

B&C SPEAKERS

OUTPERFORM

Price (Eu): **3.38**
 Target Price (Eu): **3.95**

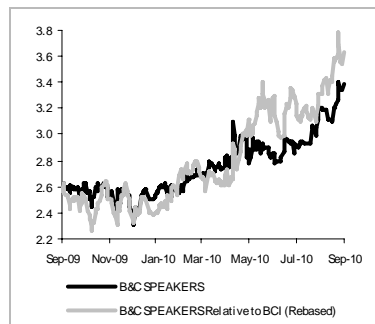
SECTOR: Industrials

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Tuned to Reach "Pre-Crisis" Levels

- 1H10 results above our estimates.** B&C Speakers closed 1H10 posting a good set of results, above our already positive expectations. In detail: the company reported 1H10 revenues of Eu11.3mn (some 5% above our expectation of Eu10.7mn), EBITDA of Eu2.5mn (vs. our estimate of Eu2.3mn), EBIT of Eu2.2mn (10% above our estimated Eu2.0mn), and Eu1.4mn in net profit, more than 15% above our estimated Eu1.2mn. Margins improved steadily: the EBITDA margin was 22.1% (a YoY improvement of about 450bps), above our 21.8% estimate; the EBIT margin, at 19.5%, again beat our bullish estimate of 18.7%. EBITDA was 7% above our estimates due to a combination of higher growth in turnover and better than expected cost control.
- FY10E EPS confirmed, FY11 estimates revised upwards.** Despite the higher than expected actual 1H10 results, we have not revised our FY10 estimates significantly, taking a conservative stance. On the other hand, concerning FY11, we are revising our estimates upwards by around 10%, driven by the additional operating average that should become even more evident thanks to attentive cost containment, the full implementation of the new production plant, as well as a higher contribution from the company's Brazilian subsidiary and from the new Architettura Sonora division. The innovative Architettura Sonora product range is being completed and the division has pinpointed appropriate sales channels.
- OUTPERFORM (from Buy), target price raised to Eu3.95 (from Eu3.75).** We are reaffirming our positive stance on the stock, but reducing our recommendation to OUTPERFORM, given the lower potential upside due to the very positive performance posted over the last few months. B&C Speakers is characterized by its undisputed ability to maintain extremely good margins even in unprecedented tough times, as well as by a resilient market share thanks to high brand recognition. Furthermore, the company has no net debt and is expected to generate growing cashflows over the next few years, thanks to an EBITDA margin close to 25% on average and an EBIT margin of around 20%. This cash is expected to be distributed as dividends (Eu1.6mn expected in 2010, a payout ratio of 65%, towards the lower end of the historical range, which if confirmed for this year would be equal to a dividend yield of 4.3% at current market prices). We are raising our target price – which is calculated by averaging the fair values obtained through DCF and EV/ROACE valuation methods – to Eu3.95 (from Eu3.75) on the back of the revision in estimates.

B&C SPEAKERS - 12m Performance



RATING: from BUY to OUTPERFORM

TARGET PRICE (Eu): from 3.75 to 3.95

Change in EPS est: 2010E 2011E
 -0.5% 10.3%

STOCK DATA

Reuters code: 37B.MI
 Bloomberg code: BEC.IM

Performance	1m	3m	12m
Absolute	5.8%	18.8%	31.8%
Relative	8.9%	11.3%	38.5%
12 months H/L:	3.40/2.31		

SHARE HOLDER DATA

No. of Ord. shares (mn):	11
Total No. of shares (mn):	11
Mkt Cap Ord (Eu mn):	37
Total Mkt Cap (Eu mn):	37
Mkt Float - ord (Eu mn):	7
Mkt Float (in %):	18.1%
Main shareholder:	
Research & Development Int.	64.2%

BALANCE SHEET DATA

Book value (Eu mn):	11
BVPS (Eu):	0.99
P/BV:	3.4
Net Financial Position (Eu mn):	1
Enterprise value (Eu mn):	36

Key Figures	2008A	2009A	2010E	2011E	2012E
Sales (Eu mn)	21	17	22	24	25
Ebitda (Eu mn)	5	3	4	5	6
Net profit (Eu mn)	3	2	2	3	3
EPS - New (Eu)	0.28	0.16	0.22	0.27	0.29
EPS - Old (Eu)	0.28	0.16	0.22	0.25	0.28
DPS (Eu)	0.18	0.13	0.14	0.18	0.18

Ratios & Multiples	2008A	2009A	2010E	2011E	2012E
P/E	12.0	20.6	15.3	12.2	11.4
Div. Yield	5.4%	3.9%	4.3%	5.2%	5.5%
EV/Ebitda	6.7	10.6	8.2	6.5	5.9
ROCE	56.3%	21.8%	29.9%	45.2%	44.6%

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B&C SPEAKERS - KEY FIGURES

		2008A	2009A	2010E	2011E	2012E
Fiscal year end		31/12/2008	31/12/2009	31/12/2010	31/12/2011	31/12/2012
PROFIT & LOSS (Eu mn)	Sales	21	17	22	24	25
	EBITDA	5	3	4	5	6
	EBIT	5	3	4	5	5
	Financial income (charges)	(0)	(0)	0	0	0
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	5	3	4	5	5
	Taxes	(2)	(1)	(1)	(2)	(2)
	Tax rate (%)	35.9%	36.4%	36.0%	36.5%	36.5%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	3	2	2	3	3
	Total extraordinary items	(0)	(0)	0	0	0
Ebitda excl. extraordinary items	5	3	4	5	6	
Ebit excl. extraordinary items	5	3	4	5	5	
Net profit restated	3	2	2	3	3	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	11	11	11	11	11
	EPS stated fd	0.28	0.15	0.22	0.27	0.29
	EPS restated fd	0.28	0.16	0.22	0.27	0.29
	BVPS fd	0.93	0.90	0.99	1.12	1.24
	Dividend per share (ord)	0.18	0.13	0.14	0.18	0.18
	Dividend per share (sav)	0.00	0.00	0.00	0.00	0.00
	Dividend pay out ratio (%)	61.5%	85.7%	0.0%	0.0%	0.0%
CASH FLOW (Eu mn)	Gross cash flow	3	3	3	4	4
	Change in NWC	0	(0)	0	(1)	(1)
	Capital expenditure	(2)	(1)	(1)	(1)	(1)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	2	2	2	2	3
	Acquisitions, divestments & others	0	0	0	0	0
	Dividend	(3)	(2)	(1)	(2)	(2)
	Equity financing/Buy-back	(1)	(0)	0	0	0
Change in Net Financial Position	(1)	0	1	0	1	
BALANCE SHEET (Eu mn)	Total fixed assets	4	4	5	5	5
	Net working capital	11	11	11	12	13
	Long term liabilities	(6)	(1)	(6)	(6)	(6)
	Net capital employed	10	15	10	11	12
	Net financial position	1	1	1	1	2
	Group equity	10	10	11	12	14
	Minorities	0	0	0	0	0
Net equity	10	10	11	12	14	
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	37	37	37	37	37
	Adjustments (associate & minorities)	0	0	1	1	1
	Net financial position	1	1	1	1	2
	Enterprise value	36	36	36	35	35
RATIOS(%)	EBITDA margin*	25.0%	19.5%	19.3%	22.4%	23.0%
	EBIT margin*	23.2%	16.4%	16.5%	19.7%	20.0%
	Gearing - Debt/equity	-6.8%	-7.4%	-9.5%	-10.9%	-15.0%
	Interest cover on EBIT	601.2	198.0	nm	nm	nm
	Debt/Ebitda	nm	nm	nm	nm	nm
	ROCE*	56.3%	21.8%	29.9%	45.2%	44.6%
	ROE*	29.7%	16.6%	23.2%	26.0%	24.8%
	EV/CE	4.2	3.0	2.9	3.4	3.1
	EV/Sales	1.7	2.1	1.6	1.4	1.3
	EV/Ebit	7.3	12.8	9.7	7.5	6.9
Free Cash Flow Yield	4.8%	6.6%	6.2%	5.1%	7.2%	
GROWTH RATES (%)	Sales	-5.0%	-19.7%	29.0%	8.0%	5.0%
	EBITDA*	-19.6%	-37.2%	27.6%	25.1%	7.8%
	EBIT*	-23.0%	-43.2%	29.7%	28.5%	6.9%
	Net profit	-20.5%	-45.7%	44.6%	24.9%	6.9%
	EPS restated	-21.4%	-41.9%	35.1%	24.9%	6.9%

* Excluding extraordinary items

Source: Intermonte SIM estimates

1H10 RESULTS

The table below outlines 1H10 results compared to our estimates.

B&C Speakers – Profit & Loss

(Eu mn)	1H09A	1H10A	YoY growth	1H10E	Act vs Est
Net sales	8.1	11.3	39%	10.7	5%
Value of Production	7.6	12.2	61%	11.0	12%
Costs of raw and cons materials	(2.6)	(4.8)	87%	(4.2)	14%
% on net sales	-31.3%	-42.3%		-39.0%	
Labour costs	(1.6)	(2.1)	34%	(2.0)	5%
% on net sales	-19.6%	-19.0%		-19.0%	
Other costs	(2.0)	(2.8)	41%	(2.4)	18%
% on net sales	-24.7%	-25.1%		-22.5%	
Extraordinary Costs	0.0	0.0	n.m.	0.0	n.m.
EBITDA	1.4	2.5	73%	2.3	7%
Ebitda margin	17.7%	22.1%		21.8%	
D&A	(0.3)	(0.3)	11%	(0.3)	-7%
Provisions	(0.0)	(0.0)	-34%	(0.0)	n.m.
EBIT	1.2	2.2	88%	2.0	10%
Ebit margin	14.3%	19.5%		18.7%	
Pre tax profit	1.2	2.3	93%	2.0	14%
Taxes	(0.4)	(0.9)	100%	(0.8)	
Net Profit	0.7	1.4	88%	1.2	16%
Minorities	0.0	0.0	n.m.	0.0	n.m.
Group Net Profit	0.7	1.4	101%	1.2	17%
Net margin	8.6%	12.4%		11.2%	

Source: Intermonte SIM estimates

REVENUES

Consolidated revenues in the first half of 2010 amounted to Eu11.3mn, growing a substantial 39% from the Eu8.15mn in the first half of 2009 and above our bullish Eu10.7mn estimate. The very strong growth trend that began in 2H09 has therefore carried on. Based on the order backlog value, it appears this top line trend will continue, and that the company could increase its market share. Consolidated 1H10 sales were in fact only slightly lower than the Eu11.7mn achieved in 1H08, which was the group's best ever half-year sales figure. Another very comforting fact, as illustrated in the table below, is that YoY sales growth was in double digits in every single geographical area. Growth rates were strongest in Asia-Pacific (up 60%) and in North America (up 49%), demonstrating that the company is reaping the rewards of both its decision to widen its range of products and its efforts to reorganise and strengthen its global sales network.

B&C Speakers - Revenues Breakdown by Country

(Eu mn; %)	1H10	% on sales	1H09	% on sales	Var. YoY	1H08	% on sales	Var. YoY	1H07	% on sales	Var. YoY
Europe (ex-Italy)	4.6	41%	3.6	45%	27%	5.4	46%	-32%	5.6	49%	-5%
North America	2.3	21%	1.6	19%	49%	2.2	19%	-30%	2.1	18%	8%
Italy	1.9	17%	1.6	19%	24%	2.3	19%	-31%	2.0	18%	10%
Asia & Pacific	1.2	11%	0.8	9%	60%	1.1	9%	-29%	1.1	9%	0%
Latin America	0.8	7%	0.5	6%	66%	0.6	5%	-12%	0.5	4%	22%
Middle East & Africa	0.3	3%	0.1	1%	202%	0.2	1%	-40%	0.2	2%	2%
Total	11.3	100%	8.1	100%	39%	11.7	100%	-30%	11.5	100%	2%

Source: Company data

COSTS

■ Supply of Raw Materials, Consumables and Semi-finished Goods

The company spent considerably more on raw materials, consumables and semi-finished goods in the first half of 2010 than it did in the first half of 2009, even more than we were expecting. The 1H10 total was Eu4.8mn, up 87% YoY and 14% above our Eu4.2mn estimate; this comes to 42.3% of sales, compared with our expectation for an incidence of 39.0%. The sharp increase is mainly due to an increase in raw material costs as a consequence of both price increases and a less favourable USD/EUR exchange rate. Despite a sharp increase, supply costs did not rise as fast as revenues in the first quarter: they rose 23% and accounted for 35.2% of sales, against 39.6% in 1H09.

■ Personnel Costs

The cost of labour at B&C increased YoY, but at a slower pace than sales: 34% YoY, now representing 19.0% of revenues (bang in line with our estimate) compared with 19.6% in 1H09. This reduction in the incidence of labour costs is the fruit of better productivity from the existing workforce, thanks in part to optimal conditions at the parent company's new production plants. Labour costs therefore contributed in part to the recovery in profitability in the first half of the year.

■ Other Costs

Expenses for services and the use of third party goods rose by Eu0.8mn, so the incidence of this item on sales remained broadly unchanged (25.1% in 1H10, versus 24.7% in 1H09). Other costs remained stable from 1H09. However, this is worse than our expectation for a decrease in the incidence of this item on sales to 22.5%.

EBITDA AND EBITDA MARGIN

Chiefly due to the dynamics cited above, EBITDA in 1H10 came in at Eu2.5mn, or 22.1% of sales. This is clearly an improvement on the 1H09 EBITDA of Eu1.4mn and EBITDA margin of just 17.7%, and was also about 7% better than our estimate of Eu2.3mn, with the margin 30bps higher than our 21.8% estimate. This recovery in profitability is a direct consequence of the better than forecast increase in sales.

It is also worth keeping in mind that unsatisfactory EBITDA from the "Architettura Sonora" division influenced the consolidated figure in 1H10, as this division is still in a start-up phase. Therefore, the 'core' businesses' EBITDA margin in the first half of 2010 was 25.1% of revenues, only slightly less than the record-breaking 1H08 EBITDA margin of 26.4% (when total EBITDA from these businesses was Eu3.1mn). Even the overall 22.1% margin is not far off the 24.3% achieved in FY 2008, and is clearly confirmation that the recovery trend that began in the second half of last year is continuing.

Based on the comforting YTD turnover figures (+39% YoY) and buoyant order inflow, management is confident that FY10 will see profitability return closer to 2008 than to 2009 levels. Our cautious expectations are that FY 2010 profitability will be around 1pp higher than in 2009, but 5pp lower than in 2008. Our greater caution reflects concerns over the rising cost of neodymium magnets, an important component for loudspeakers, as they make them lighter than those that use iron magnets. In our view, if the upward trend for this cost item continues, it could drive total supply costs up significantly.

EBIT AND EBIT MARGIN

First half EBIT amounted to Eu2.2mn, roughly 10% more than our Eu2.0mn estimate and a whopping 88% higher than in the first half of 2009. 1H10 EBIT was still 27% short of the 1H08 figure of Eu3.0mn, attributable to the new services division's result and, more importantly, the start of depreciations on all of the plants and new production lines in B&C's new production process: total depreciations amounted to Eu280,000 in 1H10, compared to just Eu86,000 in 1H08.

GROUP NET PROFIT AND NET FINANCIAL POSITION

The group's total **net profit** in the first half of 2010 was Eu1.4mn, which is 12.4% of consolidated sales. This is more than double the 1H09 figure and 17% better than our Eu1.2mn estimate (we were expecting an incidence of 11.2% of consolidated sales).

With a positive **net financial position** of Eu0.11mn (from Eu0.18mn as at 31st December 2009), the group has maintained excellent financial stability, especially considering that in May 2010, the company paid shareholders a total of Eu1.34mn in dividends (Eu0.13 per outstanding ordinary share).

ESTIMATES REVISION

The following table shows our new estimates for 2010 and 2011, comparing them with our previous estimates.

B&C Speakers – Estimates Revision – Profit & Loss

(Eu mn)	2009A	New 2010E	New 2011E	Old 2010E	Old 2011E	New vs Old 2010E	New vs Old 2011E
Sales	17.2	22.1	23.9	19.4	20.4	14.2%	17.4%
YoY growth	-19.7%	29.0%	8.0%	13.0%	5.0%		
Value of Production	17.4	22.1	23.9	19.5	20.5	13.0%	16.7%
Costs of raw and consumable materials	(6.6)	(9.1)	(9.6)	(7.5)	(7.8)	20.5%	22.5%
Labour costs	(3.2)	(4.1)	(4.2)	(3.6)	(3.7)	12.3%	13.6%
Other Costs	(4.2)	(4.6)	(4.8)	(4.0)	(4.1)	17.0%	16.3%
Extraordinary costs	(0.2)	0.0	0.0	(0.2)	(0.2)	n.m.	n.m.
EBITDA	3.2	4.3	5.4	4.2	4.7	1.3%	14.4%
Ebitda margin	18.5%	19.3%	22.4%	21.8%	23.0%		
Total D&A	(0.5)	(0.6)	(0.7)	(0.5)	(0.5)	32.9%	39.9%
EBIT	2.6	3.7	4.7	3.8	4.2	-2.6%	11.5%
Ebit margin	15.4%	16.5%	19.7%	19.4%	20.7%		
Net financials	(0.0)	0.1	0.0	(0.0)	(0.0)	n.m.	n.m.
Pre tax profit	2.6	3.8	4.7	3.7	4.2	0.7%	12.9%
Taxes	(1.0)	(1.4)	(1.7)	(1.3)	(1.5)	3.1%	17.8%
Minorities	0.0	0.0	0.0	0.0	0.0	n.m.	n.m.
Group Net Profit	1.7	2.4	3.0	2.4	2.7	-0.5%	10.3%

Source: Intermonte SIM estimates; Company data

A very positive sales trend is supported by incoming customer orders to B&C Speakers S.p.A. Inflow hit a record high Eu13.0mn in 1H10, 45% more than the Eu9.0mn in 1H09 and 13% more than the Eu11.4mn in 1H08.

Given that the increase in orders is even more extensive than the already impressive rise in turnover, we believe that the group may well achieve very high production and sales volumes during 2H10.

There was a considerable recovery in turnover from 2009 figures, and actions have been taken to keep costs under control, especially fixed and labour costs. This provides some room for investment to continue, in order to provide the group with the best tangible and intangible resources. We believe that the company will continue to invest heavily in research and development (both through existing projects being carried to completion and new attractive development projects that are also likely to be pursued).

In light of these considerations, we believe that our previous expectations in terms of profitability and net profit may be viewed as conservative. We are revising our estimates upwards, especially in light of more aggressive expectations in terms of an increase in turnover and a further pick-up in profitability following on from the excellent result delivered in 1H10, thanks to the lower weight of fixed costs, as well as improved profitability from both the company's Brazilian subsidiary and the new "Architettura Sonora" division: this division's innovative product range is being completed and appropriate sales channels have been pinpointed.

VALUATION

We have used a DCF model to value the company. We did not compare the company to peers (as we would normally do) because the only listed companies in similar sectors (Harman-JBL, Loud Technologies and RCF) are actually producers of complete sound systems, not just speakers. For example, Loud Technologies is one of B&C's clients.

DCF

We have assumed a WACC of 9.0%, maintaining group debt at zero given the high amount of cash generated (in a standalone scenario) with a terminal growth rate of 1.0%. We reached an enterprise value of Eu40.9mn, to which we added the company's positive net financial position of Eu1.0mn, and the value attached to the treasury shares (Eu1.5mn). We obtained an equity value of Eu43.5mn. Divided by the number of shares (11.0mn), we get a fair value of Eu4.0 per share.

B&C Speakers – DCF Valuation

(Eu mn)	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	Terminal year
Consolidated net sales	22.1	23.9	25.1	26.2	27.4	28.7	29.8	30.8	31.1
YoY growth rate	29.0%	8.0%	5.0%	4.5%	4.5%	4.5%	4.0%	3.5%	4.5%
Ebitda	4.3	5.4	5.8	6.0	6.3	6.6	6.8	7.1	7.2
Ebit margin (%)	19.3%	22.4%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%
Amortization & Depreciation	(0.6)	(0.7)	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Ebit	3.7	4.7	5.0	5.3	5.5	5.8	6.0	6.3	6.3
Ebit margin (%)	16.5%	19.7%	20.0%	20.1%	20.2%	20.2%	20.3%	20.3%	20.3%
Change in Working Capital	0.3	(0.9)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.5)	(0.2)
Capex	(1.0)	(0.9)	(0.7)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.8)
YoY growth rate	-4.6%	-3.6%	-2.7%	-2.2%	-2.2%	-2.2%	-2.1%	-2.0%	-2.7%
Tax Rate	36.0%	36.5%	36.5%	36.5%	36.5%	36.5%	36.5%	36.5%	36.5%
Taxes on EBIT	(1.3)	(1.7)	(1.8)	(1.9)	(2.0)	(2.1)	(2.2)	(2.3)	(2.3)
Operating Free Cash Flow	2.2	1.8	2.6	3.0	3.1	3.2	3.4	3.7	3.9
Discounting Factor	1.00	0.92	0.84	0.77	0.71	0.65	0.60	0.55	0.50
Discounted Free Cash Flow	2.2	1.7	2.2	2.3	2.2	2.1	2.0	2.0	1.9
WACC	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Debt Weight	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cost of debt	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Tax Rate	36.0%	36.5%	36.5%	36.5%	36.5%	36.5%	36.5%	36.5%	36.5%
Kd	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
Risk Free	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Risk Premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Beta	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Ke	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%

Terminal growth (g)

1.0%

Actual Value Free Cash Flow	16.7
Terminal Value	48.3
Actual Terminal Value	24.2
Enterprise Value	40.9
NFP 2010E	1.0
Treasury shares	1.5
Minorities	0.0
Equity Value	43.5
N. of shares (mn):	11.0
Fair value per share (Eu):	4.0

Source: Intermonte SIM estimates

EV/ROACE MODEL

We have used the same assumptions for this method as in our DCF, taking the average between 2011 and 2012 to obtain a fair value of Eu3.9 per share.

B&C Speakers – EV/ROACE Valuation

(Eu mn)	2011E	2012E
Capital Employed - year average	10.4	11.3
Ebit	4.7	5.0
ROACE	45.2%	44.6%
Tax load ratio (%)	27.5%	27.5%
<u>ROCEAT</u>	<u>32.8%</u>	<u>32.3%</u>
WACC	9.0%	9.0%
Terminal growth (g)	1.0%	1.0%
Required return	8.0%	8.0%
EV / CE	3.6	3.6
Enterprise Value (Eu mn)	37.9	40.5
NFP (-)	1.3	2.0
(+) minorities	0.0	0.0
Fair Value (Eu mn)	39.2	42.5
Fair value per share (Eu)	3.80	4.10
Average 2011 - 2012 (Eu per share)	3.90	

Source: Intermonte SIM estimates

TARGET PRICE CALCULATION

The average of these two methods results in a target price of Eu3.95 per share.

B&C Speakers – Target Price Calculation

DCF Fair Price calculation	Eu ps	4.00
EV/ROACE Fair Price calculation	Eu ps	3.90
Target Price	Eu ps	3.95
Current Price	Eu ps	3.35
Potential upside/(downside)		18%

Source: Intermonte Sim Estimates

INVESTMENT CONCLUSION

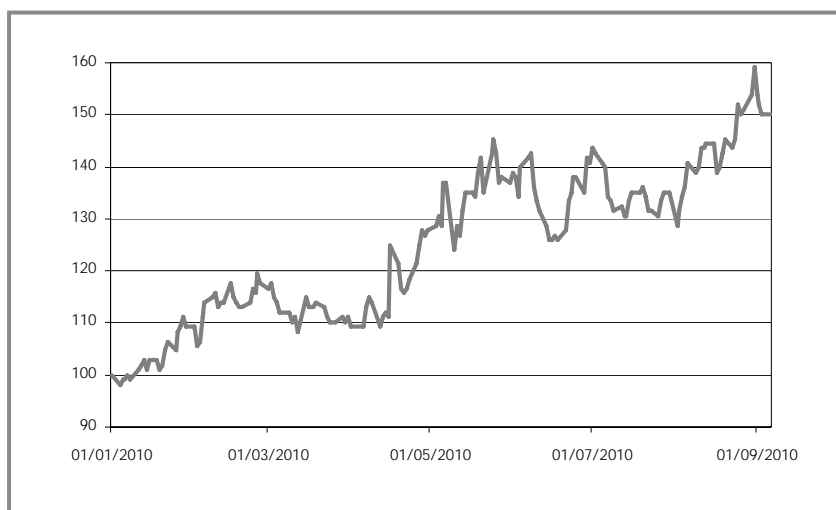
OUTPERFORM (from Buy), target price raised to Eu3.95 (from Eu3.75)

We are reaffirming our positive stance on the stock, but reducing our recommendation to OUTPERFORM, given the lower potential upside due to the very positive performance posted over the last few months (+52.1% Ytd relative to FTSE/MIB, as displayed in the graph below).

B&C Speakers is characterized by its undisputed ability to maintain extremely good margins even in unprecedented tough times, as well as by a resilient market share thanks to high brand recognition. Furthermore, the company has no net debt and is expected to generate growing cashflows over the next few years, thanks to an EBITDA margin close to 25% on average and an EBIT margin of around 20%. This cash is expected to be distributed as dividends (Eu1.6mn expected in 2010, a payout ratio of 65%, towards the lower end of the historical range, which if confirmed for this year would be equal to a dividend yield of 4.3% at current market prices).

We are raising our target price – which is calculated by averaging the fair values obtained through DCF and EV/ROACE valuation methods – to Eu3.95 (from Eu3.75) on the back of the revision in estimates.

B&C Speakers – Price Relative to FTSE/MIB - YtD



Source: Factset

SHORT SALES: PROHIBITION REVOKED, WITH EXCEPTIONS

SHORT SALES: PROHIBITION REVOKED, WITH EXCEPTIONS

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- BUY: stock expected to outperform the market by over 25% over a 12 month period;
- OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;
- NEUTRAL: stock performance expected at between +10% and - 10% compared to the market over a 12 month period ;
- UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;
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- OUTPERFORM: 31.09%
- NEUTRAL: 40.18%
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- OUTPERFORM: 13.33%
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DETAILS ON STOCKS RECOMMENDATION

Stock NAME	B&C SPEAKERS		
Current Recomm:	OUTPERFORM	Previous Recomm:	BUY
Current Target (Eu):	3.95	Previous Target (Eu):	3.75
Current Price (Eu):	3.38	Previous Price (Eu):	2.8375
Date of report:	08/09/2010	Date of last report:	13/04/2010

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