B&C Speakers S.p.A.

Professional Loudspeakers

KT&PARTNERS

Acquisitions Offset Asian Market Challenges for B&C Speakers

ADD | Fair Value: €19.32 (€19.32) | Current Price: €16.55 | Upside: +16.74%

Research Update

December 4th, 2024 – 7.00 h

€ Million	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E
Total Revenues	32.5	46.0	82.4	94.5	101.2	104.0	110.7	115.6
EBITDA	5.1	8.6	20.2	21.8	22.4	23.2	24.9	26.3
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	14.6	15.1	16.4	17.5
margin	*5.9%*	*10.8%*	*14.9%*	*14.8%*	*14.4%*	*14.5%*	*14.8%*	*15.1%*
EPS	0.2	0.5	1.1	1.3	1.3	1.4	1.5	n.a.
NFP/ (Cash)	(0.6)	3.9	9.4	0.7	(1.4)	(8.3)	(15.1)	(23.0)

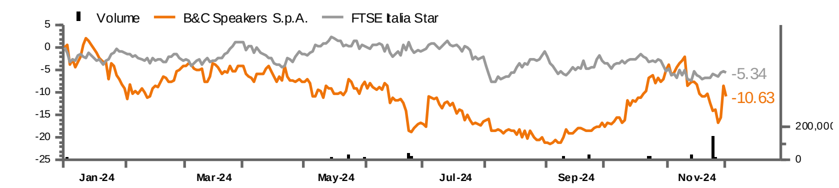
Source: Company data (2020-2023), KT&Partners' elaboration (2024E-2027E)

9M24 Financial Results. In 9M24, B&C Speakers recorded €76.6mn in Sales Revenues, a 7.6% YoY increase, above the expected €76.1mn. The growth was largely driven by the full contribution of Eminence KY (€5.8mn) and B&C Speakers Cina (€4.2mn), offsetting a 6.6% decline in revenues from the core business. Europe (ex-Italy) was the largest contributor with €37.2mn (+13.8% YoY), while North America grew by 12.0% to €15.5mn. Asia-Pacific revenues declined 3.3%, and the Middle East and Africa saw a 54.3% drop to €0.5mn. Gross Profit rose 9.9% YoY to €29.6mn, surpassing projections, with the margin improving to 38.4% due to production efficiencies and lower raw material costs. EBITDA grew 1.2% YoY to €17.7mn, beating expectations, but the margin decreased to 23.1% due to higher indirect personnel and selling expenses. EBIT declined slightly by 1.2% YoY to €15.7mn, mainly due to higher depreciation and amortization related to new acquisitions. Net Income increased 35.3% YoY to €15.8mn, benefiting from a €4.0mn Patent Box tax benefit. On the balance sheet, the Group's NFP worsened slightly to €1.1mn from €0.6mn in FY23.

Change in Estimates. We have revised our FY24E-FY27E projections for B&C Speakers to reflect heightened uncertainty, partially accounted for in our prior estimates. FY24E topline revenue is now forecasted at €101.2mn, down from €103.4mn, due to a slowdown in key regions like Asia-Pacific, impacted by China's ongoing recession and the consolidation of B&C Speakers Cina. Revenues from the Middle East and Africa halved the current year, slightly affecting projections, though their limited contribution minimizes overall impact. Medium-term topline estimates were further reduced, with FY25E now at €104.0mn and FY27E at €115.6mn, resulting in a lower 2023-27E CAGR of 5.2% (previously 6.5%). At the profitability level, FY24E EBITDA is revised to €22.4mn, reflecting the topline decline, though margins remain consistent due to operational efficiency. FY25E EBITDA is projected at €23.2mn, with a 22.3% margin, rising to €26.3mn in FY27E, though below the previous estimate of €27.6mn. Net income for FY24E is forecasted at €14.6mn, growing to €17.5mn by FY27E, with a 2023-27E CAGR of 5.7%. The Group's NFP remains strong, supported by robust cash flow from operations. However, higher near-term NWC requirements, driven by inventory growth due to end-market saturation, have moderated projections. FY24E Net Cash Position is now expected at €1.4mn (vs €2.9mn previously), improving to €8.3mn in FY25E and reaching €23.0mn by FY27E.

Valuation confirmed. 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 16.74% on current market price.

Relative Performance Chart - YTD



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Market Data

Main Shareholders	
Research&Development International	54.0%
Lazard Freres Banque	4.7%
First Sicav S.p.A.	3.2%
Beremberg European Microcap	3.1%
Allianz Global Investor Gmbh	2.9%
Mkt Cap (€ mn)	182.1
EV (€ mn)	180.6
Shares out.(mn)	11.0
Free Float	46.0%

Market multiples	2023A	2024E	2025E
EV/EBITDA			
B&C Speakers S.p.A.	8.4x	8.2x	7.9x
Comps Median	19.1x	14.2x	12.1x
B&C Speakers S.p.A. vs Median	*-56%*	*-43%*	*-35%*
P/E			
B&C Speakers S.p.A.	13.0x	12.5x	12.1x
Comps Median	28.0x	23.8x	17.2x
B&C Speakers S.p.A. vs Median	*-54%*	*-47%*	*-30%*

Stock Data

52 Wk High (€)	19.80
52 Wk Low (€)	14.20
Avg. Daily Trading 90d	8,643
Price Change 1w (%)	1.86
Price Change 1m (%)	-7.08
Price Change YTD (%)	-10.63

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

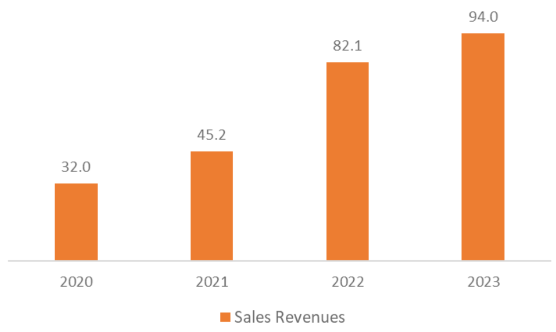
Current price (€)	Fair Value (€)	Sector	Free Float (%)
16.55	19.32	Professional Loudspeakers	46.0%

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	1.32	1.37	1.49	1.59
Dividend per share (ord)	0.32	0.70	0.70	0.73	0.75	0.82	0.87
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	101.2	104.0	110.7	115.6
EBITDA	8.6	20.2	21.8	22.4	23.2	24.9	26.3
EBIT	6.5	18.1	19.5	20.2	20.9	22.6	24.1
EBT	6.7	16.8	19.0	20.0	20.7	22.4	23.9
Taxes	(1.7)	(4.6)	(5.1)	(5.4)	(5.6)	(6.1)	(6.5)
Tax rate	26%	27%	27%	27%	27%	27%	27%
Net Income	5.0	12.2	14.0	14.6	15.1	16.4	17.5
Net Income attributable to the Group	5.0	12.2	14.0	14.6	15.1	16.4	17.5
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	37.5	38.0	39.6	40.3
Provisions	(0.8)	(0.8)	(2.6)	(1.0)	(1.5)	(1.9)	(2.4)
Total Net capital employed	32.3	46.1	46.9	51.7	51.9	53.2	53.7
Net financial position/(Cash)	3.9	9.4	0.7	(1.4)	(8.3)	(15.1)	(23.0)
Total Shareholder's Equity	28.4	36.7	46.2	53.1	60.2	68.3	76.7
Cash Flow (EUR million)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**	**2027E**
Net operating cash flow	6.9	15.3	16.6	16.9	17.6	18.8	19.8
Change in NWC	(5.2)	(13.9)	0.7	(1.8)	(0.5)	(1.6)	(0.7)
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	(1.5)	0.4	0.4	0.5
Free cash flow	(1.8)	(0.6)	13.6	10.7	15.8	15.9	17.8
Enterprise Value (EUR million)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**	**2027E**
Market Cap	151.8	138.6	201.9	182.1	182.1	182.1	182.1
Net financial position/(Cash)	3.9	9.4	0.7	(1.4)	(8.3)	(15.1)	(23.0)
Enterprise value	155.7	148.0	202.5	180.6	173.7	167.0	159.1
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%	20.0%	20.1%	20.5%	20.8%
Gearing - Debt/equity	13.8%	25.7%	1.4%	-2.7%	-13.8%	-22.1%	-30.0%
Interest cover on EBIT	-2.3%	7.3%	2.5%	1.3%	1.1%	0.9%	0.7%
NFP/EBITDA	0.5x	0.5x	0.0x	-0.1x	-0.4x	-0.6x	-0.9x
ROCE	20.2%	39.3%	41.7%	39.1%	40.3%	42.6%	44.8%
ROE	17.5%	33.4%	30.3%	27.4%	25.1%	24.0%	22.8%
EV/Sales	4.0x	2.2x	1.9x	1.8x	1.8x	1.7x	1.6x
EV/EBITDA	21.2x	9.0x	8.4x	8.2x	7.9x	7.3x	7.0x
P/E	36.6x	14.9x	13.0x	12.5x	12.1x	11.1x	10.4x
Free cash flow yield	-0.9%	-0.3%	6.7%	5.3%	7.8%	7.9%	8.8%
Growth Rates (%)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**	**2027E**
Sales	41.6%	79.0%	14.7%	7.1%	2.8%	6.4%	4.5%
EBITDA	68.1%	135.1%	7.7%	2.7%	3.7%	7.3%	5.4%
EBIT	126.2%	177.6%	7.7%	3.5%	3.4%	8.2%	6.4%
Net Income	159.6%	146.1%	14.3%	4.1%	3.6%	8.5%	6.7%

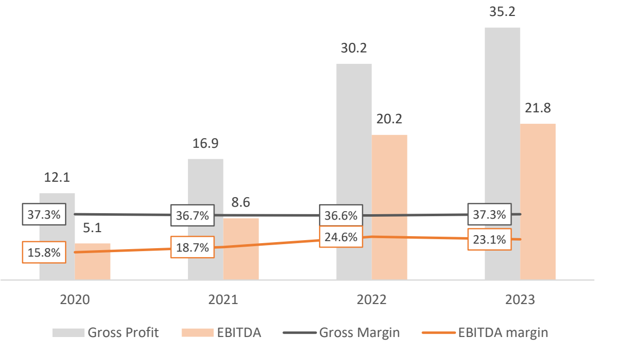
Source: Company data (2020-2023), KT&Partners' elaboration (2024E-2027E)

Key Charts

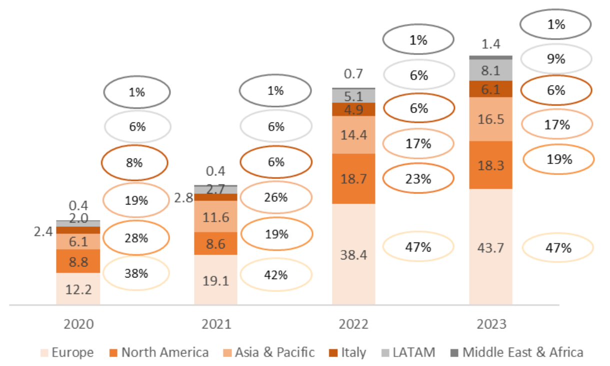
Sales Revenues (€mn)



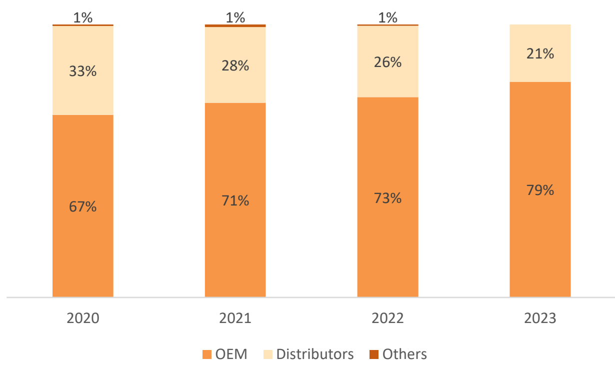
Gross profit, EBITDA and margins (€mn,%) [1]



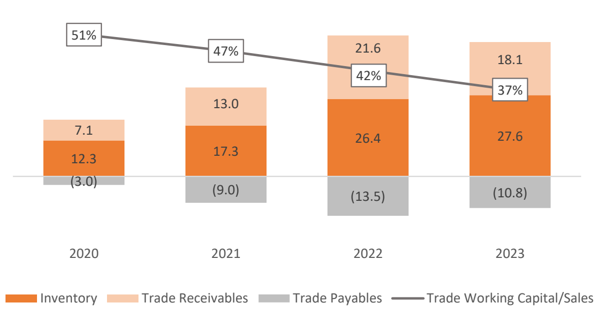
Sales Revenues by geographical area (€mn,%)



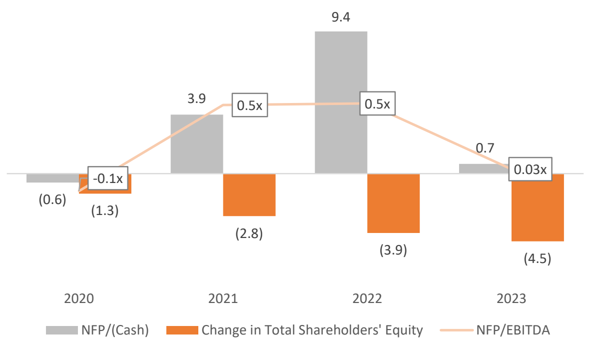
Sales Revenues by end-customers (%) [2]



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 the 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.

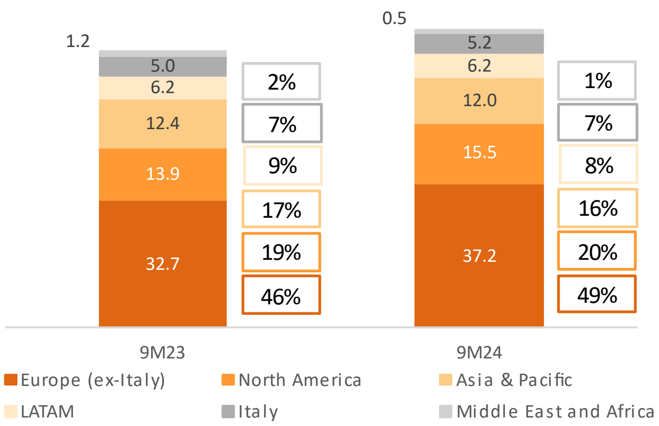
9M24 Financial Results

In 9M24, B&C Speakers' Sales Revenues reached €76.6mn, marking the best 9M performance in the Group's history and confirming the consistent, gradual growth observed in prior years. The top-line increased by 7.6% YoY from €71.2mn in 9M23, above our estimate of €76.1mn. Notably, 9M24 Sales Revenues benefited from the full contribution of the newly acquired wholly owned subsidiaries, Eminence KY and B&C Speakers Cina. Eminence KY contributed €5.8mn to Sales Revenues, while €4.2mn came from B&C Speakers China. These gains partially offset the performance of the remaining B&C Speakers Group (comprising the B&C and 18s brand), which experienced a 6.6% decline in Sales Revenues.

The highest contribution to the Group's top-line once again came from Europe (ex-Italy), which reported €37.2mn in Sales Revenues (13.8% YoY from €32.7mn in 9M23), representing approximately 48.5% of B&C Speakers' total turnover (increasing from 45.9% in 9M23). North America ranked second, contributing €15.5mn (20.3% of total turnover, growing from 19.5% in 9M23) and achieving 12.0% YoY growth. Asia & Pacific followed, generating €12.0mn in Sales (15.6% of total turnover, falling by 1.8pp from 17.4% in 9M23), albeit results were weighed down by the ongoing economic recession in China, resulting in a 3.3% decline from €12.4mn in 9M23. The domestic market grew by 4.9% YoY, from €5.0mn in 9M23 to €5.2mn in 9M24, maintaining its share of total turnover at 6.8% (7% in 9M23). After delivering exceptional YoY growth in 9M23, LATAM remained stable in 9M24 at €6.2mn (8.1% of total turnover vs 8.7% in 9M23). Conversely, the Middle East and Africa experienced the sharpest decline, with Sales plummeting by 54.3% from €1.2mn to €0.5mn, and its incidence over total turnover falling from 1.7% in 9M23 to 0.7% 9M24.

Despite a slowdown in terms of value in new order collection in 9M24 relative to 1H24 results, mostly driven by smaller clients globally rather than key major accounts, it achieved a 33.0% growth YoY, highlighting strong customer confidence in the company. Total Revenues for the Group came in at €76.9mn, recording a 7.5% growth YoY.

9M23-9M24 Revenues Breakdown by Geography



Source: Company data

At the profitability level, 9M24 Gross Profit margin stood at 38.4%, slightly above the 37.6% recorded in 9M23. In absolute terms, Gross Profit reached €29.6mn (€27.5mn our projection), up 9.9% from €26.9mn in 9M23, growing more than proportionally relative to Sales Revenues. This was driven by a lower incidence of COGS on Total Revenues, which decreased from 62.7% in 9M23 to 61.8% in 9M24. The improvement largely stemmed from enhanced efficiency in production expenses, supported by historically low raw material costs. However, this positive impact was partially offset by a higher proportion of direct labour costs, resulting from the combined impact of reduced volumes and the integration of the two newly acquired subsidiaries.

The positive Gross Profit results were partially offset by a substantial 39.2% YoY increase in Indirect Personnel Expenses (rising from €3.7mn in 9M23 to €5.1mn in 9M24) and a 30.4% YoY increase in Selling Expenses (from €0.7mn to €0.9mn). As a result, EBITDA reached €17.7mn, up 1.2% YoY from €17.5mn in 9M23, and beating our projections of €17.1mn. The Group reported an EBITDA margin of 23.1%, down 1.5pp from 24.6% in 9M23. This decline was attributable to the higher incidence of Selling Expenses, Indirect Personnel Expenses, and G&A costs on Total Revenues, compounded by the integration of the two subsidiaries, which both feature lower marginality compared to B&C Speakers.

9M24 EBIT stood at €15.7mn, decreasing by 1.2% from €15.9mn reported in 9M23, due to higher D&A, which recorded a 24.9% growth YoY from €1.6mn to €2.0mn resulting from the consolidation of the two subsidiaries' tangible, intangible and right-of-use assets. The Group's EBIT surpassed our estimate of €15.5mn by 1.9%.

Finally, Net Income experienced a considerable 35.3% growth YoY, from €11.7mn in 9M23 to €15.8mn in 9M24, successfully beating our estimate of €11.1mn. This is largely attributable to the Patent Box tax benefit, renewed in the first half of 2024 following the conclusion of a ruling process with the Italian Revenue Agency. The renewal covers the 2020 tax year and the subsequent four tax years, contributing a positive impact of almost €4.0mn to the income statement for the year.

Moving on to the Balance Sheet side, NFP slightly worsened to €1.1mn from €0.7mn at the end of FY23, although improved YoY from €3.4mn in 9M23. The evolution of the Net Financial Position benefited from strong cash generation from operating activities (€8.9mn), which partially offset the impact of loan repayments and the €7.7mn dividend distribution occurred in May.

9M23-9M24 Consolidated Income Statement

€ Millions	9M23A	FY23A	1H24A	9M24A	YoY %	9M24E	A vs E %
Sales Revenues	**71.2**	**94.0**	**51.2**	**76.6**	**7.6%**	**76.1**	**0.7%**
Other Revenues	0.3	0.5	0.2	0.3	-10.7%	0.3	9.6%
Total Revenues	**71.6**	**94.5**	**51.4**	**76.9**	**7.5%**	**76.4**	**0.7%**
COGS	(44.7)	(59.3)	(32.0)	(47.4)	6.0%	(48.9)	-3.2%
Gross Profit	**26.9**	**35.2**	**19.2**	**29.6**	**9.9%**	**27.5**	**7.6%**
Gross Margin	*37.6%*	*37.3%*	*37.4%*	*38.4%*	*0.9%*	*36.0%*	*2.5%*
G&A Expenses	(5.0)	(7.1)	(3.8)	(5.8)	16.1%	(4.5)	30.2%
Selling Expenses	(0.7)	(1.0)	(0.6)	(0.9)	30.4%	(1.0)	-8.6%
Indirect Personnel Expenses	(3.7)	(5.3)	(3.4)	(5.1)	39.2%	(4.9)	4.3%
EBITDA	**17.5**	**21.8**	**11.5**	**17.7**	**1.2%**	**17.1**	**3.6%**
EBITDA margin	*24.6%*	*23.1%*	*22.3%*	*23.1%*	*-1.5%*	*22.4%*	*0.7%*
D&A and Provisions	(1.6)	(2.3)	(1.3)	(2.0)	24.9%	(1.6)	19.9%
EBIT	**15.9**	**19.5**	**10.2**	**15.7**	**-1.2%**	**15.5**	**1.9%**
EBIT margin	*22.4%*	*20.7%*	*19.8%*	*20.5%*	*-1.9%*	*20.2%*	*0.2%*
Financial Income and Expenses	(0.3)	(0.5)	0.3	0.2	n.m.	(0.3)	n.m.
EBT	**15.7**	**19.0**	**10.5**	**15.9**	**1.6%**	**15.2**	**5.0%**
Taxes	(4.0)	(5.1)	1.2	(0.1)		(4.1)	
Tax Rate	*25.6%*	*26.5%*	*n.a.*	*0.8%*		*27.0%*	
Net Income	**11.7**	**14.0**	**11.7**	**15.8**	**35.3%**	**11.1**	**42.6%**
Net margin	*16.3%*	*14.8%*	*22.8%*	*20.5%*	*4.2%*	*14.5%*	*6.0%*

Source: Company data

9M23-9M24 Balance Sheet

€ Millions	9M23A	FY23A	1H24A	9M24	Delta	FY24E Old
Goodwill	2.3	2.3	2.3	2.3	0.0	2.3
Intangible	0.4	0.4	0.5	0.6	0.1	0.8
Tangible	7.8	10.4	10.5	10.3	(0.1)	11.5
Other LT Assets	0.6	0.6	0.6	0.6	(0.0)	0.6
Fixed Assets	**11.1**	**13.7**	**13.9**	**13.8**	**0.1**	**15.2**
Trade receivables	22.5	18.1	25.5	21.8	3.6	19.9
Inventory	29.3	27.6	28.5	30.9	3.2	30.6
Trade Payables	(10.7)	(10.8)	(14.9)	(11.7)	(0.9)	(12.4)
Trade Working Capital	**41.1**	**34.9**	**39.0**	**40.9**	**6.0**	**38.1**
Other assets and liabilities	(1.8)	0.8	0.0	0.9	0.1	0.3
Net Working Capital	**39.4**	**35.7**	**39.1**	**41.8**	**6.0**	**38.4**
Other Provisions	(2.8)	(2.6)	(0.9)	(0.9)	1.7	**(3.0)**
Net Capital Employed	**47.6**	**46.9**	**52.1**	**54.7**	**7.8**	**50.5**
Group shareholders' equity	44.2	46.2	50.3	53.6	7.4	53.4
Minority shareholders' equity		-			-	-
Total shareholders' equity	**44.2**	**46.2**	**50.3**	**53.6**	**7.4**	**53.4**
Short-term debt / Cash (-)	(6.7)	(10.0)	(8.2)	(7.8)	2.3	(14.4)
Long-term liabilities	10.1	10.7	10.0	8.8	(1.9)	11.4
Net Financial Position	**3.4**	**0.7**	**1.8**	**1.1**	**0.4**	**(2.9)**
Sources	**47.6**	**46.9**	**52.1**	**54.7**	**7.8**	**50.5**

Source: Company data

Change in Estimates

As B&C Speakers's financial results came in below our expectations following the 9M24 market dynamics, we have revised our FY24E-FY27E projections for B&C Speakers to account for heightened uncertainty, already partially reflected in our previous estimates.

For FY24E, we have further reduced our topline revenue estimates to €101.2mn, down from the previous €103.4mn, reflecting a slowdown in key regions, particularly Asia-Pacific. The ongoing recession in China has notably impacted the Group's topline, especially following the consolidation of the wholly owned B&C Speakers Cina. Additionally, revenues from the Middle East and Africa halved during the current year, thus slightly impacting future projections, though the region's minimal contribution limits its overall effect on performance. Consequently, we have adjusted our medium-term outlook, with a downward revision of future projections due to a slower-than-expected recovery in demand. Specifically, topline growth expectations for FY25E have been revised downward by 6.6%, lowering our estimate from €111.4mn to €104.0mn. For the subsequent years, the adjustments are more moderate, with FY27E topline now forecasted at €115.6mn, a 4.9% decrease from the prior estimate of €121.6mn. These revisions result in a slightly lower 2023-27E CAGR of 5.2%, down from 6.5%.

At the profitability level, while EBITDA in absolute terms is expected to decline, the EBITDA margin remains consistent with our previous estimates for the explicit forecast period. For FY24E, EBITDA is now expected to come in at €22.4mn, representing a 2.1% decrease from the previous estimate of €22.9mn, primarily driven by the topline slowdown. However, margins are anticipated to improve over time, aligned with prior expectations, as the topline challenges are attributed to exogenous factors rather than operational inefficiencies. FY25E EBITDA is projected at €23.2mn (6.6% below our previous estimate of €24.9mn), with a margin of 22.3%, rising to €26.3mn in FY27E (4.9% below our previous estimate of €27.6mn), with a margin of 22.7%. At the bottom line, FY24E Net Income is revised to €14.6mn (2.4% below the prior estimate of €14.9mn), increasing to €17.5mn by FY27E, although still below the previous forecast of €18.5mn, with a 2023-27E CAGR of 5.7%.

On the balance sheet, projected changes in the Net Financial Position (NFP) reflect the Group's consistently strong cash flow generation from operating activities. Despite slightly higher-than-expected NWC requirements, driven by anticipated inventory growth in the near term due to saturation in the end-market, the Group's NFP remains robust. We now expect a FY24E Net Cash Position of €1.4mn (vs €2.9mn previously), improving to €8.3mn in FY25E, although at a slower pace than initially projected, and reaching €23.0mn in FY27E (vs €25.1mn previously).

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 2023-27 Old	CAGR 2023A-27E
Revenues	103.4	101.2	-2.1%	111.4	104.0	-6.6%	116.4	110.7	-4.9%	121.6	115.6	-4.9%	6.5%	5.2%
YoY Change (%)	9.4%	7.1%		7.7%	2.8%		4.5%	6.4%		4.4%	4.5%			
EBITDA	22.9	22.4	-2.1%	24.9	23.2	-6.6%	26.2	24.9	-4.9%	27.6	26.3	-4.9%	4.7%	4.8%
YoY Change (%)	4.9%	2.7%		8.7%	3.7%		5.5%	7.3%		5.3%	5.4%			
EBITDA Margin	22.1%	22.1%	0.0%	22.3%	22.3%	0.0%	22.5%	22.5%	0.0%	22.7%	22.7%	0.0%		
EBIT	20.7	20.2	-2.3%	22.6	20.9	-7.3%	23.9	22.6	-5.4%	25.4	24.1	-5.3%	5.2%	5.4%
YoY Change (%)	6.0%	3.5%		8.9%	3.4%		6.1%	8.2%		6.3%	6.4%			
EBIT Margin	20.0%	20.0%		20.3%	20.1%		20.6%	20.5%		20.9%	20.8%			
Net Income	14.9	14.6	-2.4%	16.3	15.1	-7.4%	17.3	16.4	-5.5%	18.5	17.5	-5.4%	5.5%	5.7%
YoY Change (%)	6.7%	4.1%		9.2%	3.6%		6.4%	8.5%		6.5%	6.7%			
Net Margin	14.4%	14.4%		14.6%	14.5%		14.9%	14.8%		15.2%	15.1%			
NFP	(2.9)	(1.4)	1.5	(9.0)	(8.3)	0.7	(16.7)	(15.1)	1.6	(25.1)	(23.0)	2.1		

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

- **GoerTek Inc. Class A (002241-CN):** listed on Shenzhen stock exchange with a market capitalization of €11.9bn, 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 €0.8bn, 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 €3.8bn, 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 €7.4bn, 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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