

Italy – Luxury Engineering

‘Fundamentally’ ready to consolidate the sector

8<sup>th</sup> April 2021

FY-20 RESULTS RELEASE

RIC: PTRN.MI  
BBG: PTR IM

In a year heavily hit by the pandemic, Pattern reported organic figures broadly in line with the best performers in the industry. S.M.T.’s consolidation brought in some resiliency compared to the luxury sector as a whole. The outlook is timidly promising and external growth opportunities might materialise in the near future.

Rating:

**Buy**

Price Target:

**€ 7.00 (€ 6.00)**

Upside/(Downside): 50.9%

Last Price: € 4.64

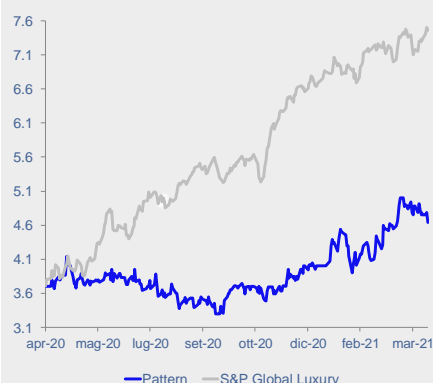
Market Cap.: € 63.6m

1Y High/Low: € 5.20 / € 3.16

Free Float: 28.4%

Major shareholders:

Bo.Ma. Holding Srl	54.8%
Fulvio Botto	6.6%
Francesco Martorella	6.6%
Anna Maria Roscini	2.0%
Luca Sburlati	1.6%



Stock price performance

	1M	3M	12M
<b>Absolute</b>	-1.7%	5.7%	26.1%
<b>Rel.to AIM Italia</b>	-6.2%	-11.4%	-42.8%
<b>Rel.to Sector</b>	-4.5%	-6.6%	-34.8%

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Estimates fine-tuned, new PT of € 7.00: 51% upside potential

Following the publication of FY-20 results, we fine-tuned our model, already revised at the time of the publication of preliminary results, last 17-Feb, to factor in the acquisition of an additional 29% stake of S.M.T.. The result in 2021-22 is basically neutral at Net Profit level, as a consequence of higher-than-expected performance of S.M.T., higher D&A stemming from the increase in the S.M.T. goodwill, lower minorities and the € 2.6m cash out for the stake increase. We introduced estimates for 2023 as well. Also as a consequence of the update in the valuation criteria and the postponement of the first estimated year to 2021, new PT stands at € 7.00 (€ 6.00), 50.9% upside potential. The balance-sheet solidity and the cash pile allow Pattern to consider another round of external growth opportunities, adding further appeal to the stock.

Revenues were down 5.4%, 70% outside Italy

Total revenues reached € 52.6m, down 5.4% YoY. FY-20 results include S.M.T. for 12 months (acquired in Dec-19 and consolidated as from Jan-20). We estimate Pattern’s stand-alone sales dropped by some 37%, broadly in line with the sector. Exports accounted for some 70% of total, whereas domestic revenues rose from 12% to more than 30%. This was also due to the consolidation of S.M.T. which generated a lower portion of foreign sales compared to Pattern stand-alone.

EBITDA at € 5.4m, 10.0% margin

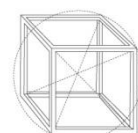
EBITDA totalled € 5.4m from € 5.9m in 2019, margin at 10.0% from 10.7%, bang in line with our forecast. The consolidation of S.M.T. brought in a higher contribution margin vs Pattern stand alone. EBIT declined to € 3.6m from € 5.5m as a result of lower EBITDA and the increase in D&A stemming from the consolidation of S.M.T.. EBIT margin went down to 6.6% from 9.9% in 2019. Net profit was € 2.3m, better than our € 2.0m forecast as a result of a lighter tax rate.

Cash pile at € 8.8m allows sizeable acquisition targets

NFP was cash positive at € 8.8m, down from € 12.4m at end-19, on the back of 1) capex for € 5.1m (€ 2.1m in FY-19), including the € 4.4m residual price paid for the 51% stake in S.M.T. and 2) dividends for € 0.7m (DPS of € 0.05/s). Pattern is active in M&A, chasing targets in segments, markets and channels different and adjacent to those in which the group already operates. Potential targets in the knitwear, leather and kids segments would enlarge the company’s product portfolio through the acquisition of strong brands and the expansion of the customer base. In order to avoid the risk of production capacity shortage, Pattern could also consider partially internalising production (not more than 30% of total).

Pattern, key financials and ratios

€ m	2019	2020	2021e	2022e	2023e
Value of Production	55.3	54.0	56.3	64.5	74.4
EBITDA	5.9	5.4	5.7	7.7	10.1
EBIT	5.5	3.6	3.6	5.7	8.0
Net profit	3.8	2.3	2.0	3.4	4.9
NFP (cash)/debt	(12.4)	(8.8)	(9.3)	(13.3)	(18.5)
EBITDA margin	10.7%	10.0%	10.1%	12.0%	13.5%
EBIT margin	9.9%	6.6%	6.4%	8.8%	10.7%
EPS	0.28	0.17	0.15	0.25	0.35
EPS growth	7.6%	-40.1%	-10.2%	64.8%	44.5%
Dividend	0.05	0.00	0.05	0.09	0.12
Dividend Yield	1.1%	0.0%	1.1%	1.8%	2.7%
ROCE	24.1%	9.3%	8.8%	13.0%	16.7%
NWC/Sales	4.6%	6.1%	6.7%	6.0%	5.1%
Free Cash Flow Yield	3.2%	-0.2%	0.8%	7.5%	10.0%
PER x	10.9	30.2	31.2	18.9	13.1
EV/Sales x	0.69	0.85	0.97	0.78	0.61
EV/EBITDA x	5.4	9.2	9.6	6.5	4.5
EV/EBIT x	5.7	14.6	15.2	8.8	5.7



## The Company at a Glance

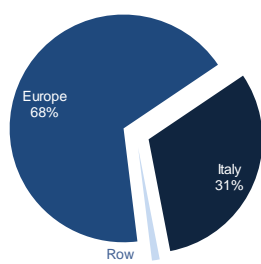
Founded in 2000 by Fulvio Botto and Francesco Martorella (group directors and major shareholders with a 34.3% stake each), Pattern is the second Italian player (CFO SIM estimate) specialised in modelling, engineering, grading, prototyping and production of luxury clothing for men and women, and the undisputed leader in the outerwear niche, operating in the catwalk segment and among the top lines of the most prestigious global luxury brands. The firm manages the entire engineering and production cycle from patterns to prototypes, to the creation of ready-to-wear garments and successive productions. Pattern operates the high value added engineering and prototyping phases whilst production is outsourced to a plethora of suppliers ('façonists').

Pattern's global export sales reached almost 70% of total revenues. 88% of revenues come from production while engineering processes account for 11%. Female apparel contributes to 49% of total thanks to the acquisition of Roscini Atelier in 2017, whereas male apparel now accounts for some 51% of total revenues. In terms of products, most of the group's production comes from knitwear, namely 50% of total, outerwear account for 37% whilst the remainder is represented by upper wear and light wear.

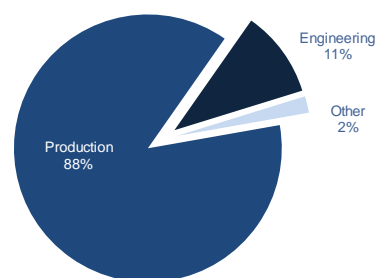
Since 2015, Pattern has voluntarily been drawing up sustainability reports according to the reporting guidelines of the Global Reporting Initiative (GRI Standards), focusing its attention on the Corporate Social Responsibility principles.

In 2020, revenues were € 52.6m, EBITDA was € 5.4m, 10.0% margin. EBIT stood at € 3.6m and Net Income totalled € 2.3m. NFP was cash positive by € 8.8m, thanks to strong OpCF generation, limited Capex and WC needs.

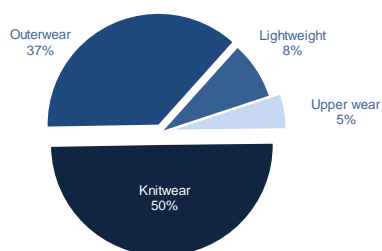
### 2020 breakdown by geography...



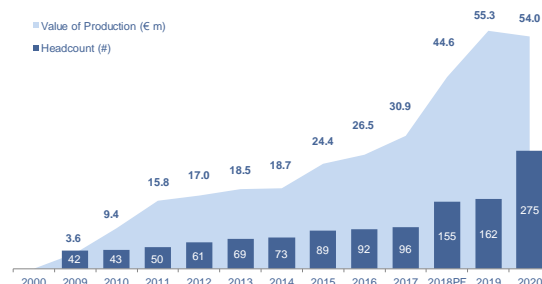
### ... by service...



### ...and by product line



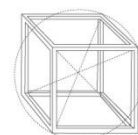
### Top line and headcount evolution



## Peers group multiples table

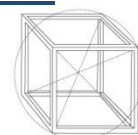
EV multiples x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
Burberry Group PLC	3.08	2.73	2.47	13.2	10.5	8.9	19.9	16.2	14.1
Capri Holdings Ltd	2.39	1.75	1.56	18.6	9.4	7.9	31.2	12.2	10.1
Compagnie Financiere Richemont	3.20	2.72	2.47	16.4	12.2	10.3	32.0	19.5	15.6
Hermes International SCA	12.29	11.02	9.76	30.9	27.4	23.3	36.3	31.5	27.5
Kering SA	4.92	4.45	4.17	13.8	12.2	11.2	18.0	15.7	14.4
LVMH Moet Hennessy Louis Vuitton	5.44	4.90	4.44	18.6	16.2	14.3	25.2	21.6	19.0
<b>Median Luxury</b>	<b>4.06</b>	<b>3.59</b>	<b>3.32</b>	<b>17.5</b>	<b>12.2</b>	<b>10.7</b>	<b>28.2</b>	<b>17.9</b>	<b>15.0</b>
Eurotech SpA	2.17	1.61	1.27	16.0	8.8	5.7	25.6	11.3	6.8
Fine Foods & Pharmaceuticals	0.92	n.a.	0.66	6.5	5.0	4.3	11.7	8.5	7.7
Freni Brembo SpA	1.59	1.48	1.34	8.6	7.8	7.0	15.8	13.5	11.5
Sabaf SpA	1.61	1.50	1.37	8.0	7.7	7.0	13.7	13.2	11.6
<b>Median domestic B2B</b>	<b>1.60</b>	<b>1.50</b>	<b>1.31</b>	<b>8.3</b>	<b>7.7</b>	<b>6.3</b>	<b>14.8</b>	<b>12.2</b>	<b>9.6</b>
<b>Pattern SpA</b>	<b>0.97</b>	<b>0.78</b>	<b>0.61</b>	<b>9.6</b>	<b>6.5</b>	<b>4.5</b>	<b>15.2</b>	<b>8.8</b>	<b>5.7</b>

Source: CFO Sim, Thomson Reuters Eikon





Income statement (€ m)	2019	2020	2021e	2022e	2023e
Revenues	55.6	52.6	56.2	64.3	74.2
Value of Production	55.3	54.0	56.3	64.5	74.4
Raw material and processing	(16.5)	(15.5)	(15.7)	(17.7)	(20.1)
Services	(23.0)	(19.0)	(20.6)	(23.9)	(27.5)
Personnel expenses	(9.2)	(12.4)	(13.8)	(14.6)	(16.0)
Other opex	(0.7)	(1.7)	(0.6)	(0.6)	(0.7)
EBITDA	5.9	5.4	5.7	7.7	10.1
D&A	(0.5)	(1.8)	(2.1)	(2.1)	(2.1)
EBIT	5.5	3.6	3.6	5.7	8.0
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	5.4	3.5	3.5	5.6	7.9
Income taxes	(1.6)	(0.5)	(1.1)	(1.7)	(2.4)
Minorities	0.0	(0.7)	(0.4)	(0.6)	(0.7)
Net Profit	3.8	2.3	2.0	3.4	4.9
Net Profit adj.	4.7	1.8	2.0	3.4	4.9
EBITDA Adjusted	7.2	4.9	5.7	7.7	10.1
Balance sheet (€ m)	2019	2020	2021e	2022e	2023e
Net Working Capital	2.5	3.3	3.8	3.9	3.8
Net Fixed Assets	2.5	10.7	11.8	10.4	9.0
Equity Investments	1.1	0.2	0.2	0.2	0.2
Other M/L Term A/L	(1.1)	(2.0)	(2.0)	(2.1)	(2.2)
Net Invested Capital	5.0	12.2	13.7	12.3	10.8
Net Financial Debt	(12.4)	(8.8)	(9.3)	(13.3)	(18.5)
Minorities	0.0	2.0	2.4	3.0	3.7
Group's Shareholders Equity	17.4	18.9	20.5	22.6	25.6
Financial Liabilities & Equity	5.0	12.2	13.7	12.3	10.8
Cash Flow statement (€ m)	2019	2020	2021e	2022e	2023e
Total net income	3.8	2.3	2.0	3.4	4.9
Depreciation	0.5	1.8	2.1	2.1	2.1
Other non-cash charges	(0.5)	0.9	0.0	0.1	0.1
Cash Flow from Oper. (CFO)	3.7	5.0	4.2	5.5	7.0
Change in NWC	0.2	0.1	(0.5)	(0.1)	0.0
FCF from Operations (FCFO)	3.9	5.1	3.7	5.4	7.1
Net Investments (CFI)	(1.9)	(5.2)	(3.2)	(0.7)	(0.7)
Free CF to the Firm (FCFF)	2.0	(0.1)	0.5	4.8	6.4
CF from financials (CFF)	7.8	7.5	0.2	(0.5)	(0.9)
Free Cash Flow to Equity (FCFE)	9.9	7.4	0.7	4.3	5.4
Financial ratios	2019	2020	2021e	2022e	2023e
EBITDA margin	10.7%	10.0%	10.1%	12.0%	13.5%
EBIT margin	9.9%	6.6%	6.4%	8.8%	10.7%
Net profit margin	6.9%	4.2%	3.6%	5.2%	6.5%
Tax rate	30.2%	13.2%	30.0%	30.0%	30.0%
Op NWC/Sales	4.6%	6.1%	6.7%	6.0%	5.1%
Interest coverage x	0.01	0.03	0.01	0.01	0.01
Net Debt/EBITDA x	(2.08)	(1.63)	(1.63)	(1.72)	(1.84)
Debt-to-Equity x	(0.71)	(0.46)	(0.45)	(0.59)	(0.72)
ROIC	75.7%	18.7%	14.9%	27.3%	45.0%
ROCE	24.1%	9.3%	8.8%	13.0%	16.7%
ROACE	32.8%	11.7%	9.1%	13.5%	17.4%
ROE	21.8%	12.0%	9.9%	14.9%	19.0%
Payout ratio	18.1%	0.0%	35.0%	35.0%	35.0%
Per share figures	2019	2020	2021e	2022e	2023e
Number of shares # m	13.72	13.72	13.72	13.72	13.72
Number of shares Fully Diluted # m	13.72	13.72	13.72	13.72	13.72
Average Number of shares Fully Diluted # m	13.72	13.72	13.72	13.72	13.72
EPS stated FD €	0.28	0.17	0.15	0.25	0.35
EPS adjusted FD €	0.34	0.13	0.15	0.25	0.35
EBITDA €	0.43	0.39	0.41	0.56	0.73
EBIT €	0.40	0.26	0.26	0.41	0.58
BV €	1.27	1.53	1.67	1.87	2.14
FCFO €	0.29	0.37	0.27	0.40	0.52
FCFF €	0.15	(0.01)	0.04	0.35	0.46
FCFE €	0.72	0.54	0.05	0.31	0.40
Dividend €	0.05	0.00	0.05	0.09	0.12

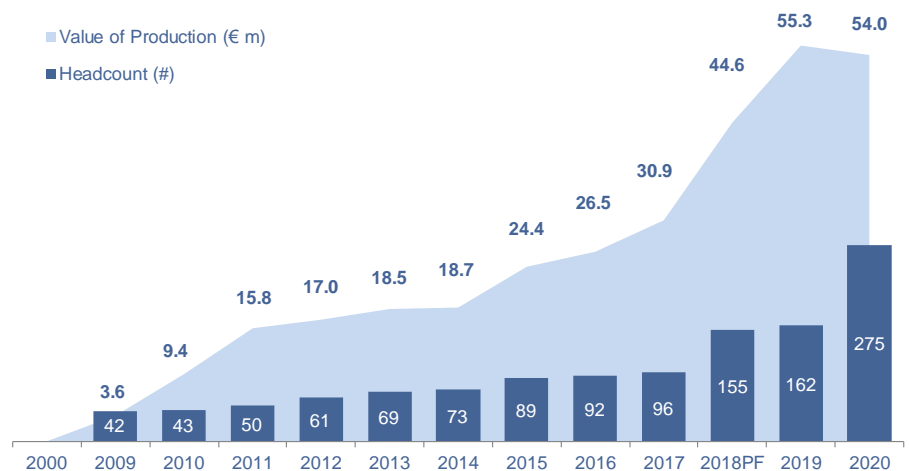


## Pattern in a Nutshell

Founded in 2000 by Fulvio Botto and Francesco Martorella (current group directors and major shareholders with a 34.3% stake each), Pattern is the **second Italian player** (CFO SIM estimate) specialised in **modelling, engineering, grading, prototyping and manufacturing 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. The group **manages the entire engineering and production cycle** from patterns to prototypes, to the creation of ready-to-wear garments and successive productions. **Pattern operates the high value-added engineering and prototyping phases** whilst production is outsourced to a plethora of suppliers ('façonists').

**Pattern operates three plants:** the historical facility of Collegno (Turin) and the acquired production structures of Spello (Perugia) and Correggio (Reggio Emilia), following the acquisition of Roscini Atelier in 2017 and S.M.T. in 2019. **The company has had an outstanding growth path since its establishment:** a **27.9% and 16.5% sales CAGR** in 2009-20 and 2013-20, respectively. Organically, sales CAGR are 22.3% and 8.6%, in the same period.

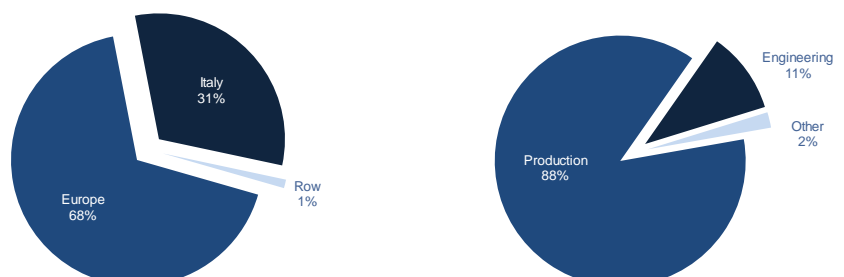
Chart 1 – Pattern, 2000-20 top line and headcount evolution



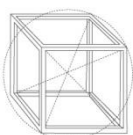
Source: Company data

**Pattern's global export sales reached almost 70% of total revenues.** 88% of revenues come from production while engineering processes account for 11%. **Female apparel contributes to 49% of total** thanks to the acquisition of Roscini Atelier in 2017, whereas male apparel now accounts for some 51% of total revenues. In terms of products, **most of the group's production comes from knitwear**, namely 50% of total, outerwear account for 37% whilst the remainder is represented by upper wear and light wear.

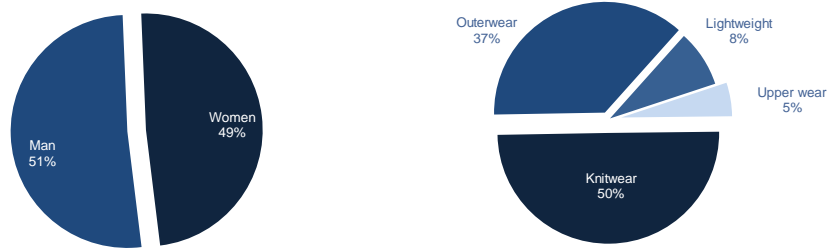
Chart 2 – Pattern, 2020 top line breakdown by geography and service



Source: Company data



**Chart 3 – Pattern, 2020 top line breakdown by gender and products by line**

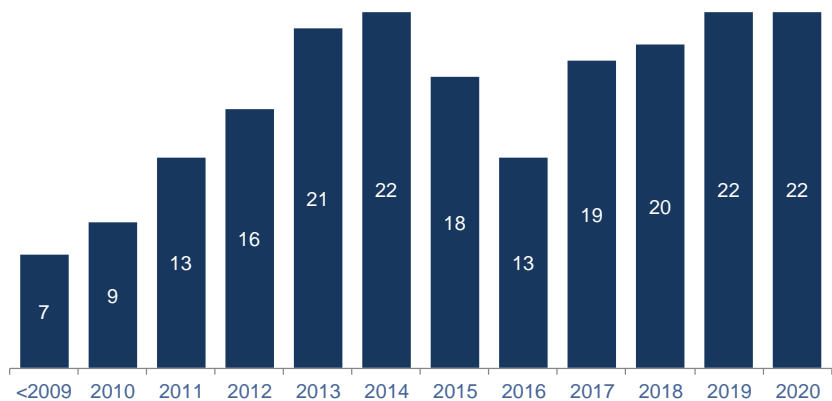


Source: Company data

The group’s reference market is **Luxury Clothing** for men and women. In particular, **Pattern focuses on the segment of "absolute luxury" brands**, players that generally outsource the engineering and production processes to trustworthy third-party suppliers.

**At the end of 2020, Pattern’s portfolio consisted of 22 clients**, among which domestic and global brands operating in the absolute luxury clothing sector. **Customer loyalty is high:** 43% of customers have chosen Pattern as their engineering, developing, producing and technology solution partner for a period between 3-10 years and 10% for a more than 10 years.

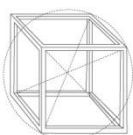
**Chart 4 – Pattern, the group’s active partnership evolution**



Source: Company data

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Since 2015, Pattern has voluntarily been drawing up **sustainability reports** according to the reporting guidelines of the Global Reporting Initiative (GRI Standard), underlining its attention to the *Corporate Social Responsibility* principles. The company is also committed to achieving the objectives set out from the United Nation’s **Sustainability Developments Goals**. The four specific goals are: 1) gender equality, 2) decent work and economic growth, 3) industry innovation and infrastructure and 4) responsible production and consumption. **In an industry where sustainability is increasingly becoming a customer request, Pattern has a strong competitive advantage vs. its competitors.** From the environmental point of view, **Pattern has implemented a five-year plan to become Carbon Neutral by 2022.** Last Dec-20 Pattern achieved a 2020 **ESG Rating, referring to 2019, of level B-**. An exceptional score, almost unique in the fashion world, especially in Italy, higher than the European average of C and higher than the global "Textile & Fabric Goods" global sector average of D.



## Shareholder Structure

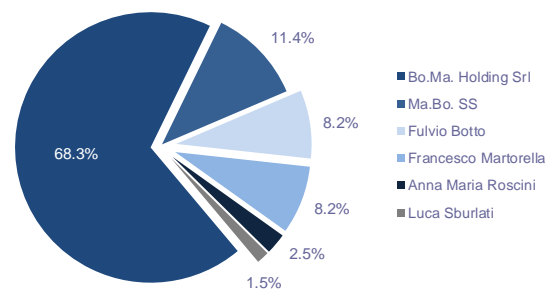
Pattern went public on 17-Jul-19 on AIM Italia with a market capitalisation of € 44.2m and a free float of 24.9%, raised to 28.2% after the exercise of the greenshoe option. Pre-IPO shareholders had an 18-month lock-up.

The IPO encompassed a primary and secondary offering, for a total amount of € 12.5m. The capital increase was € 8.5m, on offer to professional investors. The two founders, Fulvio Botto and Francesco Martorella, who owned 96.0% of Pattern at the time of the IPO (directly and through Bo.Ma. Holding Srl and Ma.Bo. SS), sold € 2.5m.

Moreover, an overallotment greenshoe option was provided by the founders for € 1.5m and it was entirely exercised by the global coordinator on 24<sup>th</sup>-July.

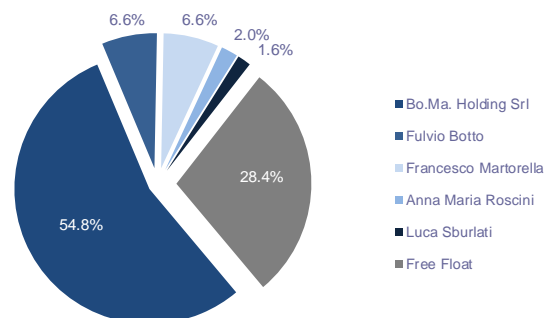
Among the pre-IPO shareholders was also Anna Maria Roscini (previously shareholder of Roscini Atelier) with 2.5% of share capital (2.0% after IPO) and Luca Sburlati (Pattern's CEO) with 1.5% (1.6% after IPO).

Chart 5 – Pattern, shareholder structure Pre-IPO

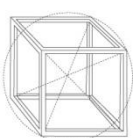


Source: Company data

Chart 6 – Pattern, current shareholder structure



Source: Company data



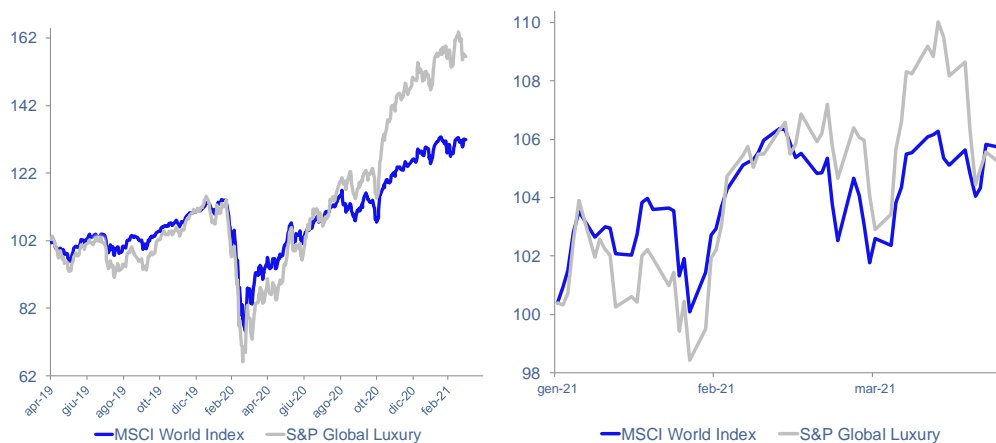


## The Reference Market: Personal Luxury Goods

Pattern operates in the Personal Luxury Goods market, and is positioned in the Luxury Fashion Manufacturing niche of the market. Specifically, the company is the reference partner of the main absolute luxury brands, modelling, engineering, grading, prototyping and producing apparel lines for the top range catwalk collections.

The long-term positive trend in the luxury industry has been disproved in the short run by a similar performance recorded by the **luxury market index (+4.7%)** vs. the **global market (+5.3%)** since the beginning of 2021: the recent turmoil linked to the COVID19 spread has engendered expectations as to a recovery in consumer spending on luxury goods only in the medium term.

Chart 7 – Pattern, luxury market index versus MSCI World – 2Y and YTD

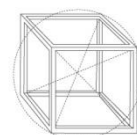


Source: Thomson Reuters Eikon

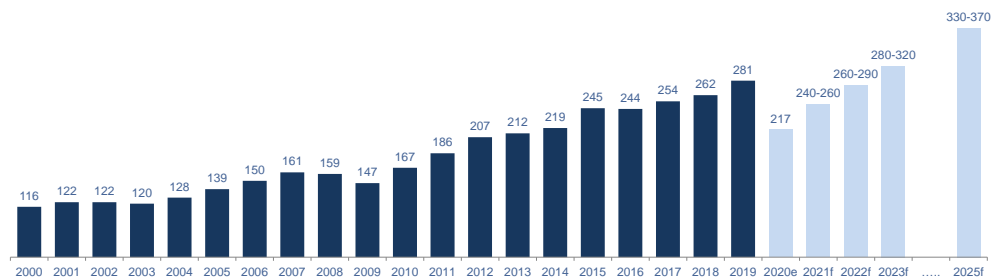
In the last twenty-five years, the global personal luxury goods market has recorded a mid-single digit growth, showing a **CAGR<sub>9%-20e</sub> of +4.5%**. The value of the global luxury goods market is anticipated at **€ 217bn in 2020, down 23% YoY** due to the COVID-19 pandemic, which led to the first decrease in more than ten years. According to Bain – Altgamma, **2021 will be a year of partial recovery**, driven by a positive rebound in macroeconomic fundamentals according to the different geographical areas: APAC, led by China, with the highest real GDP growth and EMEA bouncing back at a higher growth rate (but hit harder in 2020) vs. North America. Furthermore, considering a paced recovery scenario with only 30-45% of 2019 tourist spend, **the global luxury goods market is expected to grow between 13% and 15% in 2021.**

**Recovery of the market to pre-COVID-19 levels is likely to happen between 2022 and 2023**, depending on: 1) real economy trends, 2) consumer confidence in response to the sanitary crisis, recession, and socio-political turmoil and 3) tourism flows. In the coming years the global luxury goods market is expected to grow at a **CAGR<sub>20e-25f</sub> between 9% and 11%, reaching € 330-370bn by 2025.**

Nevertheless, the forced lockdown has highlighted the relevance of digital channels worldwide: **the digitalisation of the entire value chain has become an urgent priority in the global fashion industry.** Several new innovative technologies, not necessarily used before the spread of Coronavirus, are now adopted to set up virtual fashion shows and digital show rooms, sample sign-offs in sourcing offices, livestream commerce and design activities using the latest 3D design tools.



**Chart 8 – Pattern, Personal Luxury Goods – Historical trend, 2020-2025 forecasts**

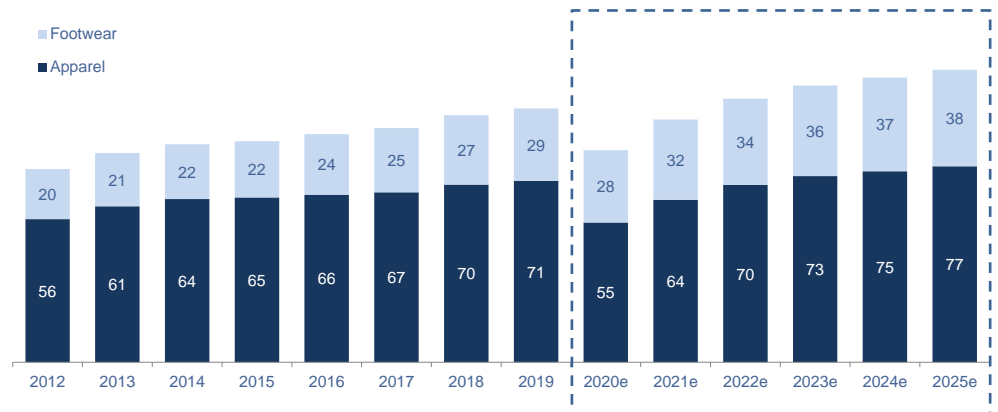


Source: Bain & Company – Altgamma 2020

Pattern is focused on the luxury fashion segment, which accounts for almost 35% of the entire personal luxury goods market and recorded a CAGR<sub>12-19</sub> of 4.0%, reaching € 100bn in 2019, up 3% YoY. We can also break up the luxury fashion segment into Apparel and Footwear, with the first one representing about 70% of the segment.

The luxury fashion segment is anticipated to decline by 16.5% to € 84bn in 2020, of which € 55bn related to the apparel sector (down 22.9% YoY). The CAGR<sub>19-25</sub> is expected at 2.4%, and the segment is anticipated to reach € 115bn in 2025.

**Chart 9 – Pattern, Luxury Fashion – Historical and future trend (€ bn)**



Source: Statista, July 2020

From a geographical point of view, Europe and US are the key markets for personal luxury goods, accounting for 26% and 28% respectively in 2020. In terms of pure consumption, China is the major consumer with 27-29% of market share.

Worthy of note, as the **COVID-19 pandemic has almost completely frozen touristic flows during 2020**, luxury spending was forced to shift from “when travelling” to “at home”. In 2020, domestic purchases are expected to be 80-85% of total vs. 60% in 2019. Even if 2020 was an exceptional year and despite the progressive recovery in tourism, **the luxury market will consolidate its local nature globally in the coming years**: in 2025 domestic purchases are projected at 65-70% of total personal luxury goods purchases. Furthermore, repatriation of spending will occur primarily in Asia vs. more mature countries, increasingly moving the focal point of the luxury market from West to East.

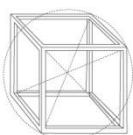
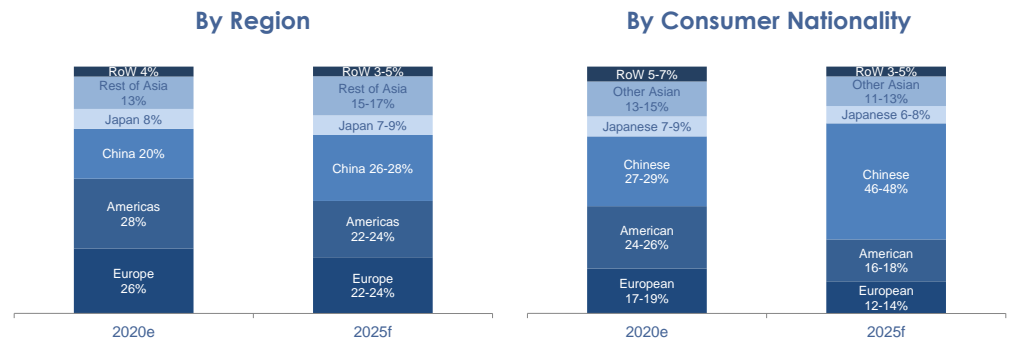




Chart 10 – Pattern, Personal Luxury Goods - Geographical segmentation



Source: Bain & Company – Altagamma 2020

In the next few years, Chinese consumers will continue to increase their purchases both in terms of local consumption and international shopping, despite the current temporary slowdown. **In 2025, 26-28% of global personal luxury goods purchases will take place in China and 46-48% of personal luxury goods consumers worldwide will be Chinese.**

**Nevertheless, Europe and US**, the two geographical areas where top luxury houses are based - among which are the best clients of Pattern's - **still hold a leading positioning in terms of purchases of personal luxury goods.**

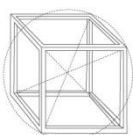
Overall, in the next few years, after the inevitable slowdown linked to the current pandemic, growth will be driven by a few market and macro trends such as **reshoring, casualization, sustainability, millennial / Gen Z shoppers, rebound of China and “Made in Italy”**.

## Made in Italy and Reshoring

**Made in Italy is one of the undisputed key success factors** in the global luxury fashion market. In particular, for apparel and accessories, Italy is considered the most appealing “Made-in market”: according to a survey conducted by Boston Consulting Group, 29% of the interviewees said Italy is the best producer of luxury goods, ahead of France (23%), the USA (12%) and Switzerland (10%). The perception of high-quality standards given by the “Made in Italy” goods has caused about 90 companies operating in the luxury sector to **relocate their production activities from foreign countries to Italy**, over the last three years. The reshoring trend is also driven by other important reasons, such as:

- **Overseas wage inflation:** in the recent years, labour costs have increased significantly in China, Vietnam, Romania, Serbia and other Eastern countries;
- **Logistics costs:** relocating the production activities has allowed companies to minimise the logistics costs and the risk of fluctuation in freight costs and import duties;
- **Time to market:** reshoring reduces delivery time and allows companies to be more flexible, hence, better satisfying customer requests;
- **Public incentives:** some western countries are trying to re-boost their economies by incentivising companies to relocate back to home countries.

With three plants located in Italy, Collegno (Turin), Correggio (Reggio Emilia) and Spello (Perugia), **Pattern is able to provide its clients with best-in-class “Made in Italy” products and services**, appreciated worldwide, as the group in 2020 generated almost 70% of revenues abroad.



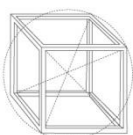
## Rebound of China

As Chinese consumers will resume increasing their purchases both in terms of local consumption and international shopping, **China will remain an undisputed key growth driver** of the fashion industry in the coming years. During the last few years, the preferences of Chinese consumers have changed. Urbanisation, increasingly available income and bargaining power have allowed consumers to value trendy products and tailored initiatives. Furthermore, local consumption is expected to grow rapidly going forward, mainly due to healthier fundamentals:

- **Lower price differentials;**
- **Improved customer experience** also thanks to the increase in online sales;
- **Possible reduced import taxes;**
- Chinese government policies on boosting **internal consumption;**
- **New demand** from growing mid-class and Gen Z.

## Younger Generations and Casualization

Younger generations, especially Gen Y (millennials) and Gen Z, show more and more interest in luxury goods and are more inclined to spend on luxury items, as they are strongly influenced by the urbanisation process and consequently more interested in showing their social status than previous generations were. In 2020, Gen Y represented 44% of personal luxury goods consumers and Gen Z 13%. In 2025, Gen Y is anticipated to reach 45-50% of market share, while Gen Z is expected to drive growth, soaring up to over 20%. Overall, **GenZ and GenY will contribute 180% of market growth up to 2025, making up roughly 2/3 of the market.** This trend has forced brands to evolve and innovate across different dimensions, such as a decrease in formal in favour of casual products, an increase in alternative purchasing channels (e.g. websites, apps, social networks), different communication territories and growing attention on sustainability. In particular, **the casualization of the fashion industry appears to be a significant driving trend in the sector.**



## Competitive Arena, Addressable Market

Pattern's addressable market lies within the **absolute luxury brands apparel segment**. Particularly, the group works alongside the main absolute luxury houses (Burberry, Hermès, Kering, LVMH, PVH) for catwalk collections, focusing on high value-added outerwear, dresses and tailoring. In the absolute luxury niche, the leading brands are progressively increasing outsourcing of the engineering and production processes for the catwalk collections to independent subcontractors. For this reason, **Pattern's strategy is to strengthen its relationships with existing clients and build new ones** with other absolute luxury brands, hoping to **become the market leader in the "Made in Italy" luxury fashion engineering**.

**Table 1 – Pattern, Absolute Luxury Brands, production structure**

Company	Country	Revenues 2020 (FY0) € bn	Apparel on revenues %	Outsourcing	Focused on "Made in Italy"
LVMH <sup>1</sup>	France	44.7	20%	✓	✓
Kering	France	13.1	14%	✓	✓
PVH	USA	5.8	n.a.	✓	✓
Hermès	France	6.4	23%	✓	✓
Ralph Lauren	USA	5.1	n.a.	✓	
Chanel <sup>2</sup>	France	4.6	n.a.		
Prada	Italy	2.4	24%		✓
Burberry	UK	2.9	62%	✓	✓
Hugo Boss	Germany	2.0	n.a.	✓	✓
Piug <sup>3</sup>	Spain	2.0	n.a.		
Richemont <sup>4</sup>	Switzerland	1.3	11%	✓	✓
Ferragamo	Italy	1.0	5%	✓	✓
Valentino	Italy	0.9	n.a.	✓	✓
Cucinelli	Italy	0.5	87%	✓	✓

<sup>1</sup> LVMH revenues relate to the Fashion and Leather Goods segment;

<sup>2</sup> Chanel 2019 revenues relate to estimated "fashion" segment including cosmetics;

<sup>3</sup> 2019 revenues

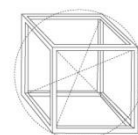
<sup>4</sup> Richemont revenues relate to the "Clothing" segment.

Source: company analysis and estimates on public annual reports

## The Niche of Luxury Fashion Manufacturing

In 2020, the global personal luxury goods market was worth € 217bn, within which the luxury fashion segment was € 84bn, of which € 55bn derives from apparel. **Within the luxury fashion apparel, we can identify the addressable market for Pattern in the range of absolute luxury brands (€ 9bn)**. In order to better define the competitive arena in which the company operates, we have to consider only the part of the market composed of third-party independent subcontractors to which the luxury brands have outsourced the engineering and production of their catwalk collections. By removing the estimated profit margin generated by the luxury fashion apparel houses, the **"Made in Italy" luxury fashion manufacturing market generates annual sales of some € 1bn**.

Pattern mainly operates in the outerwear segment of the market and, thanks to the acquisition of S.M.T., the group entered the knitwear segment, too. Overall, both these segments amount to approximately € 600m. The remaining € 400m comprises of **leather apparel and accessories**. **This portion of the market is seen as a growth opportunity for the company's consolidation and product diversification.**



## Business Model

Pattern is the reference partner of the main absolute luxury brands for modelling, engineering, grading, prototyping and production of garments for catwalk and first lines. Every year Pattern manages some 30 top range collections, running the entire engineering and production cycle, from patterns to prototypes, to the creation of ready-to-wear garments and successive productions.

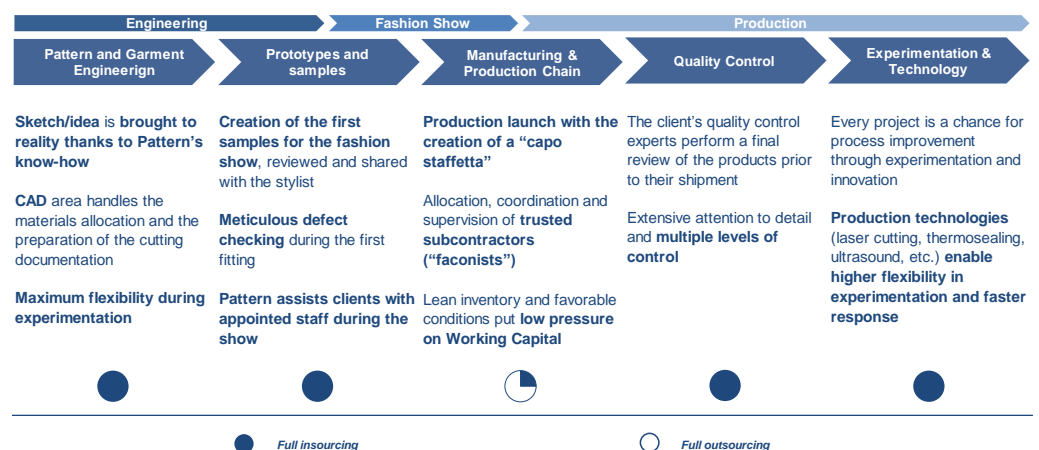
The key success factors of the group's business model can be identified in:

- **Quality:** advanced technologies, highly skilled and committed personnel, full control of the supply chain, attention to sustainability and circular economy;
- **Speed:** using the best-in-class technologies and proven procedures, the company has a superior time-to-market vs. competitors;
- **Flexibility:** vertical integration of the different phases of the value chain, from pattern to production;
- **Reputation:** over 20 years of experience in luxury fashion engineering next to the best-in-class fashion houses.

Pattern has an extremely flexible production structure. The company manages directly every strategic activity from garment engineering to prototype and sample creation, from manufacturing of the "capo staffetta" (a sample to check the garment one last time before production) to quality control.

The group employs one of the largest independent pattern-making and engineering teams worldwide, with more than 40 craftsmen and 40 prototypists. The manufacturing phases are outsourced to a plethora of suppliers ('façonists'), mainly located in Italy, maintaining full control over the entire value chain, thus offering stakeholders a valuable asset-light firm.

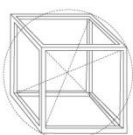
Chart 11 – Pattern, value chain analysis



Source: company data

Pattern's value chain can be explained as follow:

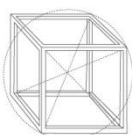
- 1) **Pattern and garment engineering:** thanks to its twenty years of know-how, the company is able to make patterns for the catwalk collection starting from stylist sketches. The stylists' ideas are developed both manually and thanks to the best and newest software and programs. **These activities are carried out internally by dedicated teams** operating in two areas: the technical direction area creates the patterns whilst the CAD area develops the models and the technical documentation used to create the prototypes, and also defines the allocation of raw materials.



- 2) **Prototypes and samples:** Pattern creates the prototype and submits it to the stylist of the fashion house in order to fix any minimum defect. Then, the first sample for the catwalk is produced and shared with the stylist. This phase is **completely internalised**. When required, Pattern also assists clients with appointed staff during the fashion shows.
- 3) **Manufacturing and production chain:** after the fashion show, the client decides which prototypes will be produced and provides Pattern with the production quantities. Pattern launches production by creating the “capo staffetta”, i.e. checking the garment one last time, and then **the bulk of production is outsourced to external façonists**. The suppliers have long-lasting established relationships with Pattern and are located mainly in Italy and Romania. They take care of the cutting, preparation, tacking, sewing, ironing, finishing, testing, tagging and packaging phases. **Pattern directly supervises all the activities outsourced to the façonists**, most of which adhere to the SA8000 Corporate Social Responsibility standards, increasingly requested by customers.
- 4) **Quality Control:** all manufactured products and finished items return to Pattern where they are subjected to strict quality control in order to ensure high quality standards. They are then sent to the client. The company is also able to carry out the checks required by eastern markets as to metal contamination, using X-Ray machines.
- 5) **Experimentation & Technology:** Pattern constantly invests in product and process innovation. Innovative technologies are applied to all phases of the value chain: Product Data Management, CAD software, 3D pattern-making, laser cutting, thermosealing, ultrasound machines. These state-of-the-art production technologies enable higher flexibility in experimentation and faster response to clients.

**Pattern also owns a proprietary brand: ESEMPLARE.** The company uses the brand for its R&D activity, experimenting new fabrics and using the newest manufacturing technologies. Under the Esemplare brand Pattern realises new coats and jackets with innovative techniques, consisting of 100% recycled fibres and no furs or goose down.

All the Esemplare garments are made without traditional seams but using heat-sealed and ultrasonic seams. These are completely waterproof and are realised using a patented innovative technique called “reversed Y” construction. Esemplare can be considered **the best marketing tool for Pattern, as the company is able to show its clients its development capabilities in terms of garment production techniques and highly innovative fabrics.**



## S.M.T. Acquisition

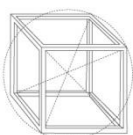
**Pattern bought 51% of S.M.T. for € 5.5m** in Dec-19, indisputably delivering what they promised in the IPO. This fairly paid acquisition in the **knitwear niche** (valued some € 300m), a highly synergic segment in which the group was not present, is the first step to build the Italian leading hub of luxury fashion engineering. **The group enlarged its customer base by adding a few new luxury brands to its portfolio.**

**S.M.T. (Società Manifattura Tessile)**, headquartered in Correggio (Reggio Emilia, Italy), **specialises in prototyping, engineering and production of luxury knitwear**, working with the world's most prestigious luxury brands. Thanks to steady R&D investment and the use of the best-in-class technology and machinery for the knitwear production, the firm is able to satisfy all weaving needs of its clients.

The S.M.T. **business model is pretty similar to Pattern's**: the high-value added engineering and prototyping phases are carried out internally thanks to some 110 employees of which a team of over 20 people dedicated to the development of new customer collections.

**Pattern paid € 5.5m for 51%** of the company, corresponding to **5.8x 2019 EBITDA**. In 2020, S.M.T. revenues reached € 19.0m (€ 18.9m in FY-19), EBITDA was € 2.8m (margin of 14.7% vs. 9.2% reported in FY-18) and neutral NFP (vs. € 3.1m debt in FY-19). S.M.T. was **consolidated as from Jan-20**.

**Last-Feb, Pattern acquired an additional 29% of the company**, rising its shareholding to 80%. This time, the price paid valued 100% of SMT's € 13.4m vs. a valuation of € 10.8m at the time of the acquisition of the 51% stake in Dec-19. In the meantime, S.M.T. has almost zeroed its NFP from € 3.1m (debt) estimated at the time of the acquisition of the first 51% stake. **Its business has also been less sensitive to short-term sector pressure.**

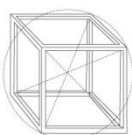




## Strategy

After the outstanding growth path recorded since its establishment, Pattern is now aiming to continue its development and the consolidation of its competitive positioning, with a view to becoming **the market leader in the “Made in Italy” luxury fashion engineering segment**. The Group's growth strategy is based on both organic and external growth, strengthening existing partnerships, gaining new clients among absolute luxury brands and expanding into new segments such as knitwear, leather apparel and accessories. Consistently with its growth path, Pattern's principal strategy is focused on:

- **Continuing with organic growth:** Pattern aims to increase its client portfolio, gaining new partnerships with absolute luxury brands and strengthening the relationships with the existing ones. With the Roscini acquisition the company entered the woman apparel segment and started working with a lot of brands not yet covered, such as Fendi and Hermès. Furthermore, the S.M.T. acquisition allowed Pattern to penetrate the knitwear niche. The potential synergies deriving from the Roscini and S.M.T. integration allow Pattern to exploit cross-fertilisation opportunities.
- **Pursuing external growth opportunities:** the reference market is highly fragmented with a few medium-sized players and a plethora of small local actors. As of today, CFO SIM estimates Pattern is the second Italian player specialised in modelling, engineering, grading, prototyping and production of luxury clothing for men and women, and leader in the outerwear niche. In order to further expand its business and after the S.M.T. acquisition, Pattern is still looking for M&A opportunities among companies operating in different product categories, namely leather apparel and accessories, in addition to a few targets in the production of woman apparel since the risk of production capacity shortage rose significantly after the pandemic.
- **Technological development:** in the last few years, Pattern has invested in prototyping and production technologies. Since 2013, the company has been using the most advanced CAD and PDM versions and working with the main absolute luxury brands and Italian research centres to develop the 3D-CAD technology. They plan to use this technology to demonstrate to their client how the final garment shall look in the prototyping phase. In addition, Pattern is investing in a new innovative warehouse equipped with the RFID blockchain technology able to satisfy the industry's increasing requests for transparency and traceability of products. Total investment for the warehouse is worth € 1.0m.
- **ESEMPLARE:** the proprietary brand is greatly recognised by the market thanks to its sustainable approach and innovative technological solutions used in the production of garments. Pattern intends to continue to use the Esemplare brand as a R&D tool platform for the experimentation of new fabrics and technologies, in order to show its own development capabilities to existing and potential clients. The goal is also to sign new partnerships with the main luxury retail operators (such as the one recently signed with Saks Fifth Avenue in USA).



## Porter's 5 Forces

According to Michael Porter the competitive structure and the degree of attractiveness of an industry are a function of the **simultaneous interaction of the five forces**. Their analysis allows to evaluate the competitive position of a firm within a given industry.

- **Competitors**, intensity of competition.
- **Suppliers**, bargaining power.
- **Customers**, bargaining power.
- Potential new **competitors**.
- **Substitute** products.

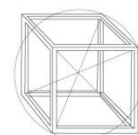
The luxury fashion engineering segment in which Pattern operates is a business that can be labelled as **ATTRACTIVE** and characterized by:

- **A light monopolistic competitive market:** Pattern is a large sized player in a highly fragmented industry with a large number of small local players, which are not direct competitors but rather possible M&A targets. Production capacity is not an issue in this segment, on the back of the great number of sub-suppliers out there. The 360-degree service offered makes the difference: pattern-making, technology developing capabilities, engineering and production planning are key competitive advantages.
- **No issue of weighty suppliers.** Pattern has an extremely flexible production structure. It directly manages every strategic activity (i.e. garment engineering, prototype and sample creation, manufacturing of "capo staffetta", quality control) whilst the manufacturing phases are outsourced to a plethora of *façonists*. The top five goods suppliers account for 17% of total purchases of production goods whilst the top five services suppliers account some 44% of total purchases of production services.
- **Highly-concentrated client base with potentially high bargaining power**, although the client's vertical integration is a rather remote risk. The top five customers make 92% of total sales. On the other hand, 86% of revenues is generated by clients with more than 10 years of loyalty: Pattern is their engineering, developing, producing and technology solution partner.
- **Solid barriers to entry**, represented by craftsman availability and, to a lesser extent, a few technology solutions. Skilled people are scarce but available on the market, as well as technology: the relatively long time needed to develop a structure from scratch might deter possible newcomers. Furthermore, consistent high levels of technology innovation/development as well as compliance with high sustainability standard levels represent defendable entry barriers, corroborated by constant and ongoing R&D investment.
- **The substantial absence of potential substitutes.** Pattern is a leading player specialising in the high-end clothing segment: luxury items are more than lone products; they are emotions and sensations embodied in a dress or in a suit.

Chart 12 – Porter's 5 forces industry summary

Rivalry amongst competitors	Low	A monopolistic competition market rather disciplined Highly fragmented industry, Pattern is a consolidating player Production capacity is not an issue	+	+
Bargaining power of suppliers	Low	Key strategic activities performed in house <i>Façonists</i> availability is generous on the market	+	+
Bargaining power of customers	Medium High	Concentrated client base with potentially high bargaining power Clients ideally can vertically integrate, but they do not Relevant client loyalty: 86% of sales generated by clients with more than 10Y seniority	- +/ +	+/-
Threats of new entrants	Medium Low	People and technology solutions make the selling proposition strong and appreciated... ...however they are eventually available on the market The long time needed to develop a structure from scratch might deter possible new comers	+	+/-
Threats of potential substitutes	Low	Low threat of substitution in static terms, limited cross-elasticity of goods Absolute luxury items communicate emotions and feelings rather than a destination of use Emotional content perception is purchase driver, low price sensitivity	+	+

Source: CFO Sim, Company data



## SWOT Analysis

The SWOT analysis, also known as SWOT Matrix, is a structured planning method used to evaluate the strengths, weaknesses, opportunities and threats involved in a project or in a business venture. A SWOT analysis can be carried out with regard to a product, place, industry or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favorable and unfavorable to achieve that objective.

- **Strengths:** characteristics of the business that give it an advantage over others.
- **Weaknesses:** characteristics that place the business at a disadvantage vs. others.
- **Opportunities:** elements that the project could exploit to its advantage.
- **Threats:** elements in the environment that could cause trouble or be detrimental for the business or project.

The technique is credited to Albert Humphrey, who led a research project at Stanford University between the 60s/70s using Fortune 500 data.

### S.W.O.T. ANALYSIS

#### STRENGTHS

- ❑ **Reference partner of the key absolute luxury brands**
- ❑ **Made in Italy** as primary key success factor in the luxury fashion industry
- ❑ **R&D investment:** innovative fabrics and garment production techniques (**ESEMPLARE**) and advanced **3D pattern-making** technologies
- ❑ Pattern is the **only player ESG rated** in the competitive arena
- ❑ **Flexible manufacturing structure**, low WC pressure, complete selling proposition
- ❑ **Client loyalty:** 43% of 2020 sales stem from clients with 3-10 years of loyalty

#### WEAKNESSES

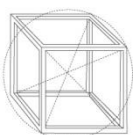
- ❑ **Client concentration:** top 5 clients generated 83% of 2020 sales
- ❑ Management functions in the hands of **few key people**
- ❑ **Supplier concentration:** the top 5 account for 17% and 44% of total purchases of raw materials and services respectively
- ❑ **Limited sustainability certified façonnists** available, mainly in Eastern Europe

#### OPPORTUNITIES

- ❑ **Consolidation opportunities** in the highly-fragmented domestic market
- ❑ **Penetration in new high value-added segments**, such as leather apparel and accessories
- ❑ Increased market attention to **sustainability and circular economy**
- ❑ Growing demand for luxury fashion and products from **younger generations**
- ❑ Growing demand for **casual and high technological content fashion apparel**

#### THREATS

- ❑ Some absolute luxury brands may decide for the **insourcing of the engineering and production process**, even if it is highly unlikely
- ❑ **Shortage of highly skilled and committed personnel** and to a certain extent of **production capacity**
- ❑ The rise of **new engineering and productive technologies**, not implemented by Pattern, may reduce its competitive advantage
- ❑ **Reputational risk:** a negative perception of services provided could impact negatively in the long term
- ❑ **New potential consolidating actors** in the industry with huge fire power (i.e. private equity funds)



## FY-20 Results

In a year fairly hit by the pandemic, Pattern reported organic figures broadly in line with the best performers in the industry. S.M.T.'s consolidation brought in some resiliency compared to the luxury sector as a whole. Profitability came in line with forecasts, as well as NFP. The outlook is promising: as from the second half of the year, the first timid signs of recovery should materialise in the fall-winter 2021-22 season.

**Table 2 – Pattern, FY-20 results summary**

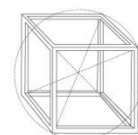
€ m	2020	2019	% YoY	2020e	% Diff.
<b>Revenues</b>	<b>52.6</b>	<b>55.6</b>	<b>(5.4)</b>	<b>52.6</b>	<b>0.1</b>
Increase in finished products	0.2	(0.4)		0.0	
Other revenues	1.3	0.1		0.6	
<b>Value of Production</b>	<b>54.0</b>	<b>55.3</b>	<b>(2.4)</b>	<b>53.2</b>	<b>1.6</b>
Raw material and processing	(15.5)	(16.5)		(14.7)	
Services	(19.0)	(23.0)		(20.0)	
Personnel expenses	(12.4)	(9.2)		(12.0)	
Other opex	(1.7)	(0.7)		(1.1)	
<b>EBITDA</b>	<b>5.4</b>	<b>5.9</b>	<b>(9.4)</b>	<b>5.4</b>	<b>0.5</b>
% margin	10.0	10.7		10.1	
D&A	(1.8)	(0.5)		(1.8)	
<b>EBIT</b>	<b>3.6</b>	<b>5.5</b>	<b>(35.1)</b>	<b>3.5</b>	<b>1.2</b>
% margin	6.6	9.9		6.6	
Financials	(0.1)	(0.1)		(0.1)	
<b>Pre-Tax profit</b>	<b>3.5</b>	<b>5.4</b>	<b>(36.5)</b>	<b>3.5</b>	<b>(0.6)</b>
% margin	6.4	9.8		6.5	
Income taxes	(0.5)	(1.6)		(0.9)	
Tax rate	13.2%	30.2%		30.0%	
Minorities	(0.7)	0.0		(0.6)	
<b>Net Profit</b>	<b>2.3</b>	<b>3.8</b>	<b>(40.1)</b>	<b>2.0</b>	<b>12.4</b>
% margin	4.2	6.9		3.8	
<b>EBITDA Adjusted</b>	<b>4.9</b>	<b>7.2</b>	<b>(32.0)</b>	<b>4.9</b>	<b>0.6</b>
% margin	9.0	13.0		9.1	
<b>EBIT Adjusted</b>	<b>3.1</b>	<b>6.7</b>	<b>(54.4)</b>	<b>3.0</b>	<b>1.4</b>
% margin	5.7	12.2		5.7	
<b>Net Profit Adjusted</b>	<b>1.8</b>	<b>4.7</b>	<b>(62.2)</b>	<b>1.5</b>	<b>16.4</b>
% margin	3.3	8.5		2.9	

Source: Company data, CFO SIM analysis

**Total revenues reached € 52.6m, down 5.6% YoY.** FY-20 results include S.M.T. for 12 months (acquired in Dec-19 and consolidated as from Jan-20). We estimate Pattern's stand-alone sales dropped by almost 33%, broadly in line with the sector. Export accounted for some 70% of total, whereas domestic revenues rose from 12% to more than 30%.

**EBITDA totalled € 5.4m from € 5.9m in 2019,** margin at 10.0% from 10.7%, bang in line with our forecast. The consolidation of S.M.T. brought in a higher contribution margin vs Pattern standalone. As a consequence, also as a result of tight cost discipline, raw material and service costs declined more than proportionally than top line, 5.8% and 17% respectively. The increase in personnel costs was mainly linked to the consolidation of S.M.T. (whose method of production is more labour intensive than Pattern's) and was partially counterbalanced by payroll subsidies and senior management's temporary 20-25% salary cut introduced on a voluntary basis. **EBIT declined to € 3.6m** from € 5.5m as a result of lower EBITDA and the increase in D&A stemming from the consolidation of S.M.T.. EBIT margin stood at 6.6% from 9.9% in 2019. **Net profit totalled € 2.3m, better than our € 2.0m forecast** as a result of a lighter tax rate. The BoD will propose the distribution of a € 0.28 dividend per share.

**Net Financial Position was cash positive by € 8.8m**, down from € 12.4m at end-19, on the back of 1) capex for € 5.1m (€ 2.1m in FY-19), including the € 4.4m residual price paid for the 51% stake of S.M.T. in Mar-20 and 2) dividends for € 0.7m (DPS of € 0.05/s).



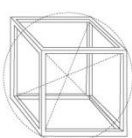
## A new 'competitor' in the market

Last Oct-20, **Vam Investments**, a private equity firm specialising in buyout and growth capital owned by Tages, and **Fondo Italiano d'Investimento** created a new luxury domestic clothing production hub, named **Florence**.

The first three acquisitions in the supply chain were already completed: **Giuntini**, **Ciemmecci Fashion** and **Mely's Maglieria**, all operating in the production of luxury clothing for top Italian and international fashion brands. Florence owns 100% of the three companies and will be controlled at about 65% by the consortium led by Vam Investments and Fondo Italiano d'Investimento, and the remaining 35% will be owned by the founding families of said three companies, which reinvested in the project. Giuntini produces outerwear, Ciemmecci Fashion specialises in the production of leather clothing and Mely's is active in knitwear. The next steps are to enter the jersey fashionwear sector, denim and bags businesses.

**Florence aims to develop a platform for the supply of high-end manufacturing products to luxury brands**, leveraging the valuable characteristics of the family businesses of the Italian artisan tradition, namely the high quality of the product and the ability to guarantee flexibility over time, delivery and in the solutions used. With some € 150m turnover and over 700 employees, Florence is led by CEO Attila Kiss.

The project is pretty the same as that of Pattern, corroborating the group winning strategy started in 2019. However, **Pattern is the only player with a real long-term industrial view, a know-how-based pole** rather than mainly a financial actor aiming at monetising its assets in a reasonable time frame. However, it is common ground that **an additional bidder on the market might put pressure on timing and valuations**, contributing to **increasing the purchase price of possible acquisitions**.



## Outlook, Estimates, Valuation & Risks

**The 2021 outlook is still feeble**, as the markets are expected to suffer and perform a sluggishly in first half of the year, with the exception of the Far East market. H2-21 will be characterised by the first timid signs of recovery in Western economies too, thanks to the roll-out of the vaccination campaigns. **Pattern is one season ahead of what is currently on sale in shops**. That is why production and delivery are more affected by customers' expectations for the next seasons rather than by current in-store sales. Having said that, orders for the next autumn-winter season are anticipated to be on the rise.

**The 2022-23 outlook appears positive**. There will be greater sensitivity to the quality aspects of manufacturing and the sustainability of products and supply chains. This attention could lead to potential reshoring to Italy of activities previously carried out abroad with a consequent expansion of the Made in Italy in the luxury segment to the benefit of Pattern.

Pattern continues to look for **external growth opportunities** for the development of the "Italian Hub of Luxury Fashion Engineering". The crisis has not only exacerbated the need of sector consolidation in order to better face the current situation, competition and demands of international markets. Potential targets in the **knitwear, leather and kids segments** could enlarge the product portfolio through the acquisition of strong brands and the expansion of client base. In order to avoid the risk of production capacity shortage, Pattern could also consider partially internalising production (not exceeding 30% of total).

Following the publication of FY-20 results, we **fine-tuned our model**, already revised at the time of the publication of the preliminary results, last 17-Feb, in order to factor in the acquisition of an additional 29% stake in S.M.T.. **The result in 2021-22 is basically neutral at Net Profit level**, as a consequence of higher-than-expected performance of S.M.T., higher D&A stemming from the increase in the S.M.T. goodwill, lower minorities and the € 2.6m cash out for the stake increase. We also introduced estimates for 2023.

**Table 3 – Pattern, 2021e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
<b>Value of Production</b>	<b>56.3</b>	<b>56.3</b>	(0.0)	<b>(0.0)</b>
<b>EBITDA</b>	<b>5.7</b>	<b>5.9</b>	(2.9)	<b>(0.2)</b>
% margin	10.1	10.4		
<b>EBIT</b>	<b>3.6</b>	<b>4.1</b>	(12.4)	<b>(0.5)</b>
% margin	6.4	7.3		
<b>Net Profit</b>	<b>2.0</b>	<b>2.2</b>	(8.1)	<b>(0.2)</b>
% margin	3.6	3.9		
<b>Y/E net debt (net cash)</b>	<b>(9.3)</b>	<b>(10.9)</b>	(14.8)	<b>1.6</b>

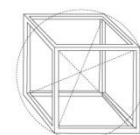
Source: CFO Sim

**Table 4 – Pattern, 2022e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
<b>Value of Production</b>	<b>64.5</b>	<b>64.5</b>	0.0	<b>0.0</b>
<b>EBITDA</b>	<b>7.7</b>	<b>7.7</b>	0.9	<b>0.1</b>
% margin	12.0	11.9		
<b>EBIT</b>	<b>5.7</b>	<b>5.9</b>	(3.4)	<b>(0.2)</b>
% margin	8.8	9.1		
<b>Net Profit</b>	<b>3.4</b>	<b>3.3</b>	1.4	<b>0.0</b>
% margin	5.2	5.1		
<b>Y/E net debt (net cash)</b>	<b>(13.3)</b>	<b>(14.2)</b>	(6.3)	<b>0.9</b>

Source: CFO Sim

Pattern's key strengths in these difficult business conditions are 1) the ability to work on **different areas (men, women and knitwear) 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 flexible manufacturing structure with a large portion of **outsourced production** (80% of variable costs), 5) **low WC pressure**, and 6) an **extremely solid balance sheet**.





We confirm DCF as our valuation methodology rather than a peer-multiple-based appraisal which would overpenalise the stock, overweighting a dramatic period for the industry. As a consequence of the estimate revision, the update in the valuation criteria and the postponement of the first estimated year to 2021, **new PT stands at € 7.00 (€ 6.00), 50.9% upside.** The balance sheet solidity and a cash pile at end-20 allow Pattern to consider another round of acquisitions, adding further appeal to the stock.

## DCF

In the valuation via the DCF method, we assess explicit estimates until 2025 and assume a cautious long-term growth of 1.0%. Cash flows are discounted back at a weighted average cost of capital calculated according to the following parameters:

**Table 5 - 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)	0.86%
Beta levered (x)	1.00
<b>Required ROE</b>	<b>9.9%</b>

Source: CFO Sim, Thomson Reuters Eikon

**Risk premium at 9.0%** factors in the minute size of the company and basically all the AIM Italia market segment related concerns and disquiet that an investor might have. **Beta at 1** has been set prudentially, taking into account the lower liquidity of the company. Indeed, the 5Y Beta calculated using the domestic B2B peer group is 0.80x. **The WACC is computed by using 20:80% debt/equity balance-sheet structure**, thus taking into account some leverage required for the acquisition campaign.

**Table 6 - Pattern, DCF model**

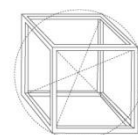
€ k	2021e	2022e	2023e	2024e	2025e	Term. Val.
EBIT	3.6	5.7	8.0	9.2	10.5	
Tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	
<b>Operating profit (NOPAT)</b>	<b>2.5</b>	<b>4.0</b>	<b>5.6</b>	<b>6.4</b>	<b>7.4</b>	
Change working capital	(0.5)	(0.1)	0.0	(0.1)	(0.1)	
Depreciation	2.1	2.1	2.1	1.2	0.3	
Investments	(3.2)	(0.7)	(0.7)	(0.3)	(0.3)	
<b>Free Cash Flows</b>	<b>0.9</b>	<b>5.3</b>	<b>7.0</b>	<b>7.2</b>	<b>7.3</b>	<b>102.5</b>
Present value	0.9	4.7	5.6	5.4	5.0	<b>70.7</b>
WACC	8.2%	8.2%	8.2%	8.2%	8.2%	
<b>Long-term growth rate</b>	<b>1.0%</b>					

Source: CFO Sim

**Table 7 – Pattern, DCF derived from:**

€ m	
Total EV present value € m	92.3
thereof terminal value	76.6%
NFP last reported	8.8
Pension provision	(1.7)
Minorities (valued at acquisition 9.0x PER)	(3.9)
<b>Equity value € m</b>	<b>95.4</b>
#m shares	13.72
<b>Equity value €/s</b>	<b>7.00</b>
% upside/(downside)	50.9%

Source: CFO Sim



By applying our DCF model, we attained an equity value of € 95.4m (€ 7.00/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 € 6.30-7.87/s (perpetuity range between 0.00% and 2.00%), while 2) if compared to changes in the free risk rate, it produces an equity value of € 6.26-7.73/s (free risk range between 1.86% and 0.00%) and 3) if compared to changes in the risk premium, including the small-size premium, it results in an equity value of € 5.68-9.01/s (risk premium range between 11.0% and 7.00%).

**Table 8 – Pattern, equity value sensitivity to changes in terminal growth rate**

€ m	0.00%	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%
Present value of CF	21.8	21.8	21.8	21.8	21.8	21.8	21.8	21.8	21.8
PV of terminal value	61.4	63.5	65.8	68.2	70.7	73.5	76.4	79.6	83.0
<b>Total value</b>	<b>83.2</b>	<b>85.3</b>	<b>87.6</b>	<b>90.0</b>	<b>92.5</b>	<b>95.2</b>	<b>98.2</b>	<b>101.4</b>	<b>104.8</b>
NFP last reported	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Pension provision	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)
Minorities	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)
<b>Equity value</b>	<b>86.4</b>	<b>88.5</b>	<b>90.7</b>	<b>93.1</b>	<b>95.6</b>	<b>98.4</b>	<b>101.3</b>	<b>104.5</b>	<b>107.9</b>
<b>Equity value/share €</b>	<b>6.30</b>	<b>6.45</b>	<b>6.61</b>	<b>6.79</b>	<b>7.00</b>	<b>7.17</b>	<b>7.39</b>	<b>7.62</b>	<b>7.87</b>

Source: CFO Sim

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

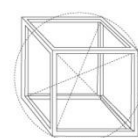
€ m	0.00%	0.11%	0.36%	0.61%	0.86%	1.11%	1.36%	1.61%	1.86%
Present value of CF	22.2	22.2	22.0	21.9	21.8	21.7	21.5	21.4	21.3
PV of terminal value	80.6	79.2	76.2	73.4	70.7	68.2	65.8	63.6	61.4
<b>Total value</b>	<b>102.8</b>	<b>101.4</b>	<b>98.3</b>	<b>95.3</b>	<b>92.5</b>	<b>89.9</b>	<b>87.4</b>	<b>85.0</b>	<b>82.7</b>
NFP last reported adj.	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Pension provision	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)
Minorities	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)
<b>Equity value</b>	<b>106.0</b>	<b>104.5</b>	<b>101.4</b>	<b>98.4</b>	<b>95.6</b>	<b>93.0</b>	<b>90.5</b>	<b>88.1</b>	<b>85.9</b>
<b>Equity value/share €</b>	<b>7.73</b>	<b>7.62</b>	<b>7.39</b>	<b>7.18</b>	<b>7.00</b>	<b>6.78</b>	<b>6.60</b>	<b>6.42</b>	<b>6.26</b>

Source: CFO Sim

**Table 10 – Pattern, equity value sensitivity to changes in risk premium**

€ m	7.00%	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%	11.00%
Present value of CF	22.8	22.6	22.3	22.0	21.8	21.5	21.3	21.1	20.8
PV of terminal value	97.7	89.5	82.5	76.2	70.7	65.8	61.4	57.5	53.9
<b>Total value</b>	<b>120.5</b>	<b>112.1</b>	<b>104.7</b>	<b>98.3</b>	<b>92.5</b>	<b>87.4</b>	<b>82.7</b>	<b>78.6</b>	<b>74.8</b>
NFP last reported adj.	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Pension provision	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)
Minorities	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)
<b>Equity value</b>	<b>123.6</b>	<b>115.2</b>	<b>107.9</b>	<b>101.4</b>	<b>95.6</b>	<b>90.5</b>	<b>85.9</b>	<b>81.7</b>	<b>77.9</b>
<b>Equity value/share €</b>	<b>9.01</b>	<b>8.40</b>	<b>7.86</b>	<b>7.39</b>	<b>7.00</b>	<b>6.60</b>	<b>6.26</b>	<b>5.96</b>	<b>5.68</b>

Source: CFO Sim



## Market Multiples

Pattern operates in the high value-added engineering and design services for luxury apparel with the production outsourced to *façonists*: **the firm 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 as well as wearable technology, watches, jewellery, eyewear and a full line of fragrance products.

**Compagnie Financiere 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, 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.

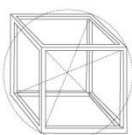
**Kering SA:** a global luxury group, Kering develops an ensemble of luxury houses in fashion, leather goods, jewellery and watches: Gucci, Saint Laurent, Bottega Veneta, Alexandre McQueen, Balenciaga, Ulysse Nardin, etc. The company specialises in ready-to-wear products, sports goods, shoes, jewellery,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

Amongst B2B Italian companies, we selected:

**Eurotech SpA:** it is engaged in the research, development, production, and marketing of miniaturized computers 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; it finally 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 recognized on the market for the high quality of its products. It also has consolidated and continuous relationships with most of its customers.



**Freni 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 11 - Pattern, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR <sub>20-23</sub>	EBITDA CAGR <sub>20-23</sub>	EBIT CAGR <sub>20-23</sub>	EPS CAGR <sub>21-23</sub>	NFP FY1	NFP /EBITDA
Burberry Group PLC	UK	9,378	2,737	636	23.3%	3.4%	1.4%	4.7%	23.4%	(946)	n.m.
Capri Holdings Ltd	US	6,457	3,266	420	12.9%	-3.1%	7.2%	12.0%	73.6%	1,363	3.2
Compagnie Financiere Richemont	F	44,189	12,956	2,521	19.5%	4.5%	8.3%	17.6%	53.0%	(2,742)	n.m.
Hermes International SCA	F	100,480	7,733	3,080	39.8%	14.0%	15.9%	18.2%	14.5%	(5,423)	n.m.
Kering SA	F	74,166	15,353	5,461	35.6%	11.7%	11.2%	14.7%	14.5%	1,305	0.2
LVMH Moet Hennessy Louis Vuitton	F	291,467	56,586	16,537	29.2%	14.6%	16.5%	22.8%	14.3%	16,359	1.0
<b>Median Luxury</b>		<b>59,178</b>	<b>10,345</b>	<b>2,801</b>	<b>26.2%</b>	<b>8.1%</b>	<b>9.8%</b>	<b>16.2%</b>	<b>19.0%</b>	<b>179</b>	<b>1.0</b>
Eurotech SpA	IT	188	80	11	13.5%	16.7%	43.9%	99.3%	112.5%	(15)	n.m.
Fine Foods & Pharmaceuticals	IT	233	216	31	14.1%	16.7%	31.7%	46.9%	14.4%	(35)	n.m.
Freni Brembo SpA	IT	3,651	2,475	458	18.5%	8.5%	13.0%	24.0%	16.1%	292	0.6
Sabaf SpA	IT	271	213	43	20.0%	10.0%	9.0%	13.2%	10.0%	72	1.7
<b>Median domestic B2B</b>		<b>252</b>	<b>215</b>	<b>37</b>	<b>16.3%</b>	<b>13.3%</b>	<b>22.4%</b>	<b>35.5%</b>	<b>15.2%</b>	<b>28</b>	<b>1.2</b>
<b>Pattern SpA</b>	IT	<b>64</b>	<b>56</b>	<b>6</b>	<b>10.1%</b>	<b>12.2%</b>	<b>27.2%</b>	<b>37.5%</b>	<b>54.3%</b>	<b>(9)</b>	<b>n.m.</b>

Source: CFO Sim, Thomson Reuters Eikon

Table 12 - Pattern, peer group EV multiple table

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Burberry Group PLC	3.08	2.73	2.47	13.2	10.5	8.9
Capri Holdings Ltd	2.39	1.75	1.56	18.6	9.4	7.9
Compagnie Financiere Richemont	3.20	2.72	2.47	16.4	12.2	10.3
Hermes International SCA	12.29	11.02	9.76	30.9	27.4	23.3
Kering SA	4.92	4.45	4.17	13.8	12.2	11.2
LVMH Moet Hennessy Louis Vuitton	5.44	4.90	4.44	18.6	16.2	14.3
<b>Median Luxury</b>	<b>4.06</b>	<b>3.59</b>	<b>3.32</b>	<b>17.5</b>	<b>12.2</b>	<b>10.7</b>
Eurotech SpA	2.17	1.61	1.27	16.0	8.8	5.7
Fine Foods & Pharmaceuticals	0.92	n.a.	0.66	6.5	5.0	4.3
Freni Brembo SpA	1.59	1.48	1.34	8.6	7.8	7.0
Sabaf SpA	1.61	1.50	1.37	8.0	7.7	7.0
<b>Median domestic B2B</b>	<b>1.60</b>	<b>1.50</b>	<b>1.31</b>	<b>8.3</b>	<b>7.7</b>	<b>6.3</b>
<b>Pattern SpA</b>	<b>0.97</b>	<b>0.78</b>	<b>0.61</b>	<b>9.6</b>	<b>6.5</b>	<b>4.5</b>
% premium/(discount) to luxury peers	(76.1)	(78.2)	(81.7)	(45.4)	(46.8)	(58.2)
% premium/(discount) to domestic B2B peers	(39.5)	(48.0)	(53.4)	14.8	(15.9)	(29.0)

Source: CFO Sim, Thomson Reuters Eikon

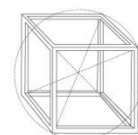
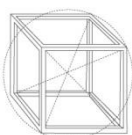


Table 13 - Pattern, peer group EV & price multiple table

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Burberry Group PLC	19.9	16.2	14.1	32.8	24.3	21.6
Capri Holdings Ltd	31.2	12.2	10.1	33.9	13.8	11.2
Compagnie Financiere Richemont	32.0	19.5	15.6	53.9	29.0	23.0
Hermes International SCA	36.3	31.5	27.5	56.7	50.5	43.2
Kering SA	18.0	15.7	14.4	26.7	22.6	20.3
LVMH Moet Hennessy Louis Vuitton	25.2	21.6	19.0	37.1	31.9	28.4
<b>Median Luxury</b>	<b>28.2</b>	<b>17.9</b>	<b>15.0</b>	<b>35.5</b>	<b>26.7</b>	<b>22.3</b>
Eurotech SpA	25.6	11.3	6.8	36.4	12.0	8.0
Fine Foods & Pharmaceuticals	11.7	8.5	7.7	18.0	14.2	13.7
Freni Brembo SpA	15.8	13.5	11.5	20.6	17.7	15.2
Sabaf SpA	13.7	13.2	11.6	15.3	15.1	12.7
<b>Median domestic B2B</b>	<b>14.8</b>	<b>12.2</b>	<b>9.6</b>	<b>19.3</b>	<b>14.6</b>	<b>13.2</b>
<b>Pattern SpA</b>	<b>15.2</b>	<b>8.8</b>	<b>5.7</b>	<b>31.2</b>	<b>18.9</b>	<b>13.1</b>
% premium/(discount) to luxury peers	(46.2)	(50.5)	(62.3)	(12.0)	(29.0)	(41.2)
% premium/(discount) to domestic B2B peers	2.7	(27.8)	(40.9)	62.0	29.6	(0.7)

Source: CFO Sim, Thomson Reuters Eikon

If before this pandemic we were confident in **considering EV/EBITDA, EV/EBIT and PER B2B peer median as the most suitable multiples to get a reasonable appraisal of the stock**, in this context we believe multiple comparison isn't any longer appropriate for our aim. We would overweight a period characterised by a sharp decline in the market and in numbers and consequently penalise the valuation.



## Peer Stock Performance

Pattern was listed on AIM Italia (Alternative Investment Market) on **17 July 2019 at € 3.25/share**, corresponding to a **post-money market cap. of € 44.2m**. Adopting the same approach used in setting up the peer sample for assessing the value of Pattern, 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 14 - Pattern, peer group and indexes absolute performance**

	1D	1W	1M	3M	6M	YTD	1Y
Burberry Group PLC	0.5	3.5	1.3	8.4	26.4	11.1	42.6
Capri Holdings Ltd	0.7	1.8	(5.8)	18.8	147.6	20.8	296.7
Compagnie Financiere Richemont	(1.5)	3.2	4.5	17.1	50.2	16.5	68.9
Hermes International SCA	(1.3)	0.8	2.8	9.6	25.7	8.2	54.1
Kering SA	(0.5)	3.3	2.7	3.1	1.7	(0.2)	24.3
LVMH Moët Hennessy Louis Vuitton	0.1	4.0	4.4	14.9	40.5	13.0	67.5
<b>Median Luxury</b>	<b>(0.2)</b>	<b>3.3</b>	<b>2.8</b>	<b>12.3</b>	<b>33.4</b>	<b>12.1</b>	<b>60.8</b>
Eurotech SpA	(1.5)	1.4	7.1	0.9	37.7	2.8	(6.0)
Fine Foods & Pharmaceuticals	2.5	12.2	14.8	17.5	24.5	18.1	24.0
Freni Brembo SpA	0.6	3.6	3.8	1.6	18.9	1.2	72.9
Sabaf SpA	(0.4)	1.7	14.6	53.6	69.7	56.1	135.5
<b>Median domestic B2B</b>	<b>0.1</b>	<b>2.7</b>	<b>10.9</b>	<b>9.6</b>	<b>31.1</b>	<b>10.5</b>	<b>48.5</b>
<b>Pattern SpA</b>	<b>(3.1)</b>	<b>(3.1)</b>	<b>(1.7)</b>	<b>5.7</b>	<b>25.4</b>	<b>16.0</b>	<b>26.1</b>
MSCI World Index	(0.9)	2.9	5.2	16.9	43.6	15.2	59.4
EUROSTOXX	(1.3)	0.8	2.8	9.6	25.7	8.2	54.1
FTSE Italia All Share	(0.5)	3.3	2.7	3.1	1.7	(0.2)	24.3
FTSE STAR Italia	0.1	4.0	4.4	14.9	40.5	13.0	67.5
FTSE AIM Italia	(1.5)	3.2	4.5	17.1	50.2	16.5	68.9

Source: Thomson Reuters Eikon

**Table 15 – Pattern relative performances**

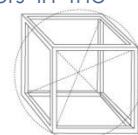
	1D	1W	1M	3M	6M	YTD	1Y
to MSCI World Index	(2.3)	(6.1)	(6.9)	(11.2)	(18.2)	0.8	(33.3)
to EUROSTOXX	(1.8)	(4.0)	(4.5)	(3.9)	(0.3)	7.8	(28.1)
to FTSE Italia All Share	(2.6)	(6.4)	(4.4)	2.6	23.7	16.2	1.8
to FTSE STAR Italia	(3.2)	(7.2)	(6.1)	(9.2)	(15.1)	3.0	(41.5)
to FTSE AIM Italia	(1.6)	(6.4)	(6.2)	(11.4)	(24.8)	(0.5)	(42.8)
to Domestic B2B Peer Median	(3.2)	(5.8)	(12.5)	(3.9)	(5.7)	5.5	(22.4)
to Luxury Peer Median	(2.9)	(6.4)	(4.5)	(6.6)	(8.0)	3.9	(34.8)

Source: Thomson Reuters Eikon

## Risks

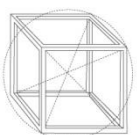
The principal investment **risks** associated with Pattern include:

- high level of client concentration;
- loss of reputation among clients;
- 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 in the industry with huge firepower (i.e. private equity funds)





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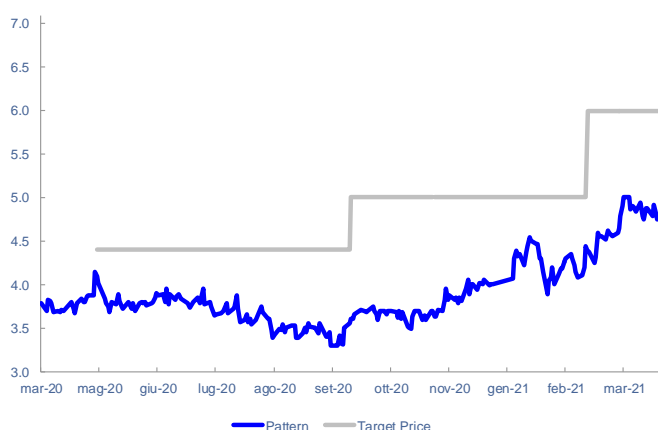
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DATE	TARGET PRICE	RATING
08/04/2021	€7.00	BUY
26/02/2021	€6.00	BUY
17/02/2021	€6.00	BUY
28/09/2020	€5.00	BUY
28/04/2020	€4.40	NEUTRAL
25/03/2020	U.R.	BUY

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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.

