# B&C Speakers S.p.A.

Professional Loudspeakers

KT&PARTNERS

## Backlog Brightening Outlook Following a Modest 1Q24

**ADD | Fair Value: €21.20 (€21.20) | Current Price: €16.95 | Upside: +25.07%**

**Research Update**

| € Million | FY20A | FY21A | FY22A | FY23A | FY24E | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|---|---|---|
| Total Revenues | 32.5 | 46.0 | 82.4 | 94.5 | 108.3 | 113.8 | 119.0 | 124.2 |
| EBITDA | 5.1 | 8.6 | 20.2 | 21.8 | 24.0 | 25.4 | 26.8 | 28.2 |
| *margin* | *15.8%* | *18.7%* | *24.6%* | *23.1%* | *22.1%* | *22.3%* | *22.5%* | *22.7%* |
| Net Profit | 1.9 | 5.0 | 12.2 | 14.0 | 15.7 | 16.7 | 17.7 | 18.9 |
| *margin* | *5.9%* | *10.8%* | *14.9%* | *14.8%* | *14.5%* | *14.7%* | *14.9%* | *15.2%* |
| EPS | 0.2 | 0.5 | 1.1 | 1.3 | 1.4 | 1.5 | 1.6 | n.a. |
| NFP/ (Cash) | (0.6) | 3.9 | 9.4 | 0.7 | (1.9) | (8.9) | (16.8) | (25.4) |

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

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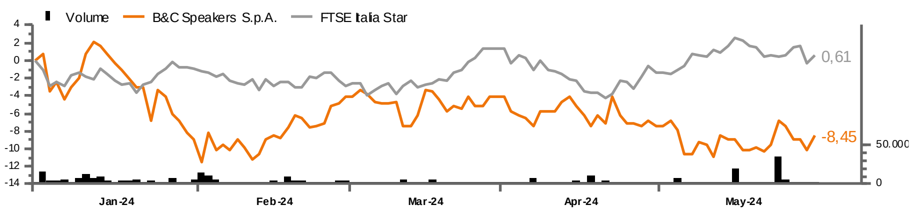
***1Q24 Financial Results.*** In 1Q24 B&C' sales reached €23.9mn in line with our expectations, reporting a slight -1.5% decrease compared to the exceptional 1Q23. The contraction is mainly attributable to a temporary slowdown in the US and European regions, the two main end markets, coupled with a general overstocking phenomenon among customers. On geographical breakdown, the bulks of sales came from foreign markets (exports at 93% of 1Q24 revenues) with no major repositioning among the regions with the top three being: Europe (Excl. Italy) weighting 48% of the total with €11.4mn sales, North America at 20% of sales with €4.7mn, and Asia & Pacific accounting for 18% of the total with sales at €4.3. Also being the last two the only regions showing an YoY growth (respectively of +15.8% and +16.2%) thanks to the contribution coming from the acquisition of Eminence. Gross Profit came in at €8.9mn with margin at 37.1% (vs. €9.0mn and 37.1% Margin in 1Q23) following a flat incidence of COGS compared the FY23' one – while on profitability EBITDA showed a -19.8% decrease from 1Q23 reaching €5.0mn (21.0% EBITDA Margin vs. 25.8% in 1Q23) due to a general OPEX burdening coming from the newly acquired company integration. Impressive NFP shift reaching €3.7mn of cash in just three months from the €0.7 net debt at the end of FY23 – thanks to a strong cash generation (€5.3mn operating cash-flow) and an enhanced payables management.

***Backlog status***. Analysing 1Q24 top-line performance should be noted that the order backlog at the end of FY23 (€20.7m) was less than half that at the end of FY22 (€46.3m) when delivery times had not yet reached their pre-Covid efficiency level. Yet, positive signals are coming from the orders collection in the 1Q24 (€26mn) with amount exceeding both 1Q23 (€13.8mn) and the 4Q23 (€17.5mn), underlining the contingency of the actual sales contraction.

***Estimates Confirmed.*** Following 1Q24 results in line with our estimates, we confirm the projections reported in our last report of 9th April 2024. More in detail, FY24E total revenues are estimated at €108.3mn implying an increase of 14.6% YoY mainly driven by the contribution for the entire year of Eminence Speaker LLC and Eminence Dongguan (one-month in the FY23). Revenues are expected to growth at a CAG32023-2027E of 7.1% reaching €124.2mn. On the profitability side, we expect Eminence to partially dilute Group's margins, especially in FY24E (the first year of full consolidation), gradually improving in the period considered thanks to a cost-efficiency policy and growing synergies with the holding company, both on direct costs and fixed costs. We thus expect EBITDA margin to decrease from 23.1% reported in FY23A to 22.1% in FY24E (-0.7pp than expected before), then gradually recovering to 22.7% in FY27E. Improved Trade Working Capital management offsets lower EBITDA projections, resulting in NFP improving to a net cash position of €1.9mn by FY24E and €25.4mn by FY27E.

***Valuation confirmed.*** Our valuation – based on both market multiples and DCF method – returns an average equity value of €232.8mn or a fair value of €21.20ps, showing a potential upside of 25.07% on current market price.

**Relative Performance Chart - YTD**




**Market Data**

| Main Shareholders | |
|---|---|
| Research&Development International | 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) | 186.5 |
| EV (€ mn) | 187.1 |
| Shares out.(mn) | 11.0 |
| Free Float | 46.0% |

| Market multiples | 2023 | 2024 | 2025 |
|---|---|---|---|
| EV/EBITDA | | | |
| *B&C Speakers S.p.A.* | 8.6x | 7.8x | 7.4x |
| *Comps Median* | 15.7x | 10.4x | 9.2x |
| *B&C Speakers S.p.A. vs Median* | *-45%* | *-25%* | *-20%* |
| P/E | | | |
| *B&C Speakers S.p.A.* | 13.3x | 11.9x | 11.2x |
| *Comps Median* | 23.9x | 20.7x | 17.2x |
| *B&C Speakers S.p.A. vs Median* | *-44%* | *-43%* | *-35%* |

**Stock Data**

| | |
|---|---|
| 52 Wk High (€) | 19.80 |
| 52 Wk Low (€) | 14.00 |
| Avg. Daily Trading 90d | 2,848 |
| Price Change 1w (%) | 1.20 |
| Price Change 1m (%) | -1.18 |
| Price Change YTD (%) | -8.45 |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## Key Figures - B&C Speakers S.p.A.

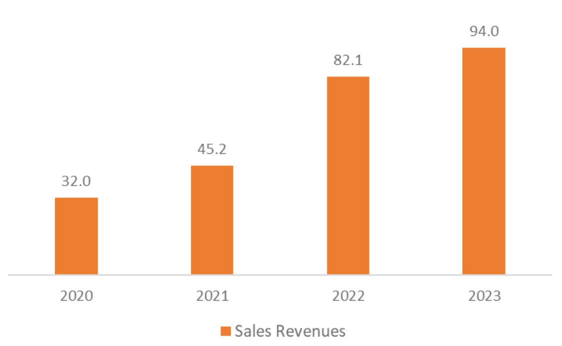
| Current price (€) | Fair Value (€) | Sector | Free Float (%) |
|---|---|---|---|
| 16.95 | 21.20 | Professional Loudspeakers | 46.0% |

| Per Share Data | 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 |
| EPS | 0.45 | 1.11 | 1.27 | 1.43 | 1.52 | 1.61 | 1.72 |
| Dividend per share (ord) | 0.32 | 0.70 | 0.70 | 0.79 | 0.83 | 0.89 | 0.94 |
| Dividend pay out ratio (%) | 71% | 63% | 55% | 55% | 55% | 55% | 55% |
| **Profit and Loss (EUR million)** | **2021A** | **2022A** | **2023A** | **2024E** | **2025E** | **2026E** | **2027E** |
| Total Revenues | 46.0 | 82.4 | 94.5 | 108.3 | 113.8 | 119.0 | 124.2 |
| EBITDA | 8.6 | 20.2 | 21.8 | 24.0 | 25.4 | 26.8 | 28.2 |
| EBIT | 6.5 | 18.1 | 19.5 | 21.8 | 23.1 | 24.5 | 26.1 |
| EBT | 6.7 | 16.8 | 19.0 | 21.5 | 22.9 | 24.3 | 25.9 |
| Taxes | (1.7) | (4.6) | (5.1) | (5.8) | (6.2) | (6.6) | (7.0) |
| Tax rate | 26% | 27% | 27% | 27% | 27% | 27% | 27% |
| Net Income | 5.0 | 12.2 | 14.0 | 15.7 | 16.7 | 17.7 | 18.9 |
| Net Income attributable to the Group | 5.0 | 12.2 | 14.0 | 15.7 | 16.7 | 17.7 | 18.9 |
| **Balance Sheet (EUR million)** | **2021A** | **2022A** | **2023A** | **2024E** | **2025E** | **2026E** | **2027E** |
| Total fixed assets | 10.5 | 10.4 | 13.7 | 15.2 | 15.3 | 15.5 | 15.7 |
| Net Working Capital (NWC) | 22.6 | 36.5 | 35.7 | 40.2 | 41.5 | 42.6 | 43.3 |
| Provisions | (0.8) | (0.8) | (2.6) | (3.0) | (3.5) | (4.0) | (4.5) |
| Total Net capital employed | 32.3 | 46.1 | 46.9 | 52.3 | 53.4 | 54.1 | 54.6 |
| Net financial position/(Cash) | 3.9 | 9.4 | 0.7 | (1.9) | (8.9) | (16.8) | (25.4) |
| Group Shareholder's Equity | 28.4 | 36.7 | 46.2 | 54.2 | 62.3 | 70.9 | 80.0 |
| Minorities | - | - | - | - | - | - | - |
| Total Shareholder's Equity | 28.4 | 36.7 | 46.2 | 54.2 | 62.3 | 70.9 | 80.0 |
| **Cash Flow (EUR million)** | **2021A** | **2022A** | **2023A** | **2024E** | **2025E** | **2026E** | **2027E** |
| Net operating cash flow | 6.9 | 15.3 | 16.6 | 18.1 | 19.2 | 20.2 | 21.2 |
| Change in NWC | (5.2) | (13.9) | 0.7 | (4.4) | (1.4) | (1.0) | (0.8) |
| Capital expenditure | (3.6) | (1.8) | (5.4) | (2.9) | (1.7) | (1.7) | (1.7) |
| Other cash items/Uses of funds | (0.0) | (0.1) | 1.6 | 0.5 | 0.5 | 0.5 | 0.5 |
| Free cash flow | (1.8) | (0.6) | 13.6 | 11.2 | 16.5 | 17.9 | 19.2 |
| **Enterprise Value (EUR million)** | **2021A** | **2022A** | **2023A** | **2024E** | **2025E** | **2026E** | **2027E** |
| Market Cap | 151.8 | 138.6 | 201.9 | 186.5 | 186.5 | 186.5 | 186.5 |
| Minorities | - | - | - | - | - | - | - |
| Net financial position/(Cash) | 3.9 | 9.4 | 0.7 | (1.9) | (8.9) | (16.8) | (25.4) |
| Enterprise value | 155.7 | 148.0 | 202.5 | 184.5 | 177.5 | 169.7 | 161.1 |
| **Ratios (%)** | **2021A** | **2022A** | **2023A** | **2024E** | **2025E** | **2026E** | **2027E** |
| EBITDA margin | 18.7% | 24.6% | 23.1% | 22.1% | 22.3% | 22.5% | 22.7% |
| EBIT margin | 14.2% | 22.0% | 20.7% | 20.1% | 20.3% | 20.6% | 21.0% |
| Gearing - Debt/equity | 13.8% | 25.7% | 1.4% | -3.6% | -14.3% | -23.7% | -31.7% |
| Interest cover on EBIT | -2.3% | 7.3% | 2.5% | 1.2% | 1.0% | 0.8% | 0.6% |
| NFP/EBITDA | 0.5x | 0.5x | 0.0x | -0.1x | -0.4x | -0.6x | -0.9x |
| ROCE | 20.2% | 39.3% | 41.7% | 41.7% | 43.3% | 45.3% | 47.7% |
| ROE | 17.5% | 33.4% | 30.3% | 29.0% | 26.8% | 25.0% | 23.6% |
| EV/Sales | 4.1x | 2.3x | 2.0x | 1.7x | 1.7x | 1.6x | 1.5x |
| EV/EBITDA | 21.7x | 9.2x | 8.6x | 7.8x | 7.4x | 7.0x | 6.6x |
| P/E | 37.5x | 15.2x | 13.3x | 11.9x | 11.2x | 10.5x | 9.9x |
| Free cash flow yield | -0.9% | -0.3% | 6.7% | 5.5% | 8.2% | 8.8% | 9.5% |
| **Growth Rates (%)** | **2021A** | **2022A** | **2023A** | **2024E** | **2025E** | **2026E** | **2027E** |
| Sales | 41.6% | 79.0% | 14.7% | 14.6% | 5.0% | 4.6% | 4.4% |
| EBITDA | 68.1% | 135.1% | 7.7% | 9.9% | 6.0% | 5.5% | 5.4% |
| EBIT | 126.2% | 177.6% | 7.7% | 11.6% | 5.9% | 6.1% | 6.3% |
| Net Income | 159.6% | 146.1% | 14.3% | 12.4% | 6.1% | 6.4% | 6.5% |

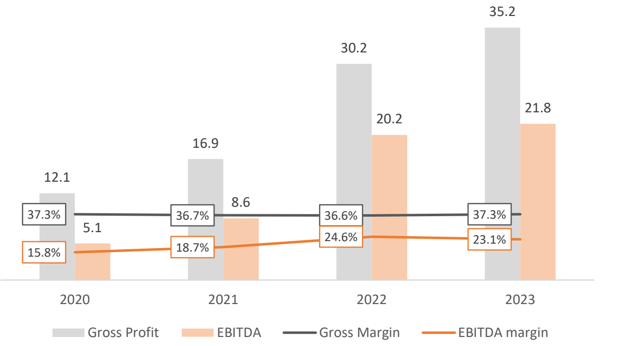
*Source: Company data (2020-2023), KT&Partners' elaboration (2024E-2027E)*

# Key Charts

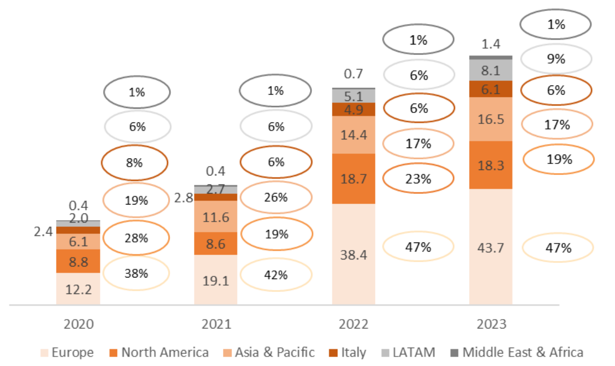
### Sales Revenues (€mn)



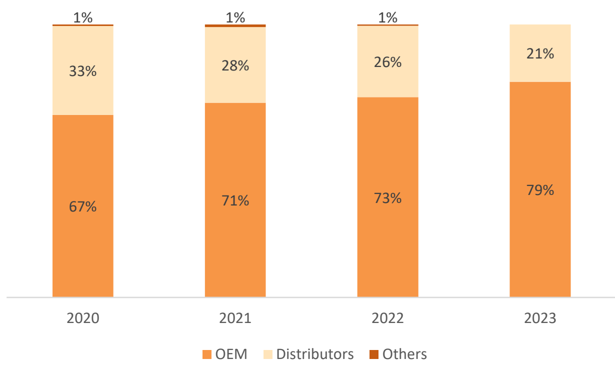

### Gross profit, EBITDA and margins (€mn,%) [1]



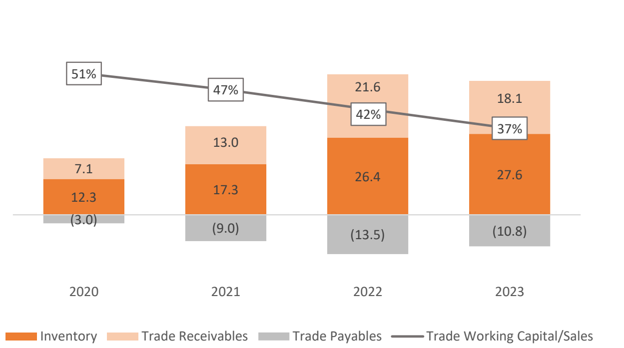

### Sales Revenues by geographical area (€mn,%)



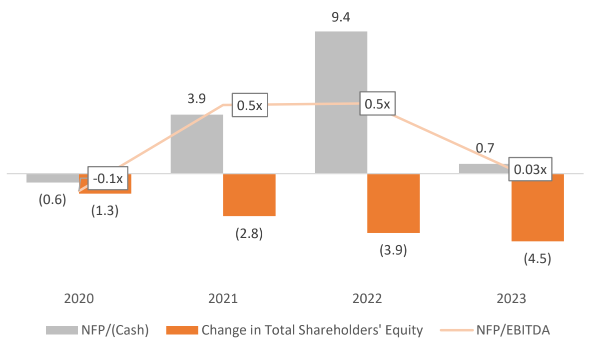

### Sales Revenues by end-customers (%) [2]




### 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 +9.8% CAGR12-22) 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.

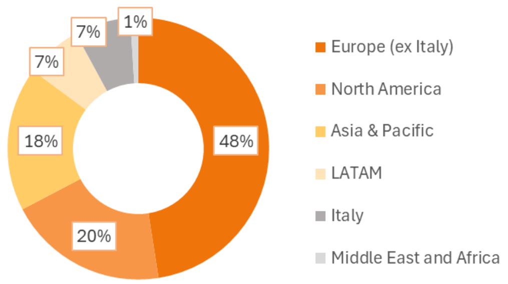
[3] On Sales Revenues. Note: Without considering FY20, negatively impacted by COVID-19 pandemic.

# 1Q24 Financial Results

In 1Q24, B&C's sales reached €23.9mn in line with our expectation, reporting a slight decrease of -1.5% compared to the exceptional 1Q23 when the Company reached €24.2m (+40.5% compared with the 1Q22). Considering only the organic performance by excluding the contribution from the newly acquired companies, sales revenues stood at €21.1mn showing a -12.8% YoY contraction. The decrease is mainly attributable to a temporary slowdown in the US and European regions, B&C's two main end markets, coupled with a general overstocking phenomenon among customers. However, positive signals are coming from the orders collection in the 1Q24 (€26mn) with amount exceeding both 1Q23 (€13.8mn) and the 4Q23 (€17.5mn), underlining the contingency of the actual sales contraction.

Looking at revenues geographical breakdown, the bulk of B&C sales came from foreign markets, with exports accounting for ca. 93% of 1Q24 sales revenues and no major repositioning among the regions, with the top three being: i) Europe (Excl. Italy) with sales reaching €11.4mn and representing the 48% of the total (vs. €11.9mn and a 49% quota in 1Q23); ii) North America at €4.7mn and 20% of sales (growing by +15.8% from €4.1mn in 1Q23), and iii) Asia & Pacific registering €4.3mn sales at 18% of the total (growing by +16.2% YoY vs. €3.7mn in 1Q23). Middle East & Africa (€0.2mn sales vs. €0.7mn in 1Q23) and LATAM (€1.7mn sales vs. €2.1mn in 1Q23) both decreased their weight on the total by -2pp reaching respectively 1% and 7% of sales – and finally Italy still accounting for 7% of total sales with €1.6mn but decreasing by -10.2% YoY from €1.7mn in 1Q23. More in detail, should be noted that the growth registered in the North America and Asia & Pacific regions derives mainly from the consolidation of the newly acquired Eminence, being the strengthening in those regions one of the main outcome B&C was looking forward to with its acquisition.

**1Q24 Revenues Breakdown by Geography**




*Source: KT&Partners' elaboration on Company Data*

Gross Profit came in at €8.9mn with margin at 37.1% (vs. €9.0mn and 37.1% Margin in 1Q23) following a flat incidence of COGS compared the FY23' one, resulting from the combined effect of: i) a recover in marginality of 3pp coming from the normalization in raw material prices compared to 1Q23; and ii) of a margin erosion from a 2pp increase in direct labors cost (also coming from the integration of the two acquired companies) and 1pp increase in custom duties. On profitability level, EBITDA reached €5.0mn (21.0% EBITDA Margin) decreasing by -19.8% YoY from €6.3mn in 1Q23 (25.8% EBITDA Margin) – the margin dilution derives from the increase in all the OPEX linked from the integration expenses of the two newly acquired companies along with their lower marginality level.

Following the sales contraction, the burdening of operating expense, and despite a positive contribution from financial income – Net Income reached €3.3mn decreasing by -19.6% from €4.1mn in 1Q23.

On Balance Sheet side BEC-IT recorded an impressive switch in NFP, reaching a net cash position of €3.7mn in just three months from net debt of €0.7mn at the end of FY23. The material improvement has been led by the strong cash generation (€5.3mn operating cash-flow) also boosted by the enhanced payables management, being the company now over the supply-chain disruption phase that characterized FY23 and able to better deal its trade cash-out timings.

**1Q22-1Q24 Income Statement**

| € Millions | 1Q22A | 1Q23A | 1Q24A | YoY % |
|---|---|---|---|---|
| **Sales Revenues** | **17.2** | **24.2** | **23.9** | **-1.5%** |
| *Growth %* | | | | |
| Other Revenues | 0.1 | 0.1 | 0.1 | 0% |
| **Total Revenues** | **17.4** | **24.3** | **23.9** | **-1.5%** |
| *Growth %* | | | | |
| COGS | (11.2) | (15.3) | (15.0) | -2% |
| **Gross Profit** | **6.2** | **9.0** | **8.9** | **-1.4%** |
| *Gross Margin* | *35.6%* | *37.1%* | *37.1%* | *0.0%* |
| G&A Expenses | (1.0) | (1.4) | (1.9) | 37% |
| Selling Expenses | (0.2) | (0.2) | (0.3) | 49% |
| Indirect Personnel Expenses | (1.0) | (1.2) | (1.7) | 43% |
| Other Operating Expenses | | | | |
| **EBITDA** | **4.0** | **6.3** | **5.0** | **-19.8%** |
| *EBITDA margin* | *22.9%* | *25.8%* | *21.0%* | *-4.8%* |
| *Growth %* | | | | |
| D&A and Provisions | (0.5) | (0.5) | (0.6) | -1.4% |
| **EBIT** | **3.5** | **5.8** | **4.4** | **-23.7%** |
| *EBIT margin* | *20.0%* | *23.7%* | *18.4%* | *-5.4%* |
| *Growth %* | | | | |
| Financial Income and Expenses | (0.5) | (0.2) | 0.1 | |
| Extraordinary items | | | | |
| **EBT** | **3.0** | **5.6** | **4.5** | **-18.9%** |
| Taxes | (0.8) | (1.5) | (1.3) | |
| *Tax Rate* | *27.0%* | *27.4%* | *28.0%* | |
| **Net Income** | **2.2** | **4.1** | **3.3** | **-19.6%** |
| *Net margin* | *12.4%* | *16.7%* | *13.6%* | *-3.1%* |

*Source: KT&Partners' elaboration on Company Data*

**FY23-1Q24 Balance Sheet**

| € Millions | FY23A | 1Q24A |
|---|---|---|
| **Fixed Assets** | **13.7** | **13.2** |
| Trade receivables | 18.1 | 20.1 |
| Inventory | 27.6 | 27.3 |
| Trade Payables | (10.8) | (12.2) |
| **Trade Working Capital** | **34.9** | **35.2** |
| Other assets and liabilities | 0.8 | (0.4) |
| **Net Working Capital** | **35.7** | **34.8** |
| Other Provisions | **(2.6)** | **(2.6)** |
| **Net Capital Employed** | **46.9** | **45.5** |
| Group shareholders' equity | 46.2 | 49.1 |
| Minority shareholders' equity | - | |
| **Total shareholders' equity** | **46.2** | **49.1** |
| Short-term debt / Cash (-) | (10.0) | (13.4) |
| Long-term liabilities | 10.7 | 9.7 |
| **Net Financial Position** | **0.7** | **(3.7)** |
| **Sources** | **46.9** | **45.5** |

*Source: KT&Partners' elaboration on Company Data*

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