B&C Speakers S.p.A.

Professional Loudspeakers

KT&PARTNERS

Staying Cautious Despite the FY23 Record Results

ADD | Fair Value: €21.2 (€21.2) | Current Price: €17.3 | Upside: +22.4%

Research Update

April 9, 2024 – 7.00 h

€ 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)

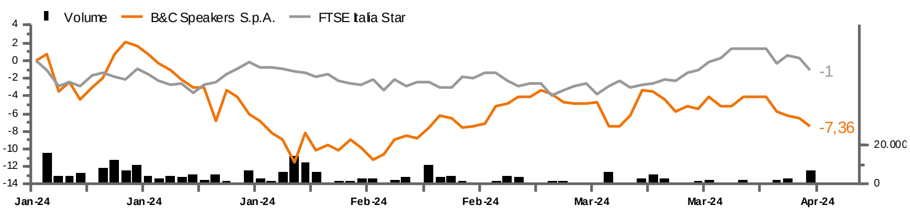
Source: Company data (2020-2023), KT&Partners' elaboration (2024E-2027E)

FY23 Financial Results. In FY23 B&C set its new sales record with revenues at €94mn, in line with our estimate of €92.8mn - showing a +14.5% YoY growth– backed by higher volumes (+6.5% YoY) and a more profitable revenue mix. On EBITDA level, B&C reached €21.8mn (+7.7% YoY) equal to a marginality of 23.1% and almost equalling our estimates of €22.2mn. Marginality was from one side positively impacted by the lower incidence of some direct cost items but compressed from higher G&A expense related to eminence acquisition – adjusted EBITDA from consultancy and integrations expenses bumps to €22.3mn with margin at 24.3%, close to FY22's level. Also, by considering the same FY22 perimeter the indicator would rise to 26.1% and reach the highest level ever recorded by the company. Net profit sets at €14mn, growing at +14.3% YoY, in line with our expectation of €14.5mn. Finally, one important update from these FY23 results has been the impressive reduction of NFP to €0.6mn from €9.4mn, led by an improved NWC management and nevertheless a material cashout of €6.6mn for FY22 Dividend. The company has announced an increased dividend by +16% YoY of €0.7ps and equal to a 55% payout.

Change in Estimates. Despite FY23A results aligning closely with estimates, we have slightly revised our projections downward to account for the slowdown in the global economy. This downturn is expected to impact B&C Speakers' portfolio order. Projections also consider a potential slowdown in Eminence's growth, acquired by B&C Speakers, following a surge in 2022 attributed to pandemic-induced demand. FY24E total revenues are now estimated at €108.3mn (vs prior seen at €111.2mn) 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). 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 €21.2ps, showing a potential upside of 22.4% on current market price.

Relative Performance Chart - YTD



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Market Data

Main Shareholders	
Research&Development International	54.0%
Lazard Freres Banque	4.4%
Joh. Berenberg, Gossler & Co. KG	3.5%
First Capital	3.2%
Allianz Global Investor Gmbh	2.4%
Mkt Cap (€ mn)	190.3
EV (€ mn)	191.0
Shares out.	11.0
Free Float	46.0%

Market multiples	2023	2024	2025
EV/EBITDA			
B&C Speakers S.p.A.	8.8x	8.0x	7.5x
Comps Median	15.7x	10.4x	9.2x
B&C Speakers S.p.A. vs Median	*-44%*	*-24%*	*-18%*
P/E			
B&C Speakers S.p.A.	13.6x	12.1x	11.4x
Comps Median	23.9x	20.7x	17.2x
B&C Speakers S.p.A. vs Median	*-43%*	*-42%*	*-34%*

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

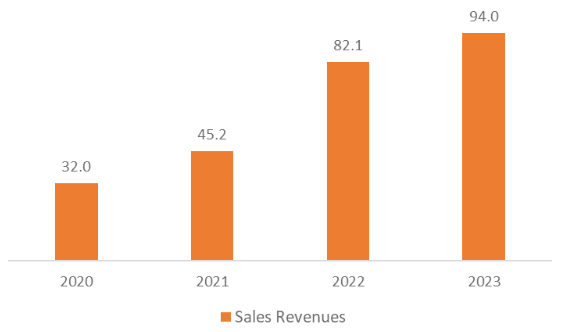
Current price (€)	Fair Value (€)	Sector	Free Float (%)
17.3	21.2	Professional Loudspeakers	46.0%

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	1.43	1.52	1.61	1.72
Dividend per share (ord)	0.26	0.32	0.70	0.70	0.79	0.83	0.89	0.94
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	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
EBIT	2.9	6.5	18.1	19.5	21.8	23.1	24.5	26.1
EBT	2.3	6.7	16.8	19.0	21.5	22.9	24.3	25.9
Taxes	(0.4)	(1.7)	(4.6)	(5.1)	(5.8)	(6.2)	(6.6)	(7.0)
Tax rate	16%	26%	27%	27%	27%	27%	27%	27%
Net Income	1.9	5.0	12.2	14.0	15.7	16.7	17.7	18.9
Net Income attributable to the Group	1.9	5.0	12.2	14.0	15.7	16.7	17.7	18.9
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	40.2	41.5	42.6	43.3
Provisions	(1.0)	(0.8)	(0.8)	(2.6)	(3.0)	(3.5)	(4.0)	(4.5)
Total Net capital employed	25.6	32.3	46.1	46.9	52.3	53.4	54.1	54.6
Net financial position/(Cash)	(0.6)	3.9	9.4	0.7	(1.9)	(8.9)	(16.8)	(25.4)
Group Shareholder's Equity	26.2	28.4	36.7	46.2	54.2	62.3	70.9	80.0
Minorities	-	-	-	-	-	-	-	-
Total Shareholder's Equity	26.2	28.4	36.7	46.2	54.2	62.3	70.9	80.0
Cash Flow (EUR million)	**2020A**	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**	**2027E**
Net operating cash flow	4.8	6.9	15.3	16.6	18.1	19.2	20.2	21.2
Change in NWC	3.3	(5.2)	(13.9)	0.7	(4.4)	(1.4)	(1.0)	(0.8)
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	0.5	0.5	0.5	0.5
Free cash flow	7.5	(1.8)	(0.6)	13.6	11.2	16.5	17.9	19.2
Enterprise Value (EUR million)	**2020A**	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**	**2027E**
Market Cap	113.9	151.8	138.6	201.9	190.3	190.3	190.3	190.3
Minorities	-	-	-	-	-	-	-	-
Net financial position/(Cash)	(0.6)	3.9	9.4	0.7	(1.9)	(8.9)	(16.8)	(25.4)
Enterprise value	113.3	155.7	148.0	202.5	188.4	181.4	173.5	164.9
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%	20.1%	20.3%	20.6%	21.0%
Gearing - Debt/equity	-2.2%	13.8%	25.7%	1.4%	-3.6%	-14.3%	-23.7%	-31.7%
Interest cover on EBIT	20.9%	-2.3%	7.3%	2.5%	1.2%	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%	41.7%	43.3%	45.3%	47.7%
ROE	7.3%	17.5%	33.4%	30.3%	29.0%	26.8%	25.0%	23.6%
EV/Sales	6.0x	4.2x	2.3x	2.0x	1.8x	1.7x	1.6x	1.5x
EV/EBITDA	37.3x	22.2x	9.4x	8.8x	8.0x	7.5x	7.1x	6.8x
P/E	99.3x	38.3x	15.5x	13.6x	12.1x	11.4x	10.7x	10.1x
Free cash flow yield	3.7%	-0.9%	-0.3%	6.7%	5.5%	8.2%	8.8%	9.5%
Growth Rates (%)	**2020A**	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**	**2027E**
Sales	-42.5%	41.6%	79.0%	14.7%	14.6%	5.0%	4.6%	4.4%
EBITDA	-59.3%	68.1%	135.1%	7.7%	9.9%	6.0%	5.5%	5.4%
EBIT	-71.9%	126.2%	177.6%	7.7%	11.6%	5.9%	6.1%	6.3%
Net Income	-77.7%	159.6%	146.1%	14.3%	12.4%	6.1%	6.4%	6.5%

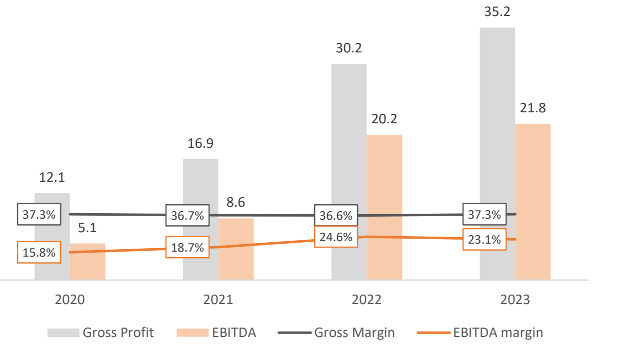
Source: Company data (2020-2023), KT&Partners' elaboration (2024E-2027E)

Key Charts

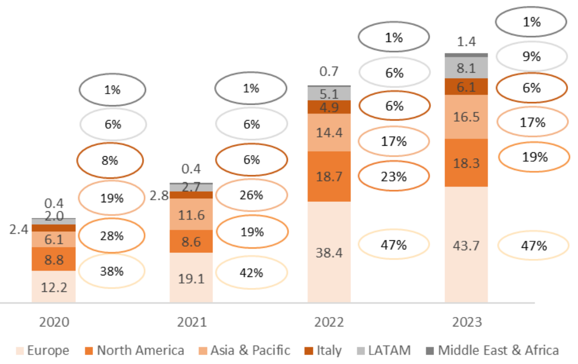
Sales Revenues (€mn)



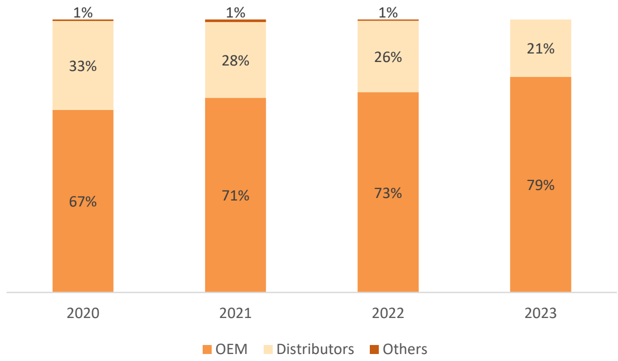
Gross profit, EBITDA and margins (€mn,%) [1]



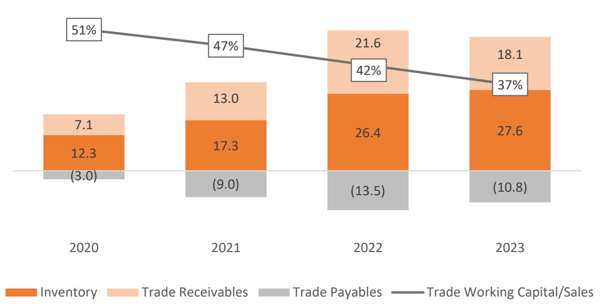
Sales Revenues by geographical area (€mn,%)



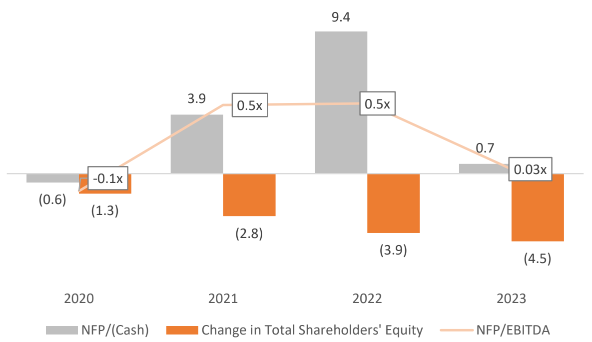
Sales Revenues by end-customers (%) [2]



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.

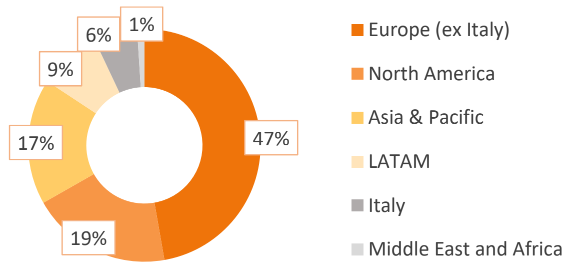
FY23 Financial Results

Riding the wave of positive industry momentum, highlighted by a dual-speed recovery in the entertainment market after the prolonged pandemic-induced halt, B&C Speakers announced its FY23 results, achieving a new sales record of €94mn. This represents a +14.5% YoY increase, closely aligning with our projections of €92.8mn.

More specifically, B&C Speakers growth was fueled by a i) volume increase of +6.5% YoY; and ii) by contributions from the newly acquired subsidiaries Eminence Speakers LLC and B&C Speakers China, which contributed to these results only in the final part of the fiscal year adding €2.5mn in sales (€3mn our expectation).

Analyzing the revenue breakdown by geography for FY23A, the export data remain largely consistent with FY22, with foreign sales comprising 94% of the total and no significant shifts among the regions. Europe remains the primary market, excluding Italy, making up 47% of sales, followed by North America at 19%, and the Asia-Pacific (APAC) region at 17%. The Middle East (ME) emerged as the fastest-growing market with a +97% YoY increase, albeit representing just 1% of sales. Latin America (LATAM) saw a +59% YoY growth, now accounting for 9% of sales—a 3 pp increase from the previous year. Italy also showed robust growth at +25% YoY. North America was the only region to experience a slight decline, with a 2pp decrease, now representing 19% of sales.

FY23 Revenues Breakdown by Geography



Source: Company data

Total revenues reached €94.5mn, including €0.5mn other revenues. Our latest estimates as of November 2023 align perfectly, although they anticipated a higher revenue contribution from the Eminence integration. This means that the actual results, which are slightly better than expected (+1.2%), are entirely due to a stronger organic performance.

At the end of FY23 B&C Speakers portfolio order amounted to €20.79mn, compared to €46.3mn in the same period of FY22. The reduction is mainly due to a decrease in delivery times, which have now returned to a state of efficiency superior to that of the pre-COVID combined with lower order given the contraction in the global economy.

The Gross Profit amounted to €35.2mn, marking a growth of +16.8% and achieving a higher marginality reaching 37.3%. This improvement slightly surpasses our estimates of €34.3mn and stems from the reduced impact of direct labor and transportation costs.

At the profitability level, EBITDA grew by +7.7% YoY reaching €21.8mn and a marginality of 23.1%. Compared to FY22, the margin saw a decrease of -1.5pp, primarily due to an increase in General & Administrative (G&A) expenses related to the acquisition of Eminence. The integration process was notably impacted by a rise in structural costs (+€0.92mn) and consultancy costs (+€0.98mn). When excluding all consultancy expenses related to the acquisition of Eminence, the adjusted EBITDA climbs to €22.8mn, with a margin of 24.3%, almost matching the FY22 level. It's also important to highlight that the two companies negatively impacted EBITDA by €0.27mn, and their consolidation had a dilutive effect on the margin. Without including these companies and assuming the same perimeter as in FY22, B&C's EBITDA margin would have been 26.1%.

Finally, net income reached €14mn, growing at +14.3% YoY, in line with our expectation of €14.5mn.

On balance sheet side, nonetheless of €6.6mn cash out for the FY22 dividend (€0.6 per share), B&C Speakers NFP reported a strong reduction standing at €0.6mn from the €9.4mn seen in FY22A. The enhanced cash generation cycle was driven by more efficient inventory management, a marked reduction in Days Sales Outstanding (DSO), and a decrease in days payable outstanding.

Following the positive performance of FY23 the company also announced an increased dividend by +16% YoY of €0.7 per share, equal to a payout ratio of 55%.

Change in Estimates

Despite B&C Speakers' FY23A results being almost in line with our estimates, we have slightly revised our projections downward to account for the slowdown in the global economy. This downturn is expected to impact B&C Speakers' portfolio order. This significant decrease forewarns that 1Q24 may not be as impressive as the extraordinary 1Q23.

Moreover, our revised projections take into account a potential slowdown in the growth of Eminence, the U.S. company recently acquired by B&C Speakers. It's crucial to note that Eminence saw a significant uptick in 2022, a trend largely attributed to the lockdown phenomenon, which triggered an increased demand for musical instrument-related devices. This surge in demand is considered an outlier, unlikely to be replicated in the near future. This adjustment reflects a more cautious approach to forecasting Eminence's contribution to B&C Speakers' overall growth trajectory, given the unique circumstances registered in the precedent years.

Therefore, we now estimate FY24E total revenues at €108.3mn (vs prior seen at €111.2mn) 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).

More in detail, for FY24 we now estimate revenues contribution of i) €7mn from Eminence Speaker LLC (vs prior seen €10.7mn) and ii) €4.1mn from Eminence Dongguan (estimates unchanged).

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.

In absolute terms, we foresee EBITDA to amount to €24mn in FY24E (from €25.4mn in our old estimates), reaching €28.2mn FY27E, growing at a CAGR23-27E of 6.7%.

We anticipate net income to grow at a CAGR23-27E of +7.8%, from €14mn in FY23A to €18.9mn in FY27E.

Finally, taking into consideration B&C Speakers better Trade Working Capital management seen in 2023, we improve our NWC forecast absorption with an average of its weight on sales now seen at 36% for the forecasted period vs 41.3% in prior seen.

The better NWC management partially offset the lower EBITDA now estimated therefore, NFP is then expected to progressively improve over the 2024E-27E period, reaching a net cash position of €1.9mn to reach €25.4mn in FY27E.

Change in Estimates

€ Millions	2022A Actual	2023E Old	2023A Actual	Change	2024E Old	2024E New	Change	2025E Old	2025E New	Change	2026E Old	2026E New	Change	2027E New	CAGR 2023A-27E
Revenues	**82.4**	**93.4**	**94.5**	**1.2%**	**111.2**	**108.3**	**-2.6%**	**117.3**	**113.8**	**-3.0%**	**123.9**	**119.0**	**-4.0%**	**124.2**	**7.1%**
YoY Change (%)	*79.0%*	*13.3%*	*14.7%*		*19.1%*	*14.6%*		*5.5%*	*5.0%*		*5.6%*	*4.6%*		*4.4%*	
EBITDA	**20.2**	**22.2**	**21.8**	**-1.8%**	**25.4**	**24.0**	**-5.6%**	**27.0**	**25.4**	**-6.0%**	**28.8**	**26.8**	**-6.9%**	**28.2**	**6.7%**
YoY Change (%)	*135.1%*	*9.7%*	*7.7%*		*14.3%*	*9.9%*		*6.4%*	*6.0%*		*6.5%*	*5.5%*		*5.4%*	
EBITDA Margin	*24.6%*	*23.8%*	*23.1%*		*22.8%*	*22.1%*	*-0.7%*	*23.0%*	*22.3%*		*23.2%*	*22.5%*		*22.7%*	
EBIT	**18.1**	**20.2**	**19.5**	**-3.3%**	**23.4**	**21.8**	**-6.8%**	**25.0**	**23.1**	**-7.5%**	**26.8**	**24.5**	**-8.5%**	**26.1**	**7.5%**
YoY Change (%)	*177.6%*	*11.4%*	*7.7%*		*15.8%*	*11.6%*		*6.7%*	*5.9%*		*7.2%*	*6.1%*		*6.3%*	
EBIT Margin	*22.0%*	*21.6%*	*20.7%*		*21.0%*	*20.1%*		*21.3%*	*20.3%*		*21.6%*	*20.6%*		*21.0%*	
Net Income	**12.2**	**14.5**	**14.0**	**-3.5%**	**16.9**	**15.7**	**-6.8%**	**18.0**	**16.7**	**-7.5%**	**19.4**	**17.7**	**-8.5%**	**18.9**	**7.8%**
YoY Change (%)	*146.1%*	*18.5%*	*14.3%*		*16.3%*	*12.4%*		*7.0%*	*6.1%*		*7.5%*	*6.4%*		*6.5%*	
Net Margin	*14.9%*	*15.5%*	*14.8%*		*15.2%*	*14.5%*		*15.4%*	*14.7%*		*15.7%*	*14.9%*		*15.2%*	
NFP	**9.4**	**5.3**	**0.7**	**(4.7)**	**(4.3)**	**(1.9)**	**2.3**	**(12.9)**	**(8.9)**	**3.9**	**(21.9)**	**(16.8)**	**5.1**	**(25.4)**	

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 €19.4ps
2. DCF analysis based on WACC of 9.2% and 1.5% perpetual growth returns a value of €23.0ps

The average of the two methods yields a fair value of €21.2ps or an equity value of €232.8mn.

Valuation Recap

	Equity Value €mn	Value per share €
EV/EBITDA	**199.1**	**18.1**
P/E	**226.8**	**20.6**
Average - multiples	**213.0**	**19.4**
DCF	**252.7**	**23.0**
Average	**232.8**	**21.2**

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	524	4.2x	n.a.	n.a.	n.a.	30.1x	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	7,122	0.6x	0.6x	0.5x	0.4x	11.6x	9.9x	8.7x	7.7x	n.m	23.4x	17.9x	15.0x	n.m	25.3x	18.9x	14.9x
Suzhou Sonavox Electronics Co., Ltd. Class A	Shanghai	571	2.0x	1.5x	1.2x	n.a.	17.9x	12.0x	9.2x	n.a.	n.a.	16.4x	12.0x	n.a.	28.0x	17.5x	12.9x	n.a.
Yamaha Corporation	Tokyo	3,693	1.0x	1.0x	1.0x	0.9x	9.7x	8.0x	7.3x	n.a.	n.a.	11.2x	10.0x	9.5x	18.8x	15.9x	14.1x	12.7x
Dolby Laboratories, Inc. Class A	NYSE	7,290	5.4x	5.5x	5.2x	4.7x	19.6x	14.9x	13.9x	12.7x	26.7x	23.4x	20.8x	20.0x	40.5x	29.5x	26.6x	25.2x
Focusrite PLC	London	217	1.1x	1.3x	1.2x	1.2x	5.1x	7.3x	6.8x	6.3x	7.6x	10.6x	10.0x	9.3x	8.3x	15.4x	13.7x	12.2x
Average peer group		3,236	2.4x	2.0x	1.8x	1.8x	15.7x	10.4x	9.2x	8.9x	17.1x	17.0x	14.1x	13.5x	23.9x	20.7x	17.2x	16.3x
Median peer group		2,132	1.6x	1.3x	1.2x	1.1x	14.8x	9.9x	8.7x	7.7x	17.1x	16.4x	12.0x	12.3x	23.4x	17.5x	14.1x	13.8x
B&C Speakers S.p.A.	Milan	190	2.0x	1.8x	1.7x	n.a.	8.8x	8.0x	7.5x	7.1x	9.8x	8.8x	8.3x	7.8x	13.6x	12.1x	11.4x	10.7x

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	9.9x	8.7x	7.7x
B&C Speakers S.p.A. EBITDA	24.0	25.4	26.8
Enterprise value	**238.3**	**221.2**	**206.4**
Average Enterprise Value		222.0	
Liquidity/Size Discount		*10%*	
Enterprise value post-discount		**199.8**	
B&C Speakers S.p.A. FY23 Net Debt		0.7	
Average Equity Value		**199.1**	
Number of shares (mn)		*11.0*	
Value per Share €		**18.1**	

P/ E Multiple Valuation

Multiple Valuation (€mn)	**2024E**	**2025E**	**2026E**
P/E Comps	17.5x	14.1x	13.8x
B&C Speakers S.p.A. Net Income	15.7	16.7	17.7
Equity Value	**275.5**	**235.5**	**245.1**
Average Equity Value		**252.0**	
Liquidity/Size Discount		*10%*	
Equity Value Post-Discount		**226.8**	
Number of shares (mn)		*11.0*	
Value per Share €		**20.6**	

Source: FactSet, KT&Partners' Elaboration

DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 10.8% cost of equity, 5% 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), 4.5% equity risk premium (Damodaran for a mature market for the last 12 months) and a premium for size and liquidity of 1.45% (source: Duff&Phelps). We, therefore, obtained a 9.2% 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	**21.8**	**23.1**	**24.5**	**26.1**
Taxes	(5.9)	(6.2)	(6.6)	(7.0)
D&A	2.2	2.3	2.3	2.2
Change in Net Working Capital	(4.4)	(1.4)	(1.0)	(0.8)
Change in Funds	0.5	0.5	0.5	0.5
Net Operating Cash Flow	**14.1**	**18.2**	**19.6**	**20.9**
Capex	(2.9)	(1.7)	(1.7)	(1.7)
FCFO	**11.2**	**16.5**	**17.9**	**19.2**
g	***1.5%***			
Wacc	***9.2%***			
FCFO (discounted)	10.5	14.2	14.1	13.9
Discounted Cumulated FCFO	52.7			
TV	254.9			
TV (discounted)	200.6			
Enterprise Value	**253.4**			
NFP FY23	0.7			
Equity Value	**252.7**			
Current number of shares (mn)	11.0			
Value per share (€)	**23.0**			

Source: Company Data, KT&Partners' Elaboration

Sensitivity Analysis

€ Millions		WACC				
		9.7%	9.5%	9.2%	9.0%	8.7%
Terminal growth Rate	1.0%	226.2	232.7	239.7	247.0	254.8
	1.3%	231.8	238.7	246.0	253.8	262.1
	1.5%	237.7	245.0	252.7	261.0	269.8
	1.8%	244.0	251.7	259.9	268.7	278.2
	2.0%	250.7	258.9	267.6	277.0	287.1

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 €0.5bn, 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 €7.1bn, 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 €0.5bn, 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 €3.7bn, 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 €7.3bn, 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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