

Italy – Luxury Engineering

Ready to bolster as leading reliable partner for luxury brands

30th March 2023

FY-22 RESULTS RELEASE

RIC: PTRN.MI
BBG: PTR IM

Pattern reported FY-22 results better than our forecasts both in terms of top line and EBITDA. Following the disposal of the business unit dedicated to Burberry's products, Pattern will be focused on consolidating its leading position in the luxury engineering and production segment.

Rating:

Neutral (Buy)

Price Target:

€ 7.80

Upside/(Downside): 8.0%

Last Price: € 7.22

Market Cap.: € 103.0m

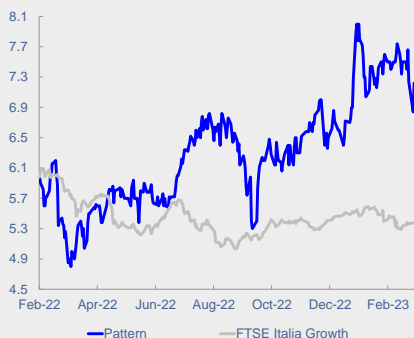
1Y High/Low: € 8.06 / € 5.10

Avg. Daily Turn. (3M, 6M): € 61k, € 36k

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
Absolute	-3.7%	7.1%	34.2%
Rel.to FTSE IT Growth	-3.2%	5.4%	46.0%
Rel.to Sector	-5.9%	-13.1%	15.2%

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Estimates updated, DCF-based PT confirmed at € 7.80/s: Neutral (Buy)

Following FY-22 results and the disposal of the Burberry BU, we have updated our model by factoring in: 1) the deconsolidation of the BU starting from Oct-23, 2) the cash-in stemming from the transaction, 3) the payment of an extraordinary DPS of € 0.17 and 4) € 6.5m capex for a new production plant in Turin. The combined result is an average 6.7%, 15.6% and 27.8% cut in revenues, EBITDA and Net Profit in 2023-24. We have also introduced 2025 projections. Moreover, we updated our DCF valuation criteria by bringing the free risk rate up to date. As a combined result, the PT is unchanged at € 7.80/s, 8.0% upside. The limited upside to current prices led us to downgrade to Neutral (Buy).

Revenues up by 57.1% YoY to € 109.2m

In 2022, revenues totalled € 109.2m, up by 57.1% YoY (€ 69.5m in 2021) also thanks to the acquisitions finalised in 2022. The figure is 12.4% higher than our estimate of € 97.2m, mainly as a result of 1) a better than anticipated performance of the leather goods segment, and to a lesser extent 2) the two months consolidation of D-Holding, consolidated only as of 2023 in our figures. In detail, the knitwear segment grew by 35% YoY (+23% vs FY-21PF) while the clothing segment rose by 13.9% (+11% vs FY-21PF). The leather goods segment also reported significant growth, +70% YoY compared to FY-21PF.

EBITDA margin at 10.1% (10.6% in 2021). NFP reached € 13.9m debt due to M&As

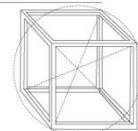
EBITDA was € 11.1m, 10.1% margin, up by 44.6% YoY (€ 7.7m, 10.6% margin in 2021). The decrease in margins is mainly due to a higher impact of costs of services as a consequence of increasing energy costs and consultancy fees stemming from the M&A deals. EBIT stood at € 6.9m, 6.2% margin (€ 5.3m, 7.3% margin in 2021), after D&A raised to € 4.2m (€ 2.4m in 2021) mainly as a consequence of the consolidation of the companies acquired and the purchase of the plant in Spello. Net Profit attributable to the group was € 2.6m, 2.3% margin, compared to € 3.0m, 4.1% margin, in 2021, as a result of increasing minority interests to € 1.5m (€ 0.7m in 2021) due to the significant net profit of the subsidiaries operating in the knitwear and leather goods segments. NFP increased to € 13.9m debt, compared to € 3.1m cash at end-21, as a consequence of the M&A activity.

Disposal of Turin-based business unit dedicated to Burberry

On 27-Mar-23, Pattern signed a binding agreement for the sale to Burberry Limited of the Turin's plant business unit dedicated to the engineering and production of the Burberry products for € 21m. The business unit is composed by 70 employees and, in 2022, generated revenues of € 25.0m with EBITDA equal to € 3.7m. Pattern intends to use the proceeds to: 1) finance further M&A deals, 2) build a new group headquarter in Turin and 3) eventually distribute an extraordinary dividend.

Pattern, key financials and ratios

€ m	2021	2022	2023e	2024e	2025e
Value of Production	72.5	110.4	134.4	127.7	137.2
EBITDA	7.7	11.1	13.8	15.2	16.6
EBIT	5.3	6.9	9.6	10.7	12.1
Net profit	3.0	2.6	4.3	4.5	5.3
NFP (cash)/debt	(3.1)	13.9	5.9	3.6	(0.6)
EBITDA margin	10.6%	10.1%	10.3%	11.9%	12.1%
EBIT margin	7.3%	6.2%	7.2%	8.4%	8.8%
EPS	0.21	0.18	0.30	0.32	0.37
EPS growth	29.5%	-15.2%	64.3%	6.1%	78.1%
Dividend	0.08	0.17	0.10	0.11	0.13
Dividend Yield	1.2%	2.3%	1.4%	1.5%	1.8%
ROCE	10.9%	10.0%	10.5%	11.2%	12.2%
NWC/Sales	8.2%	10.3%	13.2%	12.7%	12.1%
Free Cash Flow Yield	-4.5%	-15.2%	-10.0%	3.9%	5.3%
PER x	23.7	33.2	24.2	22.8	19.3
EV/Sales x	0.98	0.92	0.81	0.84	0.75
EV/EBITDA x	8.8	9.0	7.9	7.0	6.2
EV/EBIT x	12.9	14.5	11.3	10.0	8.4





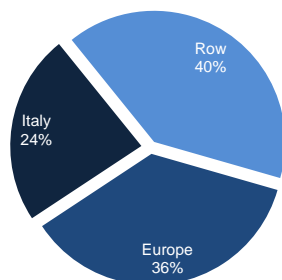
The company at a glance

Founded in 2000 by Fulvio Botto and Francesco Martorella, Pattern is a leading domestic player 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 partially outsourced to a plethora of suppliers.

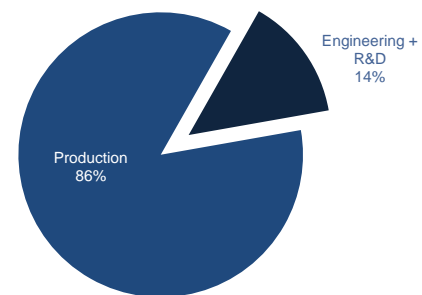
Since 2017, Pattern has been embarking on an external growth process, with the acquisition of Roscini (luxury womenswear) in 2017, S.M.T. (luxury knitwear) in 2019, Idee Partners (luxury leather goods) in 2021, and Zanni (wholegarment knitwear manufacturing technique), RGB (luxury leather goods accessories), Dyloan (luxury technology R&D and production) and Nuova Nicol (luxury knitwear for women) in 2022, thus creating the first 'Italian hub of luxury fashion engineering & production'. Pattern's global export sales reached 76% of total revenues. 86% of revenues come from production while engineering and R&D processes account for 14%. In terms of products, most of the group's production comes from ready to wear, namely 40% of the total, knitwear accounts for 30% and leather goods for 25%.

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 2022, value of production was € 110.4m, EBITDA was € 11.1m, 10.1% margin. EBIT stood at € 6.9m and Net Income totalled € 2.6m. NFP was € 13.9m debt, 1.2x NFP/EBITDA, following the recent M&A campaign.

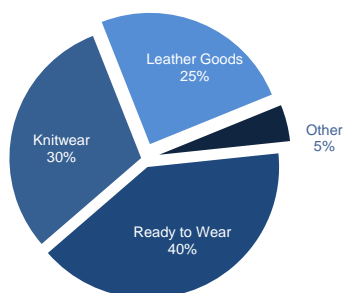
2022 breakdown by geography...



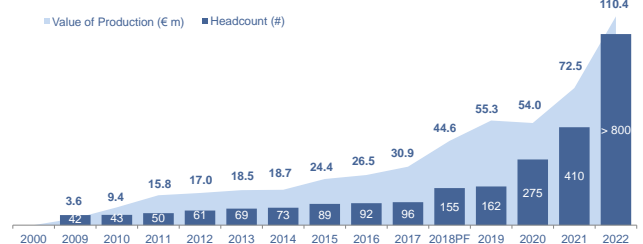
... by service...



...and by product line



Top line and headcount evolution



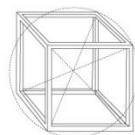
Peer group multiples table

EV multiples x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
Burberry Group PLC	2.77	2.50	2.29	9.4	8.4	7.7	14.0	12.4	11.1
Capri Holdings Ltd	1.82	1.68	0.88	6.4	6.0	4.3	7.7	7.2	5.2
Compagnie Financiere Richemont SA	3.64	3.30	2.99	11.5	10.5	9.4	14.8	13.3	11.8
Hermes International SCA	13.77	12.22	11.13	30.3	26.8	24.3	34.1	30.1	27.2
Kering SA	3.34	2.98	2.72	9.5	8.4	7.5	12.1	10.6	9.5
LVMH Moet Hennessy Louis Vuitton SE	4.83	4.35	4.06	14.4	12.9	11.8	17.9	15.9	14.2
Median Luxury	3.49	3.14	2.85	10.5	9.4	8.5	14.4	12.9	11.4
Brembo SpA	1.23	1.12	0.98	7.1	6.3	5.5	11.3	9.8	8.3
Eurotech SpA	1.03	0.74	n.a.	8.8	4.1	n.a.	15.2	5.4	n.a.
Fine Foods & Pharmaceuticals NTM SpA	0.88	0.92	0.71	10.8	8.3	5.5	77.3	19.6	10.7
Sabaf SpA	0.99	0.90	0.81	5.7	4.8	4.1	9.7	7.8	6.5
Median domestic B2B	1.01	0.91	0.81	7.9	5.6	5.5	13.3	8.8	8.3
Pattern SpA	0.81	0.84	0.75	7.9	7.0	6.2	11.3	10.0	8.4

Sources: CFO SIM, Refinitiv Eikon



Income statement (€ m)	2021	2022	2023e	2024e	2025e
Revenues	69.5	109.2	134.1	127.4	136.9
Value of Production	72.5	110.4	134.4	127.7	137.2
Raw material and processing	(22.3)	(28.4)	(34.3)	(30.6)	(32.9)
Services	(25.6)	(42.3)	(51.7)	(48.5)	(52.1)
Personnel expenses	(15.2)	(25.4)	(30.6)	(30.8)	(32.8)
Other opex	(1.8)	(3.2)	(4.0)	(2.6)	(2.7)
EBITDA	7.7	11.1	13.8	15.2	16.6
D&A	(2.4)	(4.2)	(4.2)	(4.5)	(4.4)
EBIT	5.3	6.9	9.6	10.7	12.1
Financials	(0.1)	(0.3)	(0.2)	(0.2)	(0.2)
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	5.1	6.6	9.5	10.5	12.0
Income taxes	(1.5)	(2.5)	(2.8)	(3.2)	(3.6)
Minorities	(0.7)	(1.5)	(2.4)	(2.9)	(3.1)
Net Profit	3.0	2.6	4.3	4.5	5.3
Net Profit adj.	3.0	2.6	4.3	4.5	5.3
EBITDA Adjusted	7.7	11.1	13.8	15.2	16.6
Balance sheet (€ m)	2021	2022	2023e	2024e	2025e
Net Working Capital	5.9	11.3	17.7	16.2	16.7
Net Fixed Assets	17.6	35.7	43.8	46.2	45.7
Equity Investments	0.3	1.1	1.1	1.1	1.1
Other M/L Term A/L	(1.8)	(4.7)	(5.1)	(5.4)	(5.8)
Net Invested Capital	22.0	43.5	57.5	58.1	57.7
Net Financial Debt	(3.1)	13.9	5.9	3.6	(0.6)
Minorities	2.2	4.8	7.2	10.1	13.1
Group's Shareholders Equity	22.9	24.8	44.3	44.5	45.2
Financial Liabilities & Equity	22.0	43.5	57.5	58.1	57.7
Cash Flow statement (€ m)	2021	2022	2023e	2024e	2025e
Total net income	3.0	2.6	4.3	4.5	5.3
Depreciation	2.4	4.2	4.2	4.5	4.4
Other non-cash charges	(0.2)	4.6	(0.1)	0.4	0.1
Cash Flow from Oper. (CFO)	5.2	11.4	8.3	9.4	9.9
Change in NWC	(2.6)	(5.4)	(6.4)	1.5	(0.5)
FCF from Operations (FCFO)	2.6	6.1	2.0	11.0	9.4
Net Investments (CFI)	(7.2)	(21.7)	(12.2)	(6.9)	(3.9)
Free CF to the Firm (FCFF)	(4.7)	(15.7)	(10.3)	4.0	5.5
CF from financials (CFF)	3.9	9.5	18.1	(1.0)	(1.1)
Free Cash Flow to Equity (FCFE)	(0.8)	(6.2)	7.9	3.0	4.4
Financial ratios	2021	2022	2023e	2024e	2025e
EBITDA margin	10.6%	10.1%	10.3%	11.9%	12.1%
EBIT margin	7.3%	6.2%	7.2%	8.4%	8.8%
Net profit margin	4.1%	2.3%	3.2%	3.5%	3.9%
Tax rate	28.5%	38.4%	30.0%	30.0%	30.0%
Op NWC/Sales	8.2%	10.3%	13.2%	12.7%	12.1%
Interest coverage x	0.02	0.04	0.02	0.01	0.01
Net Debt/EBITDA x	(0.40)	1.25	0.43	0.23	(0.03)
Debt-to-Equity x	(0.13)	0.56	0.13	0.08	(0.01)
ROIC	13.6%	6.0%	7.4%	7.8%	9.2%
ROCE	10.9%	10.0%	10.5%	11.2%	12.2%
ROACE	12.1%	11.8%	12.0%	11.4%	12.4%
ROE	13.1%	10.5%	9.6%	10.2%	11.8%
Payout ratio	38.8%	91.5%	35.0%	35.0%	35.0%
Per share figures	2021	2022	2023e	2024e	2025e
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 #	13.99	14.26	14.26	14.26	14.26
EPS stated FD €	0.21	0.18	0.30	0.32	0.37
EPS adjusted FD €	0.21	0.18	0.30	0.32	0.37
EBITDA €	0.55	0.78	0.97	1.06	1.16
EBIT €	0.38	0.48	0.68	0.75	0.85
BV €	1.76	2.08	3.61	3.82	4.09
FCFO €	0.18	0.42	0.14	0.77	0.66
FCFF €	(0.33)	(1.10)	(0.72)	0.28	0.39
FCFE €	(0.06)	(0.44)	0.55	0.21	0.31
Dividend €	0.08	0.17	0.10	0.11	0.13

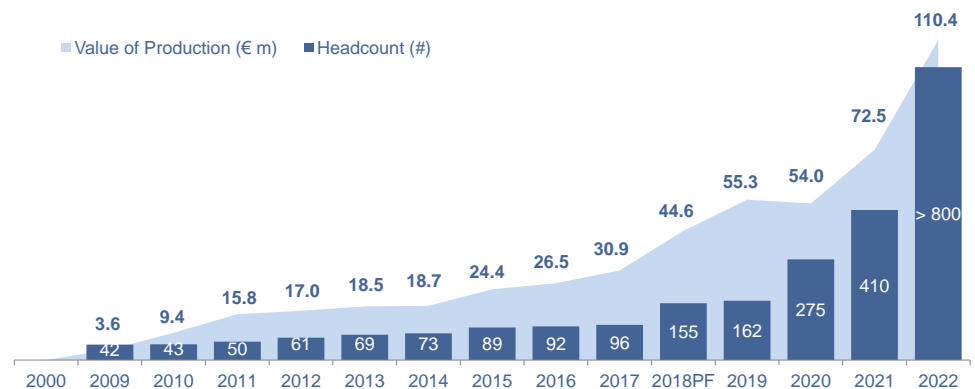


Pattern in a Nutshell

Founded in 2000 by Fulvio Botto and Francesco Martorella, Pattern is a leading **Italian player** 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 runs the high value-added engineering and prototyping phases** whilst production is partially outsourced to a plethora of suppliers ('façonists').

The group has shown outstanding growth since its establishment: a 30.1% sales CAGR in 2009-22. In 2022, value of production was € 110.4m, EBITDA was € 11.1m, 10.1% margin. EBIT stood at € 6.9m and Net Income totalled € 2.6m. NFP was € 13.9m debt, 1.2x NFP/EBITDA, following the recent M&A campaign.

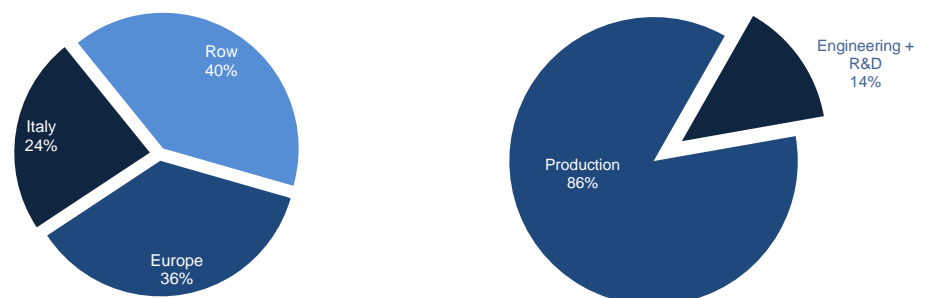
Chart 1 – Pattern, 2000-22 top line and headcount evolution



Source: Company data

Pattern's global export sales reached 76% of total revenues. 86% of revenues come from production while engineering and R&D processes account for 14%. **Female apparel contributes to 60% of total**, also thanks to the acquisition of Roscini Atelier in 2017, whereas male apparel accounts for 40% of total revenues. In terms of products, **most of the group's production comes from ready to wear**, 40% of the total, knitwear accounts for 30% and leather goods for 25%.

Chart 2 – Pattern, 2022 top line breakdown by geography and service



Source: Company data

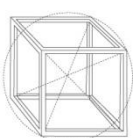


Chart 3 – Pattern, 2022 top line breakdown by gender and product line

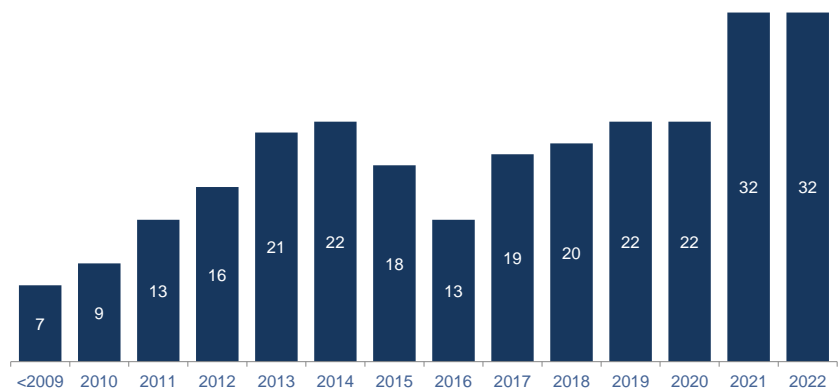


Source: Company data

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.

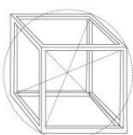
At the end of 2022, Pattern's portfolio consisted of 32 customers, including domestic and global brands operating in the absolute luxury clothing sector. **Customer loyalty is high:** 36% of customers have chosen Pattern as their engineering, developing, producing and technology solution partner for a period of between 3-10 years and 44% for a more than 10 years.

Chart 4 – Pattern, the group's active partnership evolution



Source: Company data

Since 2015, Pattern has been voluntarily drawing up **sustainability reports** according to the reporting guidelines of the Global Reporting Initiative (GRI Standard), highlighting its attention to the *Corporate Social Responsibility* principles. The company is also committed to achieving the objectives set out in 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 requested by customers, Pattern has a strong competitive advantage over its competitors.** From an environmental point of view, **Pattern has implemented a five-year plan to become Carbon Neutral by 2023.** Pattern achieved a 2022 **ESG Rating of level C referring to 2021.** In addition, CDP has confirmed Pattern's SER (Supplier Engagement Rating) rating at B-, which strengthens the valuable efforts made by the company to inspire supply chain engagement on climate issues.

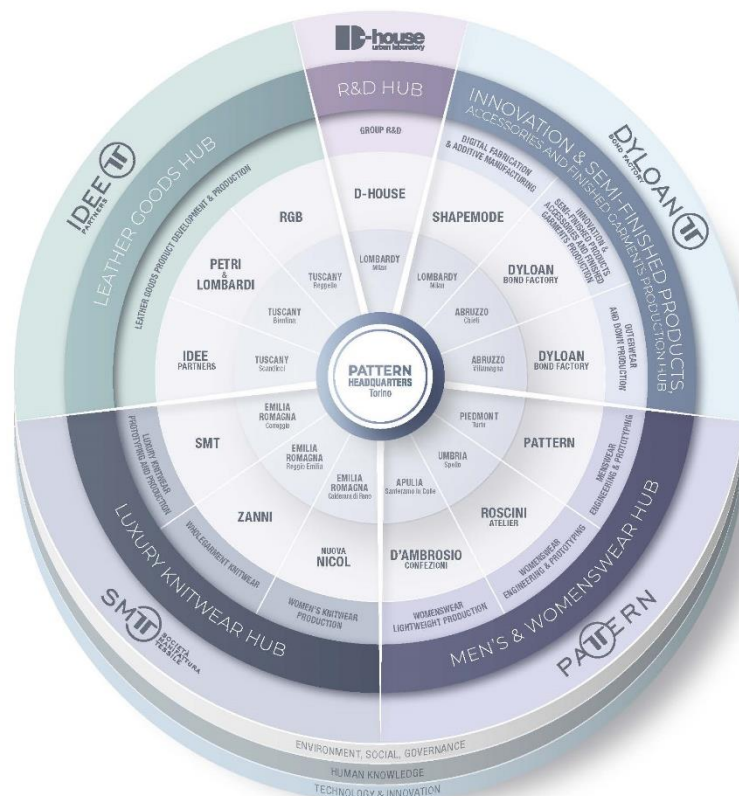


The Italian hub of luxury fashion engineering & production

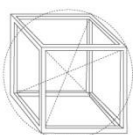
As of today, Pattern is becoming ever more **the main Italian hub of luxury fashion engineering & production**, operating with five 'sub-hubs' focused on specific niches:

- 1) The **Hub of R&D**, headed by **D-house**, an urban innovation and research laboratory based in Milan;
- 2) The **Hub of Innovation and Production** of semi-finished and finished garments as well as accessories, composed of **Dyloan Bond Factory**, based in Abruzzo, and **ShapeMode**, based in Milan and specialised in Digital Fabrication & Additive Manufacturing;
- 3) The **Hub of Menswear and Womenswear**, namely **Pattern** in Piedmont, **Roscini Atelier** in Umbria and **D'Ambrosio Confezioni** in Apulia;
- 4) The **Hub of Luxury Knitwear** in Emilia Romagna, composed of **S.M.T.**, **Zanni** and **Nuova Nicol**;
- 5) The **Hub of Leather Goods** in Tuscany, with **Idee Partners**, **RGB** and **Petri & Lombardi**.

Chart 5 – Pattern, the Italian hub of luxury fashion engineering & production



Source: Company data



Business Model & Strategy

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.

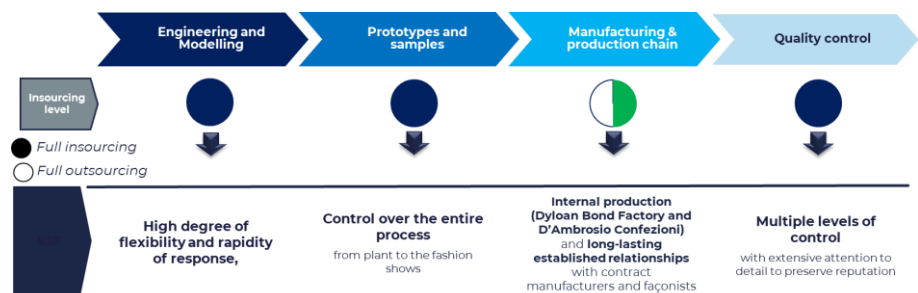
The key success factors of the group's business model can be identified in:

- **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 better time-to-market than its 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 alongside the best-in-class fashion houses.

Pattern has an extremely flexible production structure. The company directly manages 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 partly internally managed thanks to Dyloan Bond Factory and D'Ambrosio Confezioni and partly 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 company.

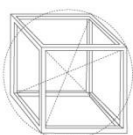
Chart 6 – Pattern, business model



Source: company presentation

Pattern's value chain can be explained as follow:

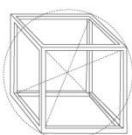
- 1) **Pattern and garment engineering:** thanks to its twenty years of know-how, the company is able to make patterns for catwalk collections starting from stylists' sketches. Stylist ideas are developed both manually and using the best and newest software and programs. **These activities are carried 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 minute defects. Then, the first sample for the catwalk is produced and shared with the stylist. This phase is **completely internalised**. When required, Pattern also assists customers with appointed staff during the fashion shows.
- 3) **Manufacturing and production chain:** after the fashion show, the customer decides which prototypes will be produced and provides Pattern with the production quantities. **Pattern produces both internally**, thanks to Dyloan Bond Factory and D'Ambrosio Confenzioni, **as well as outsources part of the production 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 subject to strict quality control in order to ensure high quality standards. They are then sent to the customer. The company is also able to carry out the checks required by eastern markets such as 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 times to customers.

Following 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**, namely strengthening the **Italian Hub of Luxury Fashion Engineering & Production**. In line with its growth path, Pattern’s principal strategy is focused on:

- **Continuing with organic growth:** Pattern aims to increase its customer portfolio, gaining new partnerships with absolute luxury brands and strengthening the relationships with the existing ones. After the acquisition of S.M.T., Zanni and Nuova Nicol in the knitwear segment, IDEE Partners, RGB and Petri & Lombardi in the leather niche, and Dyloan, focused in R&D and innovative production technologies for the luxury brands, **Pattern is one of the few industry players able to internally manage several product categories** (fabric, knitwear, leather and accessories) **and hybrids**, complex garments made from different materials and through various processes.
- **Pursuing external growth opportunities:** the reference market is highly fragmented with a few medium-sized players and a plethora of small local players. In order to further expand its business and after the recently-completed acquisitions, Pattern is still looking for M&A opportunities among companies operating in different product categories.
- **Technological development:** in the last few years, Pattern has invested in prototyping and production technologies, namely 3D virtual prototyping to demonstrate to their customers how the final garment shall look in the prototyping phase. In addition, Pattern set up a new innovative warehouse equipped with the RFID blockchain technology able to satisfy the industry’s increasing requests for product transparency and traceability.



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 favourable and unfavourable to achieving 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 use to its advantage.
- **Threats:** elements in the environment that could cause harm 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:** innovative fabrics, advanced production techniques and cutting-edge **3D pattern-making** technologies
- ❑ **Internal production capacity** thanks to Dyloan and D'Ambrosio Confezioni
- ❑ Pattern is the **only ESG-rated player** in the competitive arena
- ❑ **Flexible manufacturing structure**, low WC pressure, complete offer
- ❑ **High customer loyalty**

WEAKNESSES

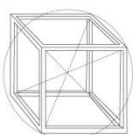
- ❑ Management functions in the hands of a **few key people**
- ❑ A certain **customer and supplier concentration**
- ❑ **Limited sustainability certified façonnists** available, now mitigated by the internal production capacity

OPPORTUNITIES

- ❑ **Consolidation opportunities** in the highly-fragmented domestic market
- ❑ Growing demand for **casual and high technological content fashion apparel**
- ❑ Increased market attention to **sustainability and circular economy**
- ❑ Growing demand for luxury fashion and products from **younger generations**

THREATS

- ❑ Some absolute luxury brands may decide for the **insourcing of the engineering and production process**
- ❑ **Shortage of highly skilled and committed personnel** and to a certain extent of **production capacity**
- ❑ **Reputational risk:** a negative perception of services provided could have a negative long term impact
- ❑ **New potential consolidating players** in the industry with huge fire power (i.e. private equity funds)



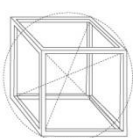
ESG Profile

Pattern **founded its culture on ESG principles** and, since 2015, has been voluntarily preparing sustainability reports in accordance with the **GRI (Global Reporting Initiative) guidelines**. In addition, some of its ESG targets are inspired by the **United Nations' Sustainable Development Goals (SDGs)**. The rigorous efforts towards sustainability will make the company Carbon Neutral by 2023 thanks to targeted investments, i.e. geothermal and photovoltaic plants, and have been recognised with a remarkable ESG rating. In addition, Pattern represents the first Italian company in its sector to have adhered to the SA8000 standard.

Chart 7 – Pattern, ESG Profile

<p>EEnvironmental</p>	<ul style="list-style-type: none"> ❑ Included among the “2021 Leaders of Sustainability” ❑ Photovoltaic plant in Turin (75 kW) and in Spello (70 kW) ❑ 140 kW geothermal plant operational since 2020 ❑ The five-year plan 'From Red to Green Carpet' aims to: <ul style="list-style-type: none"> ✓ achieve Carbon Neutrality by 2023 ✓ extend the Circular Economy principles to all the group's activities ❑ ESG Rating assigned by CDP: C ❑ Organisation Carbon Footprint, allows to precisely quantify the overall direct and indirect environmental impact (according to GHG Protocol and considering scope 1, 2 and 3 parameters) of the group across all the value chain
<p>Social</p>	<ul style="list-style-type: none"> ❑ Pattern provides information about the composition of its workforce ❑ Compliance with the SA8000 standards since 2013 ❑ Supplier selection policy: suppliers and façonists must hold process certifications (in particular the SA8000 standard) and sign a ratification of Code of Conducts for Suppliers ❑ An Integrated Management System will be rolled out within 2023 with the aim to standardise company's processes for quality, environment, health and safety management ❑ SER (Supplier Engagement Rating) certification with rating B-referred to 2021: issued by CDP, the rating assesses how effectively an organisation inspires supply chain engagement on climate change issues
<p>Governance</p>	<ul style="list-style-type: none"> ❑ Publication of the Sustainability Report since 2015 ❑ Organisational Model pursuant to Legislative Decree no. 231/2001 ❑ Code of Ethics and Code of Conduct ❑ List voting: 5% ❑ 7 members in the BoD, 1 Independent Director

Source: CFO Sim analysis on company data



FY-22 Results

Pattern reported FY-22 results better than our forecasts in terms of top line and broadly in line with our projections in terms of EBITDA. NFP came in higher than our projection mainly on the back of the higher-than-expected NFP of the recently acquired D-Holding. As of today, the group is increasingly becoming the main Italian hub of luxury fashion engineering & production, unquestionably a reference partner for the key luxury brands worldwide.

Table 1 – Pattern, FY-22 results summary

€ m	2022	2021	% YoY	2022e	% Diff.
Revenues	109.2	69.5	57.1	97.2	12.4
Increase in finished products	(0.6)	2.5		0.0	
Other revenues	1.8	0.5		0.2	
Value of Production	110.4	72.5	52.3	97.4	13.4
Raw material and processing	(28.4)	(22.3)		(27.5)	
Services	(42.3)	(25.6)		(36.3)	
Personnel expenses	(25.4)	(15.2)		(21.8)	
Other opex	(3.2)	(1.8)		(1.0)	
EBITDA	11.1	7.7	44.6	10.9	2.4
% margin	10.1	10.6		11.1	
D&A	(4.2)	(2.4)		(4.1)	
EBIT	6.9	5.3	30.7	6.8	1.2
% margin	6.2	7.3		7.0	
Financials	(0.3)	(0.1)		(0.2)	
Pre-Tax profit	6.6	5.1	28.3	6.6	(0.1)
% margin	6.0	7.1		6.8	
Income taxes	(2.5)	(1.5)		(2.0)	
Tax rate	38.4%	28.5%		30.0%	
Minorities	(1.5)	(0.7)		(1.3)	
Net Profit	2.6	3.0	(13.5)	3.3	(21.6)
% margin	2.3	4.1		3.4	
NFP (cash)/debt	13.9	(3.1)	n.m.	8.9	56.2

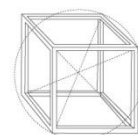
Source: Company data, CFO SIM estimates

In 2022, revenues totalled € 109.2m, up by 57.1% YoY (€ 69.5m in 2021) also thanks to the acquisitions finalised in 2022, namely Zanni Srl (100%) for twelve months, RGB SpA (70%) for six months and D-Holding Srl (70%) for two months. The figure is 12.4% higher than our estimate of € 97.2m, mainly as a result of 1) a better than anticipated performance of the leather goods segment, and to a lesser extent 2) the two months consolidation of D-Holding, consolidated only as of 2023 in our figures.

In detail, the knitwear segment (31% of total turnover) grew by 35% YoY (+23% vs FY-21 pro-forma) while the clothing segment (45% of total turnover) rose by 13.9% (+11% vs FY-21 pro-forma). In addition, the leather goods segment (24% of total turnover) also reported significant growth, namely +70% YoY compared to FY-21 pro-forma. The reported figure is not comparable with FY-21 as in 2021 it was consolidated only one month.

In terms of costs, raw material and processing grew less than other costs and also less than proportionately to top line (+27.7%), as a consequence of the low impact of raw materials with regard to the production of Pattern and SMT (which overall accounted for 70% of total turnover). Furthermore, Zanni, RGB and Dyloan operate mostly with raw materials provided by customers. Costs of services raised by 65.1% as a consequence of increased volumes, higher energy costs and increasing consultancy costs on the back of the several M&As. Personnel expenses increased by 67.4% mainly as a result of the increasing number of employees as a consequence of the M&A campaign.

As a result, EBITDA was € 11.1m, 10.1% margin, up by 44.6% YoY (€ 7.7m, 10.6% margin in 2021). The decrease in terms of EBITDA margin is ascribable to the aforementioned reasons.

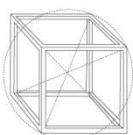


EBIT stood at € 6.9m, 6.2% margin (€ 5.3m, 7.3% margin in 2021), after D&A rose to € 4.2m (€ 2.4m in 2021) mainly as a consequence of the consolidation of the companies acquired and the purchase of the plant in Spello. The goodwill amortisation amounted to € 1.6m.

Net Profit attributable to the group was € 2.6m, 2.3% margin, compared to € 3.0m, 4.1% margin, in 2021, as a result of increasing minority interests to € 1.5m (€ 0.7m in 2021) due to the significant net profit of the subsidiaries operating in the knitwear and leather goods segments.

NFP increased to € 13.9m debt, compared to € 3.1m cash at the end of 2021, mainly as a consequence of the M&A activity (Zanni in Jan-22, RGB in Apr-22, D-Holding in Jul-22 and Nuova Nicol in Dec-22) and the acquisition of Roscini's production facility (€ 2.0m) including the photovoltaic plant. Overall, in 2022 the group invested € 16.4m compared to € 7.7m in 2021. **Cash and cash equivalents stood at € 19.1m** (€ 22.8m in 2021).

In our understanding, the difference between the reported NFP of € 13.9m and our estimate of € 8.9m is mainly ascribable to 1) a higher NFP at D-Holding, 2) a preliminary advance payment related to the Nuova Nicol purchase, and to a lesser extent, 3) a higher-than-expected VAT credit. It is worth remembering that most of the group's suppliers are domestic but most of its customers are foreign. Thus, Pattern pays VAT on its purchases of raw materials and services but most of its sales are exempt from VAT. For this reason, in a year characterised by a significant sales growth, Pattern rapidly exceeds its VAT threshold generating a significant amount of VAT credit, which is not possible to offset during the year. This temporarily increases the group's WC and consequently worsens NFP.



Sale of the business unit dedicated to Burberry

On 27 March 2023, Pattern signed a binding framework agreement for the **sale to Burberry Limited of the Turin's plant business unit dedicated to the engineering and production of the Burberry products**, a long-standing customer for the group.

The deal envisages a **total consideration of € 21m**, subjected to certain adjustments linked to the trade working capital and net financial position of the business unit at the closing date. Part of the price (i.e. € 2.1m) will be deposited in an escrow account for a period of three years after the closing date with a gradual release mechanism. **The closing date is expected by the end of September 2023.**

Technically, a corporate vehicle 100% owned by Pattern will be created (the 'transferee') and will be transferred into it the entire business unit covered by the agreement. Following the transfer, Pattern will sell the entire share capital of the transferee to Burberry.

The agreement includes also a transient service contract together with a **production agreement for at least three years** starting from 2024. In particular, the latter will be focused on the engineering and production of **womenswear** for Burberry at the Roscini's plant in Spello for an **overall turnover of approximately € 16m**.

Furthermore, **Francesco Martorella, one of the two founders of Pattern, will continue to manage the business unit sold for two years**, in order to provide continuity to the transferred activities. During this time, Francesco Martorella will remain within the Pattern's Board of Directors and the BoD of the subsidiaries, with no delegated powers.

The business unit is composed by 70 employees and, in 2022, generated revenues of € 25.0m (ca. 23% of Pattern's FY-22 consolidated turnover) **with EBITDA equal to € 3.7m** (approximately 1/3 of Pattern's FY-22 consolidated EBITDA). It is worth noting that **such EBITDA does not include overhead costs** related to executive, managerial, HR, ESG, administrative figures, as well as IT infrastructure, which are required for properly run the business. This staff will remain within Pattern, to ensure the group's business continuity. In our understating, **the overhead costs should amount to approximately € 1.5/1.8m, thus the profitability of the business unit is slightly lower than the consolidated EBITDA margin of the group**. The agreement does not provide for the transfer of financial debt.

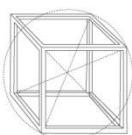
The price corresponds to a valuation of the BU of some **5.7x or 10.0x EBITDA₂₂**, if we consider the EBITDA included in the transaction or the EBITDA adjusted for the aforementioned costs required for properly run the business unit, respectively. These multiples compare with the current Pattern valuation of 9.0x EBITDA₂₂.

Pattern intends to **use the proceeds from the deal to:**

- finance **further M&A deals** in order to further strengthen the main Italian hub of luxury fashion engineering & production;
- build a **new group headquarter** in Turin within 24 months;
- eventually distribute an **extraordinary dividend**.

We view the deal positively: historically, Burberry has always been the main customer for Pattern and at the time of the IPO it represented more than 50% of the group's turnover. During the last years, Pattern definitely reduced its exposure to Burberry (we estimate an impact of about 25% on total turnover in 2022) thanks to its ability to intercept the needs of the top luxury brands worldwide, thus gaining new customers, both organically and via M&A. Moreover, Burberry has recently started to vertically integrating by internalising the production of certain clothing, thus in the next years would have been more than likely a reduction of Pattern's turnover coming from this brand.

Furthermore, the agreement signed for the engineering and production of certain Burberry's womenswear at the Spello plant will provide the group with a good amount of turnover for the three years after the closing date, with a profitability higher than that of the business unit disposed.



Estimates, Valuation & Risks

Following the disposal of the business unit dedicated to Burberry's products, Pattern will be focused on **consolidating its leading position in the luxury engineering and production segment**. In fact, the group has recently signed a **5-year contract with a top luxury French brand** for the prototyping, engineering and production of luxury clothes. This player was already a customer of Pattern, but this contract gives the group a significant visibility for the following years. Also in the wake of this important contract, Pattern intends to invest part of the funds from the disposal in **a new state-of-the-art production plant in Turin**.

Furthermore, the proceeds will allow Pattern to seize **new M&A opportunities** with the aim of strengthening the knitwear, leather goods and ready-to-wear hubs. Other product categories with medium-high profitability, in line with knitwear and leather goods, will be carefully evaluated.

On the back of the FY-22 results release and the disposal of the Burberry BU, **we have updated our model** by factoring in: 1) the deconsolidation of the BU starting from Oct-23, 2) the cash-in stemming from the transaction, 3) the payment of an extraordinary dividend of € 0.17 per share (2x 2021 DPS) after the closing and 4) € 6.5m capex for the new production plant in Turin, split in 2023-24 (€ 3.5m, € 3.0m, respectively). **The combined result is an average 6.7%, 15.6% and 27.8% cut in revenues, EBITDA and Net Profit in 2023-24**. Furthermore, we have introduced 2025 projections.

Table 2 – Pattern, 2023e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	134.4	134.3	0.1	0.1
EBITDA	13.8	15.9	(13.3)	(2.1)
% margin	10.3	11.9		
EBIT	9.6	10.9	(11.9)	(1.3)
% margin	7.2	8.1		
Net Profit	4.3	5.5	(22.5)	(1.2)
% margin	3.2	4.1		
Y/E net debt (net cash)	5.9	10.8	(45.0)	(4.9)

Source: CFO Sim

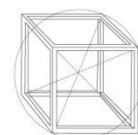
Table 3 – Pattern, 2024e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	127.7	147.6	(13.5)	(19.9)
EBITDA	15.2	18.5	(17.9)	(3.3)
% margin	11.9	12.5		
EBIT	10.7	13.5	(20.9)	(2.8)
% margin	8.4	9.2		
Net Profit	4.5	6.8	(33.1)	(2.2)
% margin	3.5	4.6		
Y/E net debt (net cash)	3.6	6.0	(40.5)	(2.4)

Source: CFO Sim

Moreover, we updated our DCF valuation criteria by bringing the free risk rate up to date, whose 200 day moving average increased to 4.00% from 3.49% since our last publication. As a consequence of the estimate revision and the updated valuation criteria, **the DCF-based PT remained unchanged at € 7.80/s, 8.0% upside**.

The limited upside to current price levels led us to downgrade to Neutral (Buy). Nevertheless, we believe Pattern is unquestionably well positioned to benefit from the consolidation trend within the sector. The proceeds from the sale of the business unit dedicated to Burberry's products will allow the group to consolidate itself as the main Italian hub of luxury fashion engineering & production, both organically and via further M&As. It is worth noting that our estimates do not include any acquisitions.



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%. 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%
Int. costs, after taxes	1.4%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200gg simple moving average)	4.00%
Beta levered (x)	1.00
Required ROE	13.0%

Sources: CFO SIM, Refinitiv 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 1.00** has been set prudentially, taking into account the company's lower liquidity. **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	9.6	10.7	12.1	16.4	22.1	
Tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	
Operating profit (NOPAT)	6.7	7.5	8.5	11.5	15.5	
Change working capital	(6.4)	1.5	(0.5)	(0.3)	(0.1)	
Depreciation	4.2	4.5	4.4	3.0	1.5	
Investments	(12.2)	(6.9)	(3.9)	(1.5)	(1.5)	
Free Cash Flows	(7.7)	6.6	8.5	12.7	15.4	161.0
Present value	(7.1)	5.5	6.4	8.7	9.5	99.4
WACC	10.7%	10.7%	10.7%	10.7%	10.7%	
Long-term growth rate	1.0%					

Source: CFO SIM

Table 6 – Pattern, DCF derived from:

€ m	
Total EV present value € m	122.4
<i>thereof terminal value</i>	81.2%
NFP last reported adjusted for the sale of the Burberry BU	7.1
Pension provision	(4.4)
Minorities (valued at 9.0x & 7.0x PER)	(13.8)
Equity value € m	111.3
#m shares	14.26
Equity value €/s	7.80
<i>% upside/(downside)</i>	8.0%

Source: CFO SIM

By applying our DCF model, we attained an **equity value of € 111.3m (€ 7.80/s)** for Pattern.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of **€ 7.25-8.44/s (perpetuity range between 0.25% and 1.75%)**, while 2) if compared to changes in the free risk rate, it produces an equity value of **€ 7.31-8.35/s (free risk range between 4.60% and 3.40%)** and 3) if compared to changes in the risk premium, including the small-size premium, it results in an equity value of **€ 6.65-9.29/s (risk premium range between 10.5% and 7.50%)**.

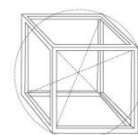


Table 7 – Pattern, equity value sensitivity to changes in terminal growth rate

€ m	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
Present value of CF	23.0	23.0	23.0	23.0	23.0	23.0	23.0
PV of terminal value	91.6	94.0	96.7	99.4	102.3	105.3	108.5
Total value	114.5	117.0	119.6	122.4	125.3	128.3	131.5
NFP last reported adj. for sale	7.1	7.1	7.1	7.1	7.1	7.1	7.1
Pension provision	(4.4)	(4.4)	(4.4)	(4.4)	(4.4)	(4.4)	(4.4)
Minorities	(13.8)	(13.8)	(13.8)	(13.8)	(13.8)	(13.8)	(13.8)
Equity value	103.4	105.9	108.5	111.3	114.2	117.2	120.4
Equity value/share €	7.25	7.43	7.61	7.80	8.00	8.22	8.44

Source: CFO SIM

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

€ m	3.40%	3.60%	3.80%	4.00%	4.20%	4.40%	4.60%
Present value of CF	23.4	23.3	23.1	23.0	22.8	22.7	22.6
PV of terminal value	106.8	104.2	101.8	99.4	97.1	94.9	92.8
Total value	130.2	127.5	124.9	122.4	120.0	117.6	115.3
NFP last reported adj. for sale	7.1	7.1	7.1	7.1	7.1	7.1	7.1
Pension provision	(4.4)	(4.4)	(4.4)	(4.4)	(4.4)	(4.4)	(4.4)
Minorities	(13.8)	(13.8)	(13.8)	(13.8)	(13.8)	(13.8)	(13.8)
Equity value	119.1	116.4	113.8	111.3	108.8	106.5	104.2
Equity value/share €	8.35	8.16	7.98	7.80	7.63	7.47	7.31

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%
Present value of CF	24.1	23.7	23.3	23.0	22.6	22.3	21.9
PV of terminal value	119.5	112.2	105.5	99.4	93.8	88.7	84.0
Total value	143.6	135.9	128.8	122.4	116.5	111.0	105.9
NFP last reported adj. for sale	7.1	7.1	7.1	7.1	7.1	7.1	7.1
Pension provision	(4.4)	(4.4)	(4.4)	(4.4)	(4.4)	(4.4)	(4.4)
Minorities	(13.8)	(13.8)	(13.8)	(13.8)	(13.8)	(13.8)	(13.8)
Equity value	132.5	124.8	117.7	111.3	105.3	99.9	94.8
Equity value/share €	9.29	8.75	8.25	7.80	7.39	7.00	6.65

Source: CFO SIM

Market Multiples

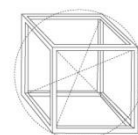
Pattern provides high value-added luxury apparel engineering and design services with production outsourced to *façonists*: **the company does not have any comparable listed companies**. We conducted an analysis on two clusters: 1) six companies operating in the absolute luxury and fashion arena; 2)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

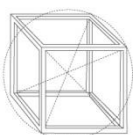


Table 10 - Pattern, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₂₂₋₂₅	EBITDA CAGR ₂₂₋₂₅	EBIT CAGR ₂₂₋₂₅	EPS CAGR ₂₃₋₂₅	NFP FY1	NFP /EBITDA
Burberry Group PLC	UK	10,567	3,519	1,041	29.6%	6.6%	6.9%	10.6%	7.8%	(804)	n.m.
Capri Holdings Ltd	US	5,318	3,519	1,000	28.4%	18.8%	1.5%	1.3%	1.6%	1,100	1.1
Compagnie Financiere Richemont	F	75,079	19,555	6,187	31.6%	5.4%	13.3%	18.9%	9.1%	(3,815)	n.m.
Hermes International SCA	F	191,978	13,162	5,990	45.5%	11.5%	10.7%	11.0%	11.6%	(10,731)	n.m.
Kering SA	F	72,482	21,683	7,614	35.1%	7.2%	7.6%	8.7%	9.6%	(108)	n.m.
LVMH Moët Hennessy Louis Vuitton	F	412,684	85,730	28,743	33.5%	7.8%	8.7%	10.4%	10.1%	1,597	0.1
Median Luxury		73,780	16,358	6,089	32.6%	7.5%	8.1%	10.5%	9.3%	(456)	0.6
Brembo SpA	IT	4,371	3,866	666	17.2%	6.6%	8.9%	12.1%	13.0%	376	0.6
Eurotech SpA	IT	107	110	13	11.8%	n.a.	n.a.	n.a.	n.a.	6	0.5
Fine Foods & Pharmaceuticals	IT	183	207	17	8.1%	10.2%	21.2%	39.3%	n.a.	(2)	n.m.
Sabaf SpA	IT	184	261	45	17.4%	4.4%	12.0%	17.8%	15.4%	73	1.6
Median domestic B2B		184	234	31	14.5%	6.6%	12.0%	17.8%	14.2%	40	0.6
Pattern SpA	IT	103	134	14	10.3%	7.8%	14.2%	20.8%	11.9%	6	0.4

Sources: CFO SIM, Refinitiv Eikon

Table 11 - Pattern, peer group EV multiple table

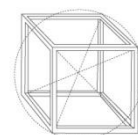
x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Burberry Group PLC	2.77	2.50	2.29	9.4	8.4	7.7
Capri Holdings Ltd	1.82	1.68	0.88	6.4	6.0	4.3
Compagnie Financiere Richemont	3.64	3.30	2.99	11.5	10.5	9.4
Hermes International SCA	13.77	12.22	11.13	30.3	26.8	24.3
Kering SA	3.34	2.98	2.72	9.5	8.4	7.5
LVMH Moët Hennessy Louis Vuitton	4.83	4.35	4.06	14.4	12.9	11.8
Median Luxury	3.49	3.14	2.85	10.5	9.4	8.5
Brembo SpA	1.23	1.12	0.98	7.1	6.3	5.5
Eurotech SpA	1.03	0.74	n.a.	8.8	4.1	n.a.
Fine Foods & Pharmaceuticals	0.88	0.92	0.71	10.8	8.3	5.5
Sabaf SpA	0.99	0.90	0.81	5.7	4.8	4.1
Median domestic B2B	1.01	0.91	0.81	7.9	5.6	5.5
Pattern SpA	0.81	0.84	0.75	7.9	7.0	6.2
% premium/(discount) to luxury peers	(76.7)	(73.4)	(73.8)	(24.9)	(25.7)	(27.5)
% premium/(discount) to domestic B2B peers	(19.5)	(8.1)	(7.8)	(0.6)	25.8	12.3

Sources: CFO SIM, Refinitiv Eikon

Table 12 - Pattern, peer group EV & price multiple table

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Burberry Group PLC	14.0	12.4	11.1	20.2	19.0	17.4
Capri Holdings Ltd	7.7	7.2	5.2	7.0	7.2	6.7
Compagnie Financiere Richemont	14.8	13.3	11.8	20.3	18.8	17.0
Hermes International SCA	34.1	30.1	27.2	51.0	45.5	40.9
Kering SA	12.1	10.6	9.5	17.6	15.9	14.6
LVMH Moët Hennessy Louis Vuitton	17.9	15.9	14.2	26.0	23.6	21.4
Median Luxury	14.4	12.9	11.4	20.2	18.9	17.2
Brembo SpA	11.3	9.8	8.3	13.9	12.5	10.9
Eurotech SpA	15.2	5.4	n.a.	15.2	7.0	n.a.
Fine Foods & Pharmaceuticals	77.3	19.6	10.7	n.m.	21.6	13.6
Sabaf SpA	9.7	7.8	6.5	9.5	8.1	7.2
Median domestic B2B	13.3	8.8	8.3	13.9	10.3	10.9
Pattern SpA	11.3	10.0	8.4	24.2	22.8	19.3
% premium/(discount) to luxury peers	(21.3)	(22.5)	(26.3)	19.5	20.6	12.2
% premium/(discount) to domestic B2B peers	(14.9)	13.2	1.1	74.0	120.8	77.3

Sources: CFO SIM, Refinitiv 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 cap. of € 44.2m**. Adopting the same approach used in setting up the peer sample for assessing 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 indices absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Burberry Group PLC	2.0	3.6	(1.8)	20.6	38.2	20.9	38.5
Capri Holdings Ltd	2.4	5.8	(6.9)	(17.5)	15.3	(20.0)	(19.3)
Compagnie Financiere Richemont	2.4	1.7	0.5	18.1	48.8	19.6	15.7
Hermes International SCA	1.1	2.5	6.3	24.3	50.0	25.8	39.1
Kering SA	1.5	2.1	4.0	22.7	26.3	22.9	(2.6)
LVMH Moet Hennessy Louis Vuitton	1.0	0.9	3.8	19.7	34.1	20.9	22.4
Median Luxury	1.7	2.3	2.1	20.2	36.1	20.9	19.0
Brembo SpA	1.0	(1.4)	(10.6)	25.3	54.0	25.3	25.7
Eurotech SpA	1.5	(7.6)	(9.0)	7.1	8.8	5.6	(25.2)
Fine Foods & Pharmaceuticals	0.1	1.7	0.1	(2.2)	4.4	(0.4)	(38.0)
Sabaf SpA	1.1	2.4	(4.8)	(5.7)	(6.0)	(4.2)	(25.0)
Median domestic B2B	1.1	0.2	(6.9)	2.4	6.6	2.6	(25.1)
Pattern SpA	5.6	(5.7)	(3.7)	7.1	33.7	7.4	34.2
MSCI World Index	1.3	2.0	1.2	6.4	12.3	5.3	(11.9)
EUROSTOXX	1.5	0.6	(1.1)	9.0	22.5	9.4	0.9
FTSE Italia All Share	1.6	0.8	(2.3)	12.1	27.6	12.4	4.6
FTSE Italia STAR	1.1	0.2	(1.6)	5.9	17.9	5.1	(13.1)
FTSE Italia Growth	0.1	0.5	(0.6)	1.7	5.8	1.0	(11.8)

Source: Refinitiv Eikon

Table 14 – Pattern relative performances

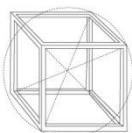
	1D	1W	1M	3M	6M	YTD	1Y
to MSCI World Index	4.3	(7.7)	(4.9)	0.7	21.4	2.2	46.1
to EUROSTOXX	4.1	(6.3)	(2.6)	(1.9)	11.2	(2.0)	33.3
to FTSE Italia All Share	4.0	(6.5)	(1.5)	(5.0)	6.1	(4.9)	29.6
to FTSE Italia STAR	4.4	(5.9)	(2.1)	1.3	15.8	2.3	47.3
to FTSE Italia Growth	5.5	(6.2)	(3.2)	5.4	27.9	6.5	46.0
to Domestic B2B Peer Median	4.5	(5.9)	3.1	4.7	27.1	4.8	59.3
to Luxury Peer Median	3.8	(8.1)	(5.9)	(13.1)	(2.4)	(13.5)	15.2

Source: Refinitiv 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;
- exit of key relevant people;
- M&A execution might be hampered by potential consolidating players with huge firepower in the industry (i.e. private equity funds).



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This publication was prepared by Corporate Family Office SIM S.p.A. ("CFO SIM"), namely by **LUCA ARENA**, Head of the Equity Research Department, **GIANLUCA MOZZALI** and **LUCA SOLARI**, Equity Analysts. This is to certify that the views expressed on the companies mentioned in this document reflect the analysts' personal opinions and no direct or indirect remuneration has been, or will be, received by the analysts further to the views expressed herein.

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DATE	TARGET PRICE	RATING
30/03/2023	€7.80	NEUTRAL
17/02/2023	€7.80	BUY
13/12/2022	€7.80	BUY
29/09/2022	€7.80	BUY
20/07/2022	€8.00	BUY
08/04/2022	€8.50	BUY
11/03/2022	€8.50	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% range identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return over a 12-month period** and not on the basis of the estimated outperformance or underperformance relative to a market index. Thus, the rating can be directly linked to the estimated percentage difference between current and target prices. 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.

