.6%
Indirect Personnel Expenses	(2.5)	(5.3)	(3.4)	37.7%	(3.0)	13.8%
Other Operating Expenses		-				
EBITDA	**12.1**	**21.8**	**11.5**	**-4.8%**	**12.7**	**-9.9%**
EBITDA margin	*24.8%*	*23.1%*	*22.4%*		*24.2%*	
Growth %						
D&A and Provisions	(1.0)	(2.3)	(1.3)	24.5%	(1.1)	21.7%
EBIT	**11.0**	**19.5**	**10.2**	**-7.5%**	**11.7**	**-12.7%**
EBIT margin	*22.6%*	*20.7%*	*19.8%*		*22.2%*	
Growth %						
Financial Income and Expenses	(0.2)	(0.5)	0.3		(0.1)	-416.8%
Extraordinary items		-				
EBT	**10.8**	**19.0**	**10.5**	**-2.8%**	**11.6**	**-9.0%**
Taxes	(2.7)	(5.1)	1.2		(2.5)	
Tax Rate	*25.1%*	*26.5%*	*n.a.*		*21.3%*	
Net Income	**8.1**	**14.0**	**11.7**	**44.6%**	**9.1**	**28.8%**
Net margin	*16.7%*	*14.8%*	*22.8%*		*17.3%*	

Source: Company data

FY23-1H24 Balance Sheet

€ Millions	FY23A	1H24A
Goodwill	2.3	2.3
Intangible	0.4	0.5
Tangible	10.4	10.5
Other LT Assets	0.6	0.6
Fixed Assets	**13.7**	**13.9**
Trade receivables	18.1	25.5
Inventory	27.6	28.5
Trade Payables	(10.8)	(14.9)
Trade Working Capital	**34.9**	**39.0**
Other assets and liabilities	0.8	0.0
Net Working Capital	**35.7**	**39.1**
Other Provisions	(2.6)	(0.9)
Net Capital Employed	**46.9**	**52.1**
Group shareholders' equity	46.2	50.3
Minority shareholders' equity	-	
Total shareholders' equity	**46.2**	**50.3**
Short-term debt / Cash (-)	(10.0)	(8.2)
Long-term liabilities	10.7	10.0
Net Financial Position	**0.7**	**1.8**
Sources	**46.9**	**52.1**

Source: Company data

Change in Estimates

Due to the slightly lower than expected top-line B&C performance, we have adjusted our projections to reflect the higher uncertainty already embedded in last semester's market scenario. While 1H24 confirmed resilience in some areas, there are signs of slower-than-expected demand recovery in key regions, particularly Asia-Pacific, which led us to revise our expectations.

Consequently, we now project FY24E sales revenues at €102.9mn (vs. prior estimate of €107.8mn), reflecting an increase of 9.4% YoY - primarily driven by the full-year contribution of Eminence Speaker LLC and B&C Speakers China – to later reach €121.0mn by the end of FY27E (and total revenues to €121.6mn).

On the profitability side, we expect the integration of Eminence to continue to exert a dilutive effect on the Group's margins, especially during FY24E, as it is the first full year of consolidation. However, margin improvement is expected in subsequent years, driven by cost-efficiency measures and synergies across the Group. We maintain our expectation for an EBITDA margin of 22.1% for FY24E (in line with prior estimates), though in absolute terms, EBITDA is now projected at €22.9mn (vs. the previous estimate of €24.0mn). Marginality is also expected to progressively improve in the following years reaching and EBITDA of €27.6mn (EBITDA Margin at 22.7%) in FY27E.

EBIT is projected at €20.7mn for FY24E (to later reach €25.4mn in FY27E), slightly lower than our previous estimate of €21.8mn, maintaining an EBIT margin of 20.0%. We also forecast net income at €14.9mn (vs. prior seen at €15.7mn), driven by marginal adjustments to our estimates for taxes and financial expenses.

On the balance sheet side, despite a slight downgrade in profitability expectations, we see further improvements in B&C Speakers' TWC management, to reflect the strong operating cash flow generation ability that occurred in 1H24. Accordingly, we expect the Group's net financial position (NFP) to improve progressively, reaching a net cash position of €2.9mn (vs. €1.9mn of net cash previously estimated) by the end of FY24E and further strengthening to €25.1mn by FY27E.

Change in Estimates

€ Millions	2024E Old	2024E New	Change	2025E Old	2025E New	Change	2026E Old	2026E New	Change	2027E Old	2027E New	Change	CAGR 2023A-27E
Total Revenues	**108.3**	**103.4**	**-4.6%**	**113.8**	**111.4**	**-2.1%**	**119.0**	**116.4**	**-2.1%**	**124.2**	**121.6**	**-2.1%**	**6.5%**
YoY Change (%)	*14.6%*	*9.4%*		*5.0%*	*7.7%*		*4.6%*	*4.5%*		*4.4%*	*4.4%*		
EBITDA	**24.0**	**22.9**	**-4.6%**	**25.4**	**24.9**	**-2.1%**	**26.8**	**26.2**	**-2.1%**	**28.2**	**27.6**	**-2.1%**	**6.1%**
YoY Change (%)	*9.9%*	*4.9%*		*6.0%*	*8.7%*		*5.5%*	*5.5%*		*5.4%*	*5.3%*		
EBITDA Margin	*22.1%*	*22.1%*	*0.0%*	*22.3%*	*22.3%*		*22.5%*	*22.5%*		*22.7%*	*22.7%*		
EBIT	**21.8**	**20.7**	**-5.0%**	**23.1**	**22.6**	**-2.3%**	**24.5**	**23.9**	**-2.3%**	**26.1**	**25.4**	**-2.3%**	**6.8%**
YoY Change (%)	*11.6%*	*6.0%*		*5.9%*	*8.9%*		*6.1%*	*6.1%*		*6.3%*	*6.3%*		
EBIT Margin	*20.1%*	*20.0%*		*20.3%*	*20.3%*		*20.6%*	*20.6%*		*21.0%*	*20.9%*		
Net Income	**15.7**	**14.9**	**-5.1%**	**16.7**	**16.3**	**-2.3%**	**17.7**	**17.3**	**-2.3%**	**18.9**	**18.5**	**-2.3%**	**7.2%**
YoY Change (%)	*12.4%*	*6.7%*		*6.1%*	*9.2%*		*6.4%*	*6.4%*		*6.5%*	*6.5%*		
Net Margin	*14.5%*	*14.4%*		*14.7%*	*14.6%*		*14.9%*	*14.9%*		*15.2%*	*15.2%*		
NFP	**(1.9)**	**(2.9)**	**(1.0)**	**(8.9)**	**(9.0)**	**(0.1)**	**(16.8)**	**(16.7)**	**0.1**	**(25.4)**	**(25.1)**	**0.3**	

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 €18.6ps
2. DCF analysis based on WACC of 9.9% and 1.5% perpetual growth returns a value of €20.0ps

The average of the two methods yields a fair value of €19.3ps or an equity value of €212.5mn.

Valuation Recap

	Equity Value €mn	Value per share €
EV/EBITDA	180.8	16.4
P/E	228.6	20.8
Average - multiples	**204.7**	**18.6**
DCF	220.2	20.0
Average	**212.47**	**19.32**

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 2023-26 data.

Peer Comparison – Market Multiples 2023-2026

Company Name	Exchange	Market Cap	EV/SALES 2023	EV/SALES 2024	EV/SALES 2025	EV/SALES 2026	EV/EBITDA 2023	EV/EBITDA 2024	EV/EBITDA 2025	EV/EBITDA 2026	EV/EBIT 2023	EV/EBIT 2024	EV/EBIT 2025	EV/EBIT 2026	P/E 2023	P/E 2024	P/E 2025	P/E 2026
Gettop Acoustic Co., Ltd. Class A	Shenzhen	422	3.4x	n.a.	n.a.	n.a.	25.0x	n.a.	n.a.	n.a.	n.m	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
GoerTek Inc. Class A	Shenzhen	8,049	0.6x	0.6x	0.6x	0.4x	12.6x	10.2x	9.0x	8.3x	n.m	21.4x	16.8x	14.0x	n.m	24.2x	18.9x	16.8x
Suzhou Sonavox Electronics Co., Ltd. Class A	Shanghai	441	1.6x	1.3x	1.0x	0.9x	14.4x	9.6x	8.0x	5.9x	22.4x	13.4x	10.5x	7.6x	21.5x	14.5x	11.5x	8.7x
Yamaha Corporation	Tokyo	4,104	1.2x	1.1x	1.1x	1.0x	11.3x	8.6x	7.9x	7.3x	15.2x	11.9x	10.8x	9.8x	21.6x	16.9x	15.5x	14.0x
Dolby Laboratories, Inc. Class A	NYSE	6,165	4.4x	4.7x	4.5x	4.1x	16.0x	13.0x	12.1x	11.0x	21.8x	17.2x	16.1x	17.5x	34.3x	28.2x	25.8x	22.8x
Focusrite PLC	London	202	1.2x	1.3x	1.3x	1.2x	5.4x	8.1x	8.0x	7.8x	8.0x	12.6x	12.8x	12.6x	7.7x	16.9x	15.8x	15.3x
Average peer group		2,792	2.1x	1.8x	1.7x	1.5x	13.3x	9.4x	8.5x	7.6x	15.2x	14.2x	12.4x	11.3x	19.7x	19.0x	16.5x	14.7x
Median peer group		441	1.6x	1.3x	1.2x	1.1x	12.6x	9.1x	8.0x	7.5x	15.2x	13.0x	11.8x	11.2x	21.5x	16.9x	15.7x	14.6x
B&C Speakers S.p.A.	Milan	167	1.8x	1.6x	1.5x	n.a.	7.7x	7.3x	6.8x	6.4x	8.6x	8.1x	7.4x	7.0x	11.9x	11.2x	10.3x	9.6x

Source: FactSet, KT&Partners' Elaboration

We based our evaluation upon 2024-2026 EV/EBITDA and P/E multiples and our estimates of B&C's EBITDA and Net Income for 2024, 2025 and 2026. Our valuation also includes a 10% liquidity/size discount.

EV/EBITDA Multiple Valuation

Multiple Valuation (€mn)	2024E	2025E	2026E
EV/EBITDA Comps	9.1x	8.0x	7.5x
B&C Speakers S.p.A. EBITDA	22.9	24.9	26.2
Enterprise value	**208.1**	**199.5**	**197.4**
Average Enterprise Value		201.6	
Liquidity/Size Discount		*10%*	
Enterprise value post-discount		**181.5**	
B&C Speakers S.p.A. FY23 Net Debt		0.7	
Average Equity Value		**180.8**	
Number of shares (mn)		*11.0*	
Value per Share €		**16.4**	

P/ E Multiple Valuation

Multiple Valuation (€mn)	2024E	2025E	2026E
P/E Comps	16.9x	15.7x	14.6x
B&C Speakers S.p.A. Net Income	14.9	16.3	17.3
Equity Value	**252.6**	**255.7**	**253.9**
Average Equity Value		254.0	
Liquidity/Size Discount		*10%*	
Equity Value Post-Discount		**228.6**	
Number of shares (mn)		*11.0*	
Value per Share €		**20.8**	

Source: FactSet, KT&Partners' Elaboration

DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 11.7% cost of equity, 5.0% 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 3.8% (Italian 10y BTP, average last 3M), 4.3% equity risk premium (Damodaran for a mature market for the last 12 months) and a premium for size and liquidity of 1.5% (source: Duff&Phelps). We, therefore, obtained a 9.9% WACC.

We discounted 2024E-27E 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	2024E	2025E	2026E	2027E
EBIT	**20.7**	**22.6**	**23.9**	**25.4**
Taxes	(5.6)	(6.1)	(6.5)	(6.9)
D&A	2.2	2.3	2.3	2.2
Change in Net Working Capital	(2.6)	(2.3)	(1.0)	(0.7)
Change in Funds	0.4	0.5	0.5	0.5
Net Operating Cash Flow	**15.1**	**16.9**	**19.2**	**20.5**
Capex	(2.9)	(1.7)	(1.7)	(1.7)
FCFO	**12.2**	**15.2**	**17.5**	**18.8**
g	***1.5%***			
Wacc	***9.9%***			
FCFO (discounted)	11.9	13.5	14.1	13.8
Discounted Cumulated FCFO	53.3			
TV	228.3			
TV (discounted)	167.6			
Enterprise Value	**220.9**			
NFP FY23	0.7			
Equity Value	**220.2**			
Current number of shares (mn)	11.0			
Value per share (€)	**20.0**			

Source: Company Data, KT&Partners' Elaboration

Sensitivity Analysis

€ Millions		WACC				
		10.4%	10.1%	9.9%	9.6%	9.4%
Terminal growth Rate	1.0%	198.9	204.3	210.0	216.0	222.4
	1.3%	203.3	209.0	214.9	221.3	228.0
	1.5%	208.0	213.9	220.2	226.9	234.0
	1.8%	212.9	219.1	225.8	232.9	240.4
	2.0%	218.1	224.7	231.8	239.3	247.3

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 €0.4bn, 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 FY23, Gettop Acoustic reached €129mn of sales revenues.

- **GoerTek Inc. Class A (002241-CN):** listed on Shenzhen stock exchange with a market capitalization of €8.2bn, 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 FY23 sales revenues amounted to €12.8bn.

- **Suzhou Sonavox Electronics Co., Ltd. Class A (688533-CN):** listed on Shanghai stock exchange with a market capitalization of €0.4bn, 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 €249mn of sales revenues in 2022.

- **Yamaha Corporation (7951-JP):** listed on Tokyo stock exchange with a market capitalization of €4.1bn, 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 FY22, Yamaha Corp. reached €3.2bn of sales revenues.

- **Dolby Laboratories, Inc. Class A (DLB-US):** listed on NYSE stock exchange with a market capitalization of €6.2bn, 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 2023, Dolby's sales revenues amounted to €1.2bn.

- **Focusrite PLC (TUNE-GB):** listed on London stock exchange with a market capitalization of €0.2bn, 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 2023, the company reached €205mn of sales revenues.

Then we compared the peers' historical and projected marginalities with B&C's historical and projected financials. In 2023, the peer companies have a level of profitability below B&C's results: average peer's EBITDA margin for FY23 was 17%, while B&C's EBITDA margin was equal to 23%.

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- ADD – FOR A FAIR VALUE > 15% ON CURRENT PRICE
- HOLD – FOR A FAIR VALUE < 15% o > -15% ON CURRENT PRICE
- REDUCE – FOR A FAIR VALUE < -15% ON CURRENT PRICE

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