

## Italy – Luxury Engineering

## The first Italian hub of luxury fashion engineering is complete

20<sup>th</sup> July 2022

### DYLOAN ACQUISITION

RIC: PTRN.MI  
BBG: PTR IM

Pattern has announced the acquisition of a 70% stake in Dyloan, a leading player in innovative technologies and R&D, as well as an advanced production hub for the luxury niche. Pattern has definitely delivered what it announced at the time of the IPO with the goal of creating the Italian hub of luxury fashion engineering.

#### Rating:

**Buy**

#### Price Target:

**€ 8.00 (8.50)**

Upside/(Downside): 26.6%

Last Price: € 6.32

Market Cap.: € 86.7m

1Y High/Low: € 6.94 / € 4.44

Avg. Daily Turn. (3M, 6M): € 49k, € 41k

Free Float: 30.3%

#### Major shareholders:

Bo.Ma. Holding Srl	52.7%
Fulvio Botto	5.3%
Francesco Martorella	5.3%



#### Stock price performance

	1M	3M	12M
<b>Absolute</b>	<b>9.7%</b>	<b>12.9%</b>	<b>35.3%</b>
<b>Rel.to FTSE IT Growth</b>	<b>1.0%</b>	<b>24.2%</b>	<b>36.4%</b>
<b>Rel.to Sector</b>	<b>1.9%</b>	<b>15.9%</b>	<b>38.6%</b>

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#### Another value accretive acquisition. Buy reiterated

This umpteenth M&A move brings € 8.6m (€ 0.60/s) additional value to Pattern. We have updated our model: the result is a respective 9.2% and 2.3% rise in Sales and EBITDA in 2023-24, on average, vs. our previous assumptions. Due to the estimate revision and the update in the valuation criteria, new PT stands broadly unchanged at € 8.00/s (€ 8.50), 26.6% upside. The additional value brought by the acquisition has been more than outweighed by the sharp increase in the free risk. We reiterate our Buy rating on the stock.

#### A highly specialised player in luxury R&D and production

Headquartered in the Abruzzo region between Chieti and Pescara, Dyloan is a leading player in innovative technologies and R&D, as well as an advanced production hub for the luxury niche. The company focuses on the R&D and production of finished and semifinished high-tech outerwear, technological screen-printing, thermo-taping, ultrasound processing and other production niches. Dyloan is a valuable partner for the most important global luxury brands. The company reached € 15.3m revenues in 2021, EBITDA totalled € 2.1m and NFP was € 0.4m (debt).

#### A fairly priced acquisition: 5.2x EBITDA<sub>21</sub> (7.1x including earn-outs)

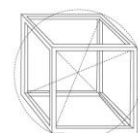
Pattern pays € 7.0m for a 70% stake of Dyloan in addition to € 1.0m net financial position (debt). The price corresponds to 5.2x EBITDA<sub>21</sub> and compares with the 9.1x current market valuation of Pattern. The deal envisages an earn-out: 1) if Dyloan achieves € 1.5m EBITDA in 2023, Pattern pays an additional € 1.5m to the seller; 2) if Dyloan achieves € 3.5m EBITDA in 2024, Pattern pays an additional € 1.5m to the seller; 3) if points 1 and 2 are satisfied, Pattern pays an additional € 1.0m to the seller. Including earn-outs, the purchasing multiple stands at 7.1x EBITDA<sub>21</sub>. The deal also sets out a put/call agreement. The closing is expected by 31-Oct-22.

#### The hub of luxury fashion engineering is built. Now the focus turns to integration

We welcome this impeccable move: a fairly-priced acquisition which allows Pattern to integrate R&D and production, an asset characterised by growing scarcity also following the ongoing reshoring process. Dyloan allows Pattern to be present in key product categories, from R&D and technology innovation to production. With this acquisition, Pattern achieves that which it announced at the time of the IPO, completing the first phase of creating the Italian hub of luxury fashion engineering. Pattern will now focus on the integration of the recent acquisitions and on the generation of synergies arising from the combined entity.

#### Pattern, key financials and ratios

€ m	2020	2021	2022e	2023e	2024e
Value of Production	54.0	72.5	94.9	121.9	134.0
EBITDA	5.4	7.7	10.5	13.7	16.2
EBIT	3.6	5.3	6.5	9.1	11.7
Net profit	2.3	3.0	3.2	4.7	6.0
NFP (cash)/debt	(8.8)	(3.1)	8.7	6.3	2.5
EBITDA margin	10.0%	10.6%	11.1%	11.2%	12.1%
EBIT margin	6.6%	7.3%	6.8%	7.5%	8.7%
EPS	0.16	0.21	0.22	0.33	0.42
EPS growth	-40.1%	32.1%	6.3%	46.6%	27.3%
Dividend	0.00	0.08	0.08	0.12	0.15
Dividend Yield	0.0%	1.2%	1.3%	1.9%	2.4%
ROCE	9.3%	10.9%	12.6%	16.4%	19.3%
NWC/Sales	6.1%	8.2%	8.2%	9.1%	9.2%
Free Cash Flow Yield	-0.1%	-5.4%	-12.4%	4.1%	6.2%
PER x	30.2	23.7	27.2	18.5	14.6
EV/Sales x	0.85	0.98	1.01	0.76	0.67
EV/EBITDA x	9.2	8.8	9.1	6.8	5.5
EV/EBIT x	14.6	12.9	14.8	10.2	7.6



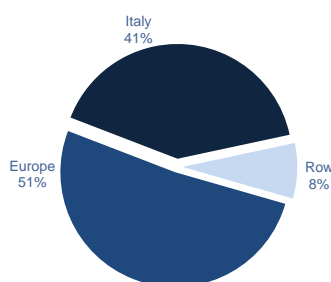
## The Company at a Glance

Founded in 2000 by Fulvio Botto and Francesco Martorella (group directors and major shareholders with a 32% stake each), Pattern is the second Italian player (CFO SIM estimate) specialised in the modelling, engineering, grading, prototyping and production of luxury clothing for men and women, and the undisputed leader in the outerwear niche, operating in the catwalk segment and among the top lines of the most prestigious global luxury brands. Pattern manages the entire engineering and production cycle from patterns to prototypes, from the creation of ready-to-wear garments to successive productions. Pattern runs the high value-added engineering and prototyping phases whilst production is outsourced to a plethora of suppliers. Since 2017, Pattern has been embarking on an external growth process, with the acquisition of Roscini (luxury womenswear) in 2017, S.M.T. (luxury knitwear) in 2019, Idee Partner (luxury leather goods) in 2021, and Zanni (wholegarment knitwear manufacturing technique) and RGB (luxury leather goods accessories) in 2022, thus creating the first 'Italian hub of luxury fashion engineering'.

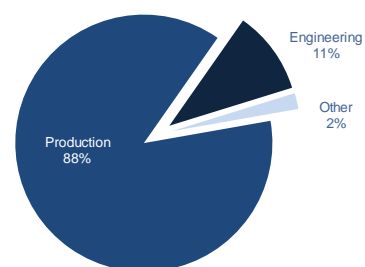
Pattern's global export sales reached almost 60% of total revenues in 2021. 88% of revenues come from production while engineering processes account for 10%. Female apparel makes up 41% of the total thanks to the acquisition of Roscini Atelier in 2017, whereas male apparel now accounts for 59% of total revenues. In terms of products, most of the group's production comes from outerwear, namely 46% of the total, whereas knitwear accounts for 38% and the remainder is represented by upper wear, light wear and leather goods (consolidated for just one month in 2021).

Since 2015, Pattern has been voluntarily drawing up sustainability reports in accordance with the reporting guidelines of the Global Reporting Initiative (GRI Standards), focusing its attention on Corporate Social Responsibility principles. In 2021, revenues were € 69.5m, EBITDA was € 7.7m, 10.6% margin. EBIT stood at € 5.3m and Net Income totalled € 3.0m. NFP was cash positive by € 3.1m, thanks to strong OpCF generation, limited Capex and WC needs.

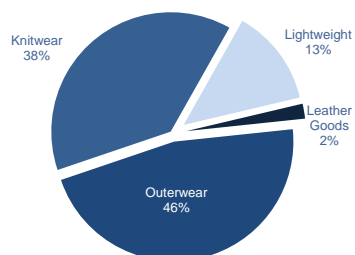
### 2021 breakdown by geography...



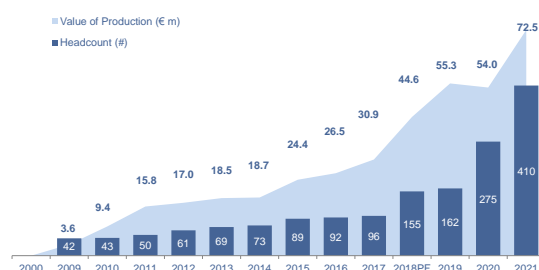
### ... by service...



### ...and by product line



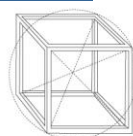
### Top line and headcount evolution



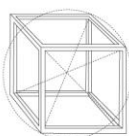
### Peer group multiple table

EV multiples x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
Burberry Group PLC	1.95	1.81	1.61	6.7	6.2	5.4	10.0	9.1	8.1
Capri Holdings Ltd	2.05	1.54	0.91	5.8	4.2	4.1	7.0	5.0	4.9
Compagnie Financiere Richemont	2.44	2.19	1.96	9.1	8.0	7.1	12.5	10.9	9.5
Hermes International SCA	10.91	9.75	8.74	25.5	22.6	20.0	29.3	26.0	23.0
Kering SA	3.39	2.88	2.60	9.5	8.1	7.1	11.8	9.9	8.9
LVMH Moet Hennessy Louis Vuitton	4.30	3.88	3.44	12.7	11.3	10.0	15.9	14.1	12.3
<b>Median Luxury</b>	<b>2.91</b>	<b>2.54</b>	<b>2.28</b>	<b>9.3</b>	<b>8.0</b>	<b>7.1</b>	<b>12.2</b>	<b>10.4</b>	<b>9.2</b>
Brembo SpA	1.14	1.05	0.96	6.6	6.0	5.4	11.2	9.9	8.6
Eurotech SpA	1.12	0.71	n.a.	n.m.	3.6	n.a.	n.m.	4.5	n.a.
Fine Foods & Pharmaceuticals	0.95	0.82	n.a.	9.4	6.3	n.a.	28.9	12.1	n.a.
Sabaf SpA	1.23	1.16	1.10	6.8	6.1	5.7	9.9	8.9	8.4
<b>Median domestic B2B</b>	<b>1.13</b>	<b>0.94</b>	<b>1.03</b>	<b>6.8</b>	<b>6.0</b>	<b>5.6</b>	<b>11.2</b>	<b>9.4</b>	<b>8.5</b>
<b>Pattern SpA</b>	<b>1.01</b>	<b>0.76</b>	<b>0.67</b>	<b>9.1</b>	<b>6.8</b>	<b>5.5</b>	<b>14.8</b>	<b>10.2</b>	<b>7.6</b>

Sources: CFO Sim, Eikon



Income statement (€ m)	2020	2021	2022e	2023e	2024e
Revenues	52.6	69.5	94.7	121.7	133.8
Value of Production	54.0	72.5	94.9	121.9	134.0
Raw material and processing	(15.5)	(22.3)	(29.4)	(37.8)	(41.6)
Services	(19.0)	(25.6)	(32.3)	(38.8)	(43.0)
Personnel expenses	(12.4)	(15.2)	(21.8)	(30.4)	(31.9)
Other opex	(1.7)	(1.8)	(0.9)	(1.2)	(1.3)
EBITDA	5.4	7.7	10.5	13.7	16.2
D&A	(1.8)	(2.4)	(4.1)	(4.5)	(4.5)
EBIT	3.6	5.3	6.5	9.1	11.7
Financials	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Re/(Devaluation) of financial assets	(0.0)	0.0	0.0	0.0	0.0
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	3.5	5.1	6.4	9.1	11.7
Income taxes	(0.5)	(1.5)	(1.9)	(2.7)	(3.5)
Minorities	(0.7)	(0.7)	(1.3)	(1.7)	(2.2)
Net Profit	2.3	3.0	3.2	4.7	6.0
Net Profit adj.	1.8	3.0	3.2	4.7	6.0
<b>EBITDA Adjusted</b>	<b>4.9</b>	<b>7.7</b>	<b>10.5</b>	<b>13.7</b>	<b>16.2</b>
Balance sheet (€ m)	2020	2021	2022e	2023e	2024e
Net Working Capital	3.3	5.9	7.8	11.0	12.3
Net Fixed Assets	10.7	17.6	29.5	27.1	26.3
Equity Investments	0.2	0.3	0.3	0.3	0.3
Other M/L Term A/L	(2.0)	(1.8)	(1.6)	(1.3)	(1.2)
Net Invested Capital	12.2	22.0	36.0	37.1	37.6
Net Financial Debt	(8.8)	(3.1)	8.7	6.3	2.5
Minorities	2.0	2.2	3.5	5.2	7.4
Group's Shareholders Equity	18.9	22.9	23.8	25.6	27.7
Financial Liabilities & Equity	12.2	22.0	36.0	37.1	37.6
Cash Flow statement (€ m)	2020	2021	2022e	2023e	2024e
Total net income	2.3	3.0	3.2	4.7	6.0
Depreciation	1.8	2.4	4.1	4.5	4.5
Other non-cash charges	0.9	(0.2)	(0.2)	(0.3)	(0.1)
Cash Flow from Oper. (CFO)	5.0	5.2	7.1	8.9	10.3
Change in NWC	0.1	(2.6)	(1.9)	(3.2)	(1.3)
FCF from Operations (FCFO)	5.1	2.6	5.2	5.7	9.0
Net Investments (CFI)	(5.2)	(7.2)	(16.0)	(2.1)	(3.6)
Free CF to the Firm (FCFF)	(0.1)	(4.7)	(10.8)	3.6	5.4
CF from financials (CFF)	7.5	3.9	(0.8)	(0.8)	(1.3)
Free Cash Flow to Equity (FCFE)	7.4	(0.8)	(11.5)	2.8	4.1
Financial ratios	2020	2021	2022e	2023e	2024e
EBITDA margin	10.0%	10.6%	11.1%	11.2%	12.1%
EBIT margin	6.6%	7.3%	6.8%	7.5%	8.7%
Net profit margin	4.2%	4.1%	3.4%	3.8%	4.4%
Tax rate	13.2%	28.5%	30.0%	30.0%	30.0%
Op NWC/Sales	6.1%	8.2%	8.2%	9.1%	9.2%
Interest coverage x	0.03	0.02	0.01	0.01	0.00
Net Debt/EBITDA x	(1.63)	(0.40)	0.83	0.46	0.15
Debt-to-Equity x	(0.46)	(0.13)	0.37	0.25	0.09
ROIC	18.7%	13.6%	8.9%	12.6%	15.8%
ROCE	9.3%	10.9%	12.6%	16.4%	19.3%
ROACE	11.7%	12.1%	12.9%	17.1%	20.1%
ROE	12.0%	13.1%	13.4%	18.2%	21.5%
Payout ratio	0.0%	36.4%	36.4%	36.4%	36.4%
Per share figures	2020	2021	2022e	2023e	2024e
Number of shares # m	14.26	14.26	14.26	14.26	14.26
Number of shares Fully Diluted # m	14.26	14.26	14.26	14.26	14.26
Average Number of shares Fully Diluted #	14.26	14.26	14.26	14.26	14.26
EPS stated FD €	0.16	0.21	0.22	0.33	0.42
EPS adjusted FD €	0.12	0.21	0.22	0.33	0.42
EBITDA €	0.38	0.54	0.74	0.96	1.14
EBIT €	0.25	0.37	0.45	0.64	0.82
BV €	1.47	1.76	1.91	2.16	2.46
FCFO €	0.36	0.18	0.36	0.40	0.63
FCFF €	(0.01)	(0.33)	(0.76)	0.25	0.38
FCFE €	0.52	(0.06)	(0.81)	0.19	0.29
Dividend €	0.00	0.08	0.08	0.12	0.15



## The target: Dyloan, luxury technology R&D and production

Dyloan, headquartered in the Abruzzo region between Chieti and Pescara, is a leading player in **innovative technologies and R&D, as well as an advanced production hub for the luxury niche**, thanks also to the recent acquisition in 2022 of Orlando Confezioni and the T-Shock business unit. The company focuses on the R&D and production of finished and semifinished high-tech outerwear, technological screen-printing, thermo-taping, ultrasound processing and other niche production.

Dyloan is a valuable partner for the most important global luxury brands. The company reached € 15.3m revenues in 2021, EBITDA totalled € 2.1m and NFP was € 0.4m (debt). However, in 2020 and 2021 the company benefited from the extraordinary contribution of a few particularly lucrative productions of PPE gowns and masks linked to the COVID emergency.

## The deal: Pattern pays 5.2x EBITDA<sub>21</sub>

**Pattern pays € 7.0m for a 70% stake of Dyloan** in addition to € 1.0m net financial position (debt), to the seller. **The price corresponds to 5.2x EBITDA<sub>21</sub>** and compares with 9.1x current market valuation of Pattern, 6.8x for the median of a domestic B2B player sample and 9.3x for the median of a panel of luxury players. The deal envisages an earn-out: 1) if Dyloan achieves € 1.5m EBITDA in 2023, Pattern pays an additional € 1.5m to the seller; 2) if Dyloan achieves € 3.5m EBITDA in 2024, Pattern pays an additional € 1.5m to the seller; 3) if points 1 and 2 are satisfied, Pattern pays an additional € 1.0m to the seller. **Including earn-outs the purchasing multiple stands at 7.1x EBITDA<sub>21</sub>.**

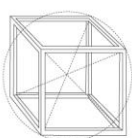
The deal also sets out a put/call agreement: 1) Pattern has the option to purchase an additional 10% of Dyloan in 2025 for a consideration of 6.5x average EBITDA of 2023-24; 2) Pattern has the option to purchase the residual 20% of Dyloan in 2027 for a consideration of 6.5x average EBITDA of 2025-26 or 3) Pattern has the option to purchase the residual 20% of Dyloan in 2028 for a consideration of 6.5x average EBITDA of 2026-27. The closing is expected by 31-Oct-22. **The company will likely be consolidated as of Jan-23.**

## Our view: a strategic entry into luxury R&D and production

We welcome this umpteenth impeccable move: a fairly priced acquisition which allows Pattern to **integrate the R&D and production phase** within the group, an asset characterised by growing scarcity following the ongoing reshoring process. Dyloan allows Pattern to be present in the main product categories (men's and women's wear, clothing and accessories, still fabrics, knitwear and leather goods), from R&D and technological innovation to production. Indeed, **Pattern is amongst the very few industry players able to internally manage three product categories** (fabric, knitwear and leather) and hybrids, complex garments made from different materials and through various processes.

With the acquisition of Dyloan, **Pattern achieves that which it announced at the time of the IPO**, that is, completing the first phase of **creating the Italian hub of luxury fashion engineering**.

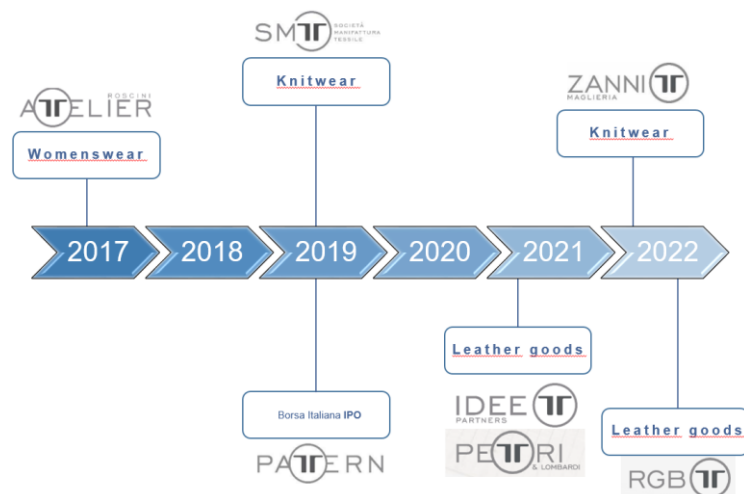
In the coming quarters **Pattern will focus on the integration of the recent acquisitions and on the generation of synergies** arising from the combined global entity. Dyloan also brings interesting new clients and segments, currently not yet served by Pattern.



## Pattern 2017-22 acquisition track record

Pattern already has a superb track record in terms of M&As and their integration thanks to the successful purchases of six companies in five years, excluding Dyloan. Pattern's acquisition timeline: 2017 Roscini Atelier (women's wear), 2019 S.M.T. (luxury knitwear), 2021 Idee Partners (luxury leather goods) including Petri & Lombardi, 2022 Zanni (wholesale garment - seamless knitwear) and RGB (production and processing of leather accessories).

Chart 1 – Pattern, acquisition track record 2017-2022 (excluding Dyloan)



Source: Company data

### 1#5 Roscini Aterlier - 2017

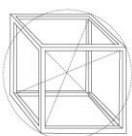
**Roscini Atelier (Jun-17, Luxury Womenswear):** two years before going public, Pattern entered into the women's apparel segment thanks to the acquisition of Roscini Atelier's production structure **for a total consideration of € 0.4m**. The company, headquartered in Spello (Perugia), is engaged in the modelling, prototyping and production of luxury clothing for women and **was merged into Pattern in Jun-19**. In 2018, Roscini Atelier's revenues amounted to € 7.1m, with an EBITDA of € 0.5m.

Roscini has helped Pattern gain traction in its original business and achieve product diversification. The acquisition turned out to be strategic, as Pattern started working with many brands not previously covered and it allowed the group to take advantage of several cross-fertilisation opportunities which arose from Roscini's integration.

In Feb-22, Pattern completed the purchase of the real estate complex where Roscini Atelier is located **for a total of € 2.0m**, which includes, in addition to a 5,000 sqm building, the photovoltaic system currently present and operating.

### 2#5 S.M.T. - 2019

Headquartered in Correggio (Reggio Emilia), S.M.T. (Società Manifattura Tessile) is **highly specialised in the prototyping, engineering and production of luxury knitwear, working with the most prestigious global brands**. Thanks to steady R&D investments and the use of the best-in-class technology and machinery, the company is able to satisfy all its clients' weaving needs. Furthermore, its business model is pretty similar to Pattern's as the high-value-added engineering and prototyping phases are carried out in-house. **In 2020, S.M.T. sales were € 19.0m, and EBITDA was € 2.8m, 14.7% margin.**





**Pattern bought 51% of S.M.T. for € 5.5m**, of which € 1.1m at closing date and the remainder at the approval of the S.M.T. FY-19 results. **The price corresponded to 5.8x adj. EBITDA<sub>19e</sub>**. S.M.T. was consolidated as from Jan-20.

This fairly-paid acquisition in the **knitwear niche** (valued at some € 300m), was the first step for Pattern to build the Italian leading hub of luxury fashion engineering. Furthermore, **the group widened its customer base, adding a few new luxury brands to its portfolio.**

In February 2021, **Pattern increased its stake in S.M.T. from 51% to 80% for a total consideration of € 3.9m: € 2.6m cash and € 1.3m via a reserved rights issue at € 3.87/s** (VWAP, volume weighted average price of the previous six months), i.e. **by issuing 347,545 new shares. The price, at the time of the purchase, valued 100% of SMT's € 13.4m vs. a valuation of € 10.8m** for the 51% stake purchased in Dec-19. **The move brought in some more resiliency compared to the luxury sector as a whole**, strengthening Pattern's presence in a niche characterised by promising growing fundamentals coupled with less sensitivity to short-term sector pressure.

### 3#5 IDEE Partners - 2021

Established in 2008 and headquartered in Scandicci (Florence), the company is specialised in the **product development and production of luxury leather goods**, mainly bags and small accessories, being a valuable partner for the most important global luxury brands. Moreover, in 2021, IDEE acquired **60% of Petri & Lombardi**, a thirty-year-old historic company also based in Tuscany, specialised in the production of leather goods. In 2021, Idee Partners' and Petri&Lombardi's values of production were € 11.4m and € 2.3m, respectively.

**Pattern purchased 54% of the company for € 4.0m**, including a price adjustment mechanism (in price reduction) according to IDEE's NFP reached at end of October-21. **The price corresponded to 7.0x 2021 pro-forma EBITDA** (IDEE + Petri & Lombardi).

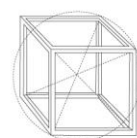
The acquisition in the leather goods niche, a highly synergic segment in which the group was not present, allowed Pattern to widen its customer base by adding a few new luxury brands to its portfolio and internalise the key production of leather goods, optimising time and logistics.

### 4#5 Zanni - 2022

Headquartered in Reggio Emilia, the company is a historic **knitwear prototyping and weaving company** active for over 60 years, and valuable partner for the most important global premium/luxury brands. **Zanni offers seamless knitwear production** services of the highest quality, completely made in Italy, based on **Shima Seiki's revolutionary WholeGarment technology**. In addition, the company internally manages the **entire value chain from product development to production**. Zanni reached some € 2.4m turnover and a € 0.5m EBITDA (20% margin) in 2021.

**Pattern, via S.M.T., purchased 100% of the company at € 4.3m** directly from Marco and Mauro Zanni. The consideration included the manufacturing building and **corresponded to 6.0x EBITDA<sub>21</sub>**.

The acquisition allowed Pattern to reinforce its selling proposition in the knitwear segment with the WholeGarment cutting-edge technology.

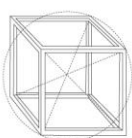


## 5#5 RGB - 2022

RGB is a Tuscan benefit company, specialised in the **production and processing of leather accessories**. The company runs its business out of a state-of-the-art 2,500 sqm production plant equipped with **solar panels** in the leather goods district of Reggello (Florence). RGB is able to combine a strong production capacity with very high quality workmanship thanks to an internal organisation by lines and a modern and innovative production plant. In 2022, RGB should generate revenues of € 9-10m with an EBITDA margin of some 11%.

Pattern, **via Idee Partners**, acquired 70% of RGB from the current shareholders for **€ 2.3m plus an earn-out of max € 1.0m** linked to a certain EBITDA target in 2022. **The price corresponds to some 5.0x EBITDA<sub>22</sub>** and, in addition, the deal includes **a call option for Idee Partners to buy the residual 30% of RGB** for a consideration of € 500-1,000k.

After the acquisition of Idee Partners in 2021, Pattern bolstered its presence in the leather goods niche market with RGB. Notably, the acquisition allowed the group to **integrate towards the production phase**, expand a few customers' share of wallet and increasingly internalise the key production phases of leather goods accessories.



## Estimates, Valuation & Risks

**The acquisition of Dyloan brings € 8.6m (€ 0.6/s) additional value to Pattern.** In addition, the move is accretive at EBITDA and Net Profit level, already as from 2023, the first year of full consolidation. We have updated our model, consolidating Dyloan and fine-tuning Pattern's stand-alone organic growth: the result is a 9.3% and 2.3% rise in Sales and EBITDA in 2023-24, on average, vs. our previous assumptions. Our new numbers take into consideration Dyloan's consolidation as of 2023, while taking into consideration the cash out already in 2022.

**Table 1 – Pattern, 2022e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
<b>Value of Production</b>	<b>94.9</b>	<b>94.9</b>	0.0	<b>0.0</b>
<b>EBITDA</b>	<b>10.5</b>	<b>10.5</b>	0.0	<b>0.0</b>
% margin	11.1	11.1		
<b>EBIT</b>	<b>6.5</b>	<b>6.5</b>	0.0	<b>0.0</b>
% margin	6.8	6.8		
<b>Net Profit</b>	<b>3.2</b>	<b>3.2</b>	0.0	<b>0.0</b>
% margin	3.4	3.4		
<b>Y/E net debt (net cash)</b>	<b>8.7</b>	<b>0.7</b>	n.m.	<b>8.0</b>

Source: CFO Sim

**Table 2 – Pattern, 2023e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
<b>Value of Production</b>	<b>121.9</b>	<b>109.1</b>	11.8	<b>12.8</b>
<b>EBITDA</b>	<b>13.7</b>	<b>13.0</b>	4.9	<b>0.6</b>
% margin	11.2	12.0		
<b>EBIT</b>	<b>9.1</b>	<b>9.0</b>	1.3	<b>0.1</b>
% margin	7.5	8.3		
<b>Net Profit</b>	<b>4.7</b>	<b>4.7</b>	0.0	<b>0.0</b>
% margin	3.8	4.3		
<b>Y/E net debt (net cash)</b>	<b>6.3</b>	<b>(4.1)</b>	n.m.	<b>10.4</b>

Source: CFO Sim

**Table 3 – Pattern, 2024e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
<b>Value of Production</b>	<b>134.0</b>	<b>125.4</b>	6.9	<b>8.7</b>
<b>EBITDA</b>	<b>16.2</b>	<b>16.2</b>	(0.2)	<b>(0.0)</b>
% margin	12.1	12.9		
<b>EBIT</b>	<b>11.7</b>	<b>12.3</b>	(4.7)	<b>(0.6)</b>
% margin	8.7	9.8		
<b>Net Profit</b>	<b>6.0</b>	<b>6.7</b>	(11.2)	<b>(0.7)</b>
% margin	4.4	5.3		
<b>Y/E net debt (net cash)</b>	<b>2.5</b>	<b>(10.1)</b>	n.m.	<b>12.6</b>

Source: CFO Sim

Pattern's key strengths in these still rather difficult business conditions are 1) the ability to work in different areas (men, women, knitwear and the recently-added leather goods segment) and to deal with different customers, 2) remarkable technological expertise for the remote development of collections via a 3D pattern-making technique, 3) high customer loyalty, 4) a quite flexible manufacturing structure which still has a portion of outsourced production (variable costs in the region of 70%), 5) quite low WC pressure, and 6) an extremely solid balance sheet.

As a consequence of the estimate revision and the update in the valuation criteria, **new PT stands at € 8.00/s (€ 8.50), 26.6% upside. The additional value brought by the acquisition has been more than outweighed by the sharp increase in the free risk rate** from 1.05% to 1.95% (200d moving average) since our last publication.

In the coming quarters, **Pattern will focus on the integration of the recent acquisitions and on the generation of synergies** arising from the combined global entity. Dyloan also brings interesting new clients and segments, currently not yet served by Pattern.





## DCF

In the valuation via the DCF method, we determine the company's value by identifying an explicit forecast period until 2027 and then by cautiously assuming a long-term growth rate of 1.0%. **We decided to start our model from 2023** (2022 in our previous publication), **the first year of full consolidation of Dyloan**. Cash flows are discounted back at a weighted average cost of capital, calculated according to the following parameters:

**Table 4 - WACC derived from:**

Interest costs, pre-tax	2.0%
Tax rate	30.0%
<b>Int. costs, after taxes</b>	<b>1.4%</b>
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200gg simple moving average)	1.95%
Beta levered (x)	1.00
<b>Required ROE</b>	<b>11.0%</b>

Sources: CFO Sim, Thomson Reuters Eikon

**Risk premium at 9.0%** factors in the minute size of the company and basically all the concerns and disquiet that an investor might have with regard to the Euronext Growth Milan market segment. **Beta at 1** has been set prudentially, taking into account the company's lower liquidity. Indeed, the 5Y Beta calculated using the domestic B2B peer group is 1.04x. **The WACC is computed by using a 20:80% debt/equity balance-sheet structure**, thus taking into account some leverage required for the acquisition campaign.

**Table 5 - Pattern, DCF model**

€ m	2023e	2024e	2025e	2026e	2027e	Term. Val.
EBIT	9.1	11.7	13.3	15.1	17.0	
Tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	
<b>Operating profit (NOPAT)</b>	<b>6.4</b>	<b>8.2</b>	<b>9.3</b>	<b>10.6</b>	<b>11.9</b>	
Change working capital	(3.2)	(1.3)	(1.3)	(0.1)	(0.1)	
Depreciation	4.5	4.5	4.5	4.1	3.6	
Investments	(2.1)	(3.6)	(3.6)	(3.6)	(3.6)	
<b>Free Cash Flows</b>	<b>5.6</b>	<b>7.8</b>	<b>8.9</b>	<b>10.9</b>	<b>11.8</b>	<b>148.6</b>
Present value	5.4	6.8	7.2	8.1	8.1	<b>101.2</b>
WACC	9.0%	9.0%	9.0%	9.0%	9.0%	
<b>Long-term growth rate</b>	<b>1.0%</b>					

Source: CFO Sim

**Table 6 – Pattern, DCF derived from:**

€ m	
Total EV present value € m	136.7
	<i>thereof terminal value</i>
	74.0%
NFP FY1	(8.7)
Pension provision	(2.6)
Minorities (valued at 9.0x PER & 7.0x)	(11.4)
<b>Equity value € m</b>	<b>114.0</b>
#m shares	14.26
<b>Equity value €/s</b>	<b>8.00</b>
% upside/(downside)	26.6%

Source: CFO Sim

By applying our DCF model, we attained an **equity value of € 114.0m (€ 8.00/s)** with regard to Pattern.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of **€ 7.34-9.08/s (perpetuity range between 0.25% and 2.00%)**, while 2) if compared to changes in the free risk rate, it produces an equity value of **€ 7.26-8.62/s (free risk range between 2.75% and 1.35%)** and 3) if compared to changes in the risk premium, including the small-size premium, it results in an equity value of **€ 6.35-9.73/s (risk premium range between 11.0% and 7.50%)**.



**Table 7 – Pattern, equity value sensitivity to changes in terminal growth rate**

€ m	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%
Present value of CF	35.5	35.5	35.5	35.5	35.5	35.5	35.5	35.5
PV of terminal value	91.8	94.8	97.9	101.2	104.7	108.4	112.4	116.7
<b>Total value</b>	<b>127.4</b>	<b>130.3</b>	<b>133.4</b>	<b>136.7</b>	<b>140.2</b>	<b>143.9</b>	<b>147.9</b>	<b>152.2</b>
NFP FY1	(8.7)	(8.7)	(8.7)	(8.7)	(8.7)	(8.7)	(8.7)	(8.7)
Pension provision	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)
Minorities	(11.4)	(11.4)	(11.4)	(11.4)	(11.4)	(11.4)	(11.4)	(11.4)
<b>Equity value</b>	<b>104.7</b>	<b>107.6</b>	<b>110.7</b>	<b>114.0</b>	<b>117.5</b>	<b>121.2</b>	<b>125.2</b>	<b>129.5</b>
<b>Equity value/share €</b>	<b>7.34</b>	<b>7.54</b>	<b>7.76</b>	<b>8.00</b>	<b>8.24</b>	<b>8.50</b>	<b>8.78</b>	<b>9.08</b>

Source: CFO Sim

**Table 8 – Pattern, equity value sensitivity to changes in free risk rate**

€ m	1.35%	1.55%	1.75%	1.95%	2.15%	2.35%	2.55%	2.75%
Present value of CF	36.0	35.8	35.7	35.5	35.4	35.3	35.1	35.0
PV of terminal value	109.7	106.7	103.9	101.2	98.5	96.0	93.6	91.3
<b>Total value</b>	<b>145.7</b>	<b>142.6</b>	<b>139.6</b>	<b>136.7</b>	<b>133.9</b>	<b>131.3</b>	<b>128.7</b>	<b>126.3</b>
NFP FY1	(8.7)	(8.7)	(8.7)	(8.7)	(8.7)	(8.7)	(8.7)	(8.7)
Pension provision	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)
Minorities	(11.4)	(11.4)	(11.4)	(11.4)	(11.4)	(11.4)	(11.4)	(11.4)
<b>Equity value</b>	<b>123.0</b>	<b>119.9</b>	<b>116.9</b>	<b>114.0</b>	<b>111.2</b>	<b>108.6</b>	<b>106.0</b>	<b>103.6</b>
<b>Equity value/share €</b>	<b>8.62</b>	<b>8.40</b>	<b>8.19</b>	<b>8.00</b>	<b>7.80</b>	<b>7.61</b>	<b>7.44</b>	<b>7.26</b>

Source: CFO Sim

**Table 9 – Pattern, equity value sensitivity to changes in risk premium**

€ m	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%	11.00%
Present value of CF	36.6	36.2	35.9	35.5	35.2	34.9	34.5	34.2
PV of terminal value	124.9	116.1	108.2	101.2	94.8	89.1	83.8	79.1
<b>Total value</b>	<b>161.5</b>	<b>152.3</b>	<b>144.1</b>	<b>136.7</b>	<b>130.0</b>	<b>123.9</b>	<b>118.4</b>	<b>113.3</b>
NFP FY1	(8.7)	(8.7)	(8.7)	(8.7)	(8.7)	(8.7)	(8.7)	(8.7)
Pension provision	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)
Minorities	(11.4)	(11.4)	(11.4)	(11.4)	(11.4)	(11.4)	(11.4)	(11.4)
<b>Equity value</b>	<b>138.8</b>	<b>129.6</b>	<b>121.4</b>	<b>114.0</b>	<b>107.3</b>	<b>101.2</b>	<b>95.7</b>	<b>90.6</b>
<b>Equity value/share €</b>	<b>9.73</b>	<b>9.09</b>	<b>8.51</b>	<b>8.00</b>	<b>7.52</b>	<b>7.10</b>	<b>6.71</b>	<b>6.35</b>

Source: CFO Sim

## Market Multiples

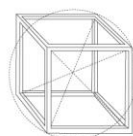
Pattern provides high value-added luxury apparel engineering and design services with production outsourced to façonists: **the company does not have any comparable listed companies**. We conducted an analysis on two clusters: 1) six companies operating in the absolute luxury and fashion arena; 2) four Italian companies operating with a B2B business model.

Among luxury fashion companies, we have selected the following:

**Burberry Group PLC:** a global luxury brand with British heritage, core outerwear, and large leather goods base. The company designs and sources apparel and accessories. Burberry sells its products worldwide, namely to the Asia Pacific and EMEA regions as well as the Americas.

**Capri Holding Ltd:** the holding company, through its brands (such as Versace, Jimmy Choo and Michael Kors), covers the full spectrum of fashion luxury categories including women's and men's accessories, footwear and ready-to-wear products as well as wearable technology, watches, jewellery, eyewear and a full line of fragrance products.

**Compagnie Financière Richemont SA:** holds a portfolio of leading international 'Maisons' which are recognised for their distinctive heritage, craftsmanship and creativity. The group operates in four business areas: jewellery Maisons, specialist watchmakers, online distributors, and other fashion & accessories Maisons.



**Hermes International SCA:** founded in 1837, it is an independent, family-owned company dedicated to keeping the essential element of production in France through its 42 workshops and to developing its network of 310 stores in over 49 countries.

**Kering SA:** as a global luxury group, Kering develops an ensemble of luxury houses in fashion, leather goods, jewellery and watches: Gucci, Saint Laurent, Bottega Veneta, Alexandre McQueen, Balenciaga, Ulysse Nardin, etc. The company specialises in ready-to-wear products, sports goods, shoes, jewellery, and watches.

**LVMH SE:** Louis Vuitton Moët Hennessy operates in four business segments: 1) wines and spirits, with brands like Moët & Chandon, Dom Pérignon, Veuve Clicquot Ponsardin, Krug, Ruinart, Belvedere; 2) fashion and leather goods, which include some absolute luxury brands such as Louis Vuitton, Christian Dior Couture, Celine, Loewe, Fendi, Berluti; 3) perfumes and cosmetics, and 4) watches and jewellery, comprising, among others, Bvlgari, TAG Heuer, Zenith and Hublot. LVMH is also active in selective retailing as well as other activities.

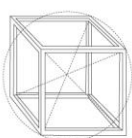
Amongst B2B Italian companies, we selected the following:

**Eurotech SpA:** it is engaged in the research, development, production, and marketing of miniaturised and high-performance computers featuring high computing capacity. It operates in the NanoPC and High-Performance Computing (HPC) segments. It also offers boards and embedded modules. In addition, the company provides panel PCs, industrial monitors and computers, mobile and portable systems, and environmental monitoring systems. Furthermore, it offers the Everyware Device Cloud solution, which enables customers to make business decisions; the Machine-to-Machine Integration Platform, which simplifies device and data management; and Everyware Software Framework, which acts as a link between the private device network and the local network, public Internet, or cellular network; finally, it offers consulting and solutions design services.

**Fine Foods & Pharmaceuticals NTM SpA:** founded in 1984, it is a domestic leading independent company in the development, contract development and manufacturing of solid oral forms for the pharmaceutical and nutraceutical industries. The company is recognised on the market for the high quality of its products. It also has consolidated and continuous relationships with most of its customers.

**Brembo SpA:** the world's undisputed leader and acknowledged innovator of disc brake technology for automotive vehicles, Brembo supplies high performance brake systems to the most important manufacturers of cars, commercial vehicles and motorbikes worldwide, as well as clutches and other components for racing. Brembo is also a leader in the racing sector and has won more than 400 championships.

**Sabaf SpA:** with its 800 employees, it is the key manufacturer in Italy, and one of the world's leading producers of components for kitchens and domestic gas cooking appliances. It produces valves, thermostats and burners for gas cooking appliances and hinges for ovens, washing machines and dishwashers. Technological expertise, manufacturing flexibility, and the ability to offer a vast range of tailor-made components are Sabaf's key strengths.



**Table 10 - Pattern, peer group summary table**

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR <sub>21-24</sub>	EBITDA CAGR <sub>21-24</sub>	EBIT CAGR <sub>21-24</sub>	EPS CAGR <sub>22-24</sub>	NFP FY1	NFP /EBITDA
Burberry Group PLC	UK	7,944	3,604	1,043	29.0%	6.4%	6.8%	8.9%	4.4%	(921)	n.m.
Capri Holdings Ltd	US	6,466	3,604	1,264	35.1%	25.8%	10.6%	10.9%	5.0%	926	0.7
Compagnie Financiere Richemont	F	55,380	21,148	5,650	26.7%	8.4%	10.8%	14.3%	11.6%	(3,815)	n.m.
Hermes International SCA	F	122,879	10,561	4,524	42.8%	12.4%	10.2%	10.5%	11.4%	(7,660)	n.m.
Kering SA	F	65,394	20,184	7,179	35.6%	10.2%	10.1%	11.3%	10.0%	3,001	0.4
LVMH Moet Hennessy Louis Vuitton	F	314,463	74,320	25,198	33.9%	10.8%	10.8%	12.6%	10.1%	5,072	0.2
<b>Median Luxury</b>		<b>60,387</b>	<b>15,372</b>	<b>5,087</b>	<b>34.5%</b>	<b>10.5%</b>	<b>10.4%</b>	<b>11.1%</b>	<b>10.1%</b>	<b>3</b>	<b>0.4</b>
Brembo SpA	IT	3,262	792	104	13.1%	7.8%	8.5%	12.5%	9.5%	84	0.8
Eurotech SpA	IT	104	83	7	8.0%	n.a.	n.a.	n.a.	n.a.	(11)	n.m.
Fine Foods & Pharmaceuticals	IT	181	207	21	10.1%	10.1%	23.2%	45.1%	67.3%	16	0.8
Sabaf SpA	IT	268	276	50	18.1%	4.8%	2.7%	2.0%	7.1%	72	1.4
<b>Median domestic B2B</b>		<b>224</b>	<b>242</b>	<b>35</b>	<b>11.6%</b>	<b>7.8%</b>	<b>8.5%</b>	<b>12.5%</b>	<b>9.5%</b>	<b>44</b>	<b>0.8</b>
<b>Pattern SpA</b>	<b>IT</b>	<b>87</b>	<b>95</b>	<b>11</b>	<b>11.1%</b>	<b>24.4%</b>	<b>28.2%</b>	<b>30.5%</b>	<b>36.6%</b>	<b>9</b>	<b>0.8</b>

Sources: CFO Sim, Thomson Reuters Eikon

**Table 11 - Pattern, peer group EV multiple table**

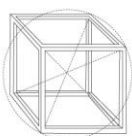
x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Burberry Group PLC	1.95	1.81	1.61	6.7	6.2	5.4
Capri Holdings Ltd	2.05	1.54	0.91	5.8	4.2	4.1
Compagnie Financiere Richemont	2.44	2.19	1.96	9.1	8.0	7.1
Hermes International SCA	10.91	9.75	8.74	25.5	22.6	20.0
Kering SA	3.39	2.88	2.60	9.5	8.1	7.1
LVMH Moet Hennessy Louis Vuitton	4.30	3.88	3.44	12.7	11.3	10.0
<b>Median Luxury</b>	<b>2.91</b>	<b>2.54</b>	<b>2.28</b>	<b>9.3</b>	<b>8.0</b>	<b>7.1</b>
Brembo SpA	1.14	1.05	0.96	6.6	6.0	5.4
Eurotech SpA	1.12	0.71	n.a.	n.m.	3.6	n.a.
Fine Foods & Pharmaceuticals	0.95	0.82	n.a.	9.4	6.3	n.a.
Sabaf SpA	1.23	1.16	1.10	6.8	6.1	5.7
<b>Median domestic B2B</b>	<b>1.13</b>	<b>0.94</b>	<b>1.03</b>	<b>6.8</b>	<b>6.0</b>	<b>5.6</b>
<b>Pattern SpA</b>	<b>1.01</b>	<b>0.76</b>	<b>0.67</b>	<b>9.1</b>	<b>6.8</b>	<b>5.5</b>
% premium/(discount) to luxury peers	(65.4)	(69.9)	(70.8)	(2.6)	(15.4)	(22.9)
% premium/(discount) to domestic B2B peers	(11.0)	(18.4)	(35.5)	33.8	12.6	(1.0)

Sources: CFO Sim, Thomson Reuters Eikon

**Table 12 - Pattern, peer group EV & price multiples table**

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Burberry Group PLC	10.0	9.1	8.1	15.1	14.7	13.8
Capri Holdings Ltd	7.0	5.0	4.9	6.7	6.4	6.1
Compagnie Financiere Richemont	12.5	10.9	9.5	17.6	16.0	14.2
Hermes International SCA	29.3	26.0	23.0	45.2	40.4	36.4
Kering SA	11.8	9.9	8.9	16.6	15.1	13.7
LVMH Moet Hennessy Louis Vuitton	15.9	14.1	12.3	23.0	20.8	19.0
<b>Median Luxury</b>	<b>12.2</b>	<b>10.4</b>	<b>9.2</b>	<b>17.1</b>	<b>15.5</b>	<b>14.0</b>
Brembo SpA	11.2	9.9	8.6	13.6	12.2	11.3
Eurotech SpA	n.m.	4.5	n.a.	n.m.	5.2	n.a.
Fine Foods & Pharmaceuticals	28.9	12.1	n.a.	34.4	15.2	12.3
Sabaf SpA	9.9	8.9	8.4	10.7	9.9	9.3
<b>Median domestic B2B</b>	<b>11.2</b>	<b>9.4</b>	<b>8.5</b>	<b>13.6</b>	<b>11.1</b>	<b>11.3</b>
<b>Pattern SpA</b>	<b>14.8</b>	<b>10.2</b>	<b>7.6</b>	<b>27.2</b>	<b>18.5</b>	<b>14.6</b>
% premium/(discount) to luxury peers	21.6	(2.3)	(17.2)	58.8	19.6	4.0
% premium/(discount) to domestic B2B peers	32.0	8.1	(10.8)	100.5	67.5	28.9

Sources: CFO Sim, Thomson Reuters Eikon



## Peer Stock Performance

Pattern was listed on Euronext Growth Milan on **17 July 2019 at € 3.25/share**, corresponding to a **post-money market capitalisation of € 44.2m**. Adopting the same approach used in setting up the peer sample to assess Pattern's value, we conducted an analysis on two clusters: 1) six companies operating in the absolute luxury and fashion arena, 2) four Italian companies operating with a B2B business model.

**Table 13 - Pattern, peer group and indexes absolute performance**

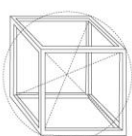
	1D	1W	1M	3M	6M	YTD	1Y
Burberry Group PLC	4.4	2.2	4.8	6.5	(2.3)	(5.6)	(11.5)
Capri Holdings Ltd	6.2	8.2	3.2	(11.2)	(18.9)	(28.7)	(0.7)
Compagnie Financiere Richemont	4.0	3.4	8.7	(11.3)	(20.9)	(22.6)	(1.0)
Hermes International SCA	3.0	6.0	17.1	(5.1)	(12.2)	(23.6)	(4.7)
Kering SA	3.4	4.6	6.9	(0.3)	(20.9)	(25.3)	(25.8)
LVMH Moët Hennessy Louis Vuitton	2.2	2.8	13.5	(0.9)	(6.7)	(13.6)	(1.8)
<b>Median Luxury</b>	<b>3.7</b>	<b>4.0</b>	<b>7.8</b>	<b>(3.0)</b>	<b>(15.5)</b>	<b>(23.1)</b>	<b>(3.3)</b>
Brembo SpA	1.0	1.3	(8.4)	(14.7)	(41.9)	(41.7)	(33.0)
Eurotech SpA	0.1	(2.0)	(2.9)	(8.7)	(40.9)	(46.4)	(38.2)
Fine Foods & Pharmaceuticals	0.7	2.0	0.5	5.6	(19.7)	(21.4)	(4.9)
Sabaf SpA	(1.5)	(3.7)	(6.8)	(2.9)	(4.5)	(2.5)	(4.5)
<b>Median domestic B2B</b>	<b>0.4</b>	<b>(0.4)</b>	<b>(4.9)</b>	<b>(5.8)</b>	<b>(30.3)</b>	<b>(31.5)</b>	<b>(19.0)</b>
<b>Pattern SpA</b>	<b>(0.3)</b>	<b>1.6</b>	<b>9.7</b>	<b>12.9</b>	<b>-</b>	<b>(7.1)</b>	<b>35.3</b>
MSCI World Index	2.8	4.1	13.0	1.7	(7.9)	(15.6)	(5.9)
EUROSTOXX	3.0	6.0	17.1	(5.1)	(12.2)	(23.6)	(4.7)
FTSE Italia All Share	3.4	4.6	6.9	(0.3)	(20.9)	(25.3)	(25.8)
FTSE Italia STAR	2.2	2.8	13.5	(0.9)	(6.7)	(13.6)	(1.8)
FTSE Italia Growth	4.0	3.4	8.7	(11.3)	(20.9)	(22.6)	(1.0)

Source: Thomson Reuters Eikon

**Table 14 - Pattern relative performances**

	1D	1W	1M	3M	6M	YTD	1Y
to MSCI World Index	(3.2)	(2.4)	(3.3)	11.2	7.9	8.6	41.2
to EUROSTOXX	(3.3)	(4.4)	(7.3)	18.0	12.2	16.5	40.1
to FTSE Italia All Share	(3.7)	(3.0)	2.8	13.2	20.9	18.2	61.1
to FTSE Italia STAR	(2.6)	(1.2)	(3.8)	13.8	6.7	6.5	37.2
to FTSE Italia Growth	(4.3)	(1.8)	1.0	24.2	20.9	15.5	36.4
to Domestic B2B Peer Median	(0.7)	2.0	14.6	18.7	30.3	24.5	54.3
to Luxury Peer Median	(4.0)	(2.4)	1.9	15.9	15.5	16.0	38.6

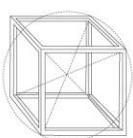
Source: Thomson Reuters Eikon



## Risks

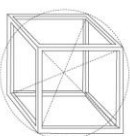
The principal investment **risks** associated with Pattern include:

- high level of customer concentration;
- loss of reputation among customers;
- difficulty in managing investments and in finding the resources to support growth;
- the reference market consolidation process may put the company's market share under pressure;
- impact on P&L account and balance sheet profiles triggered by a sharp decline in global economic growth or geopolitical instability;
- departure of key relevant people.
- M&A execution might be hampered by potential consolidating actors with huge firepower in the industry (i.e. private equity funds).





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## ANALYST CERTIFICATION

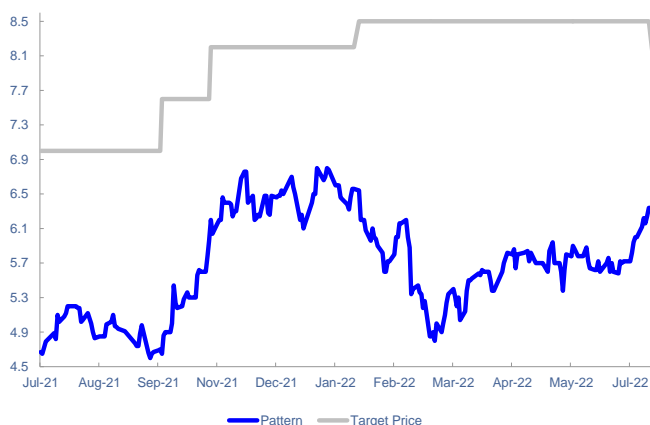
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DATE	TARGET PRICE	RATING
20/07/2022	€8.00	BUY
08/04/2022	€8.50	BUY
11/03/2022	€8.50	BUY
15/02/2022	€8.50	BUY
24/01/2022	€8.50	BUY
28/10/2021	€8.20	BUY
29/09/2021	€7.60	BUY

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- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/- 15% bands identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return 12 months forward** and not on the basis of the estimated out/underperformance relative to a market index. Thus, the rating can be directly linked with the estimated percentage difference between current price and target price. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.

