

Italy – Luxury Engineering

Solid results in a challenging scenario for the luxury sector

1st October 2024

H1-24 RESULTS RELEASE

RIC: PTRN.MI
BBG: PTR IM

The harsh macroeconomic scenario due to the tough geopolitical situation worldwide negatively influenced the global luxury sector in H1-24. Concerning the luxury market, Pattern expects H2-24 and H1-25 to be similar to H1-24, while, specifically looking at the group, they expect a positive contribution stemming from the consolidation of UVM and certain recovery of the Leather Goods segment.

Rating:

Buy

Price Target:

€ 8.00 (€ 7.50)

Upside/(Downside): 36.5%

Last Price: € 5.86

Market Cap.: € 84.7m

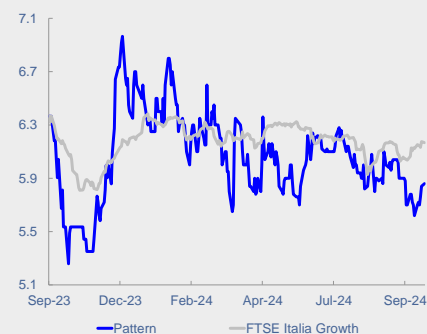
1Y High/Low: € 7.05 / € 5.26

Avg. Daily Turn. (3M, 6M): € 18k, € 22k

Free Float: 34.2%

Major shareholders:

Bo.Ma. Holding Srl	52.2%
Fulvio Botto	5.3%
Francesco Martorella	5.3%



Stock price performance

	1M	3M	12M
Absolute	-3.0%	-3.9%	-7.9%
Rel.to FTSE IT Growth	-3.3%	-3.2%	-4.8%
Rel.to Sector	-5.1%	0.1%	3.7%

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Estimates fine-tuned: new DCF-based PT of € 8.00/s (€ 7.50). Buy reiterated

Pattern reported solid H1-24 results despite the challenging macroeconomic scenario and tough momentum for the leather goods sector. The group was resilient thanks to the outstanding performance of the knitwear sector, its focus on customers in the top luxury segment and its ability to provide its customers with high-value-added services in engineering, design, product development, and production. Furthermore, Pattern strengthened its presence in the Knitwear segment by acquiring Umbria Verde Mattioli, a knitting mill focused on thin and super-thin knitwear. The company was not included in the H1-24 P&L but was consolidated at the equity level. Following the H1-24 results release, we have updated our model by factoring in 1) broadly unchanged assumptions about top-line growth and 2) slightly lower D&A and net financial charges, consistent with 2024 interim results. The combined result is an average 0.2%, 1.0% and 5.3% increase in revenues, EBITDA and Net Profit, respectively, in 2024-26. Moreover, CFO SIM has updated the DCF valuation criteria, bringing the Risk-Free Rate up-to-date. The combined result is a new PT of € 8.00/s (€ 7.50), 36.5% upside to current price levels. Buy reiterated.

Revenues broadly stable YoY: Knitwear strongly up, Leather Goods sharply declined

Total revenues were € 60.3m, slightly lower compared to € 62.1m reported in H1-23 on a pro-forma basis, namely excluding the business unit disposed to Burberry in October 2023. The Knitwear segment continued to grow at an outstanding pace (+16.2% YoY), accounting for € 29.7m, i.e. 50.0% of revenues (41.8% in H1-23PF). The Clothing segment totalled € 18.3m, down by 5.1% YoY, but showing a certain recovery in volumes after the disposal of the BU to Burberry. The Leather Goods segment suffered from the tough situation of the reference market, declining by 30.5% YoY to € 11.3m.

Margins benefited from a more profitable sales mix and cost optimisation

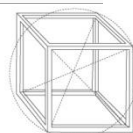
EBITDA was € 6.7m, 10.9% margin, almost unchanged compared to € 6.7m (10.8% margin) reported in H1-23PF, despite the slight decline in the turnover. This remarkable result in a harsh environment was obtained thanks to the outstanding performance of the Knitwear segment as well as the group structure streamlining process performed in 2023, which generated significant industrial and operating synergies. After broadly stable D&A and lower financial charges and taxes, the Group's Net Profit totalled € 1.4m, up by 26.6% compared to € 1.1m reported in H1-23PF.

NFP worsened due to the M&A activity

NFP rose to € 12.9m debt compared to € 0.6m cash at year-end 2023, mainly because of the acquisition of 100% of Umbria Verde Mattioli for € 20.0m (o/w € 11.0m paid cash at the closing date) and an additional 8% of SMT for € 6.2m.

Pattern, key financials and ratios

€ m	2022	2023	2024e	2025e	2026e
Total Revenues	111.0	147.9	126.9	152.9	169.5
Value of Production	110.4	145.6	126.9	152.9	169.5
EBITDA	11.1	18.8	13.0	18.9	22.3
EBIT	6.9	8.4	5.8	11.1	14.4
Net profit	2.6	21.1	1.0	4.4	6.5
Adj. Net Profit	2.6	5.7	1.0	4.4	6.5
NFP (cash)/debt	13.9	(0.6)	18.6	15.6	6.0
EBITDA margin	10.0%	12.7%	10.2%	12.3%	13.2%
EBIT margin	6.2%	5.7%	4.6%	7.3%	8.5%
Adj. EPS	0.18	0.40	0.07	0.31	0.45
Adj. EPS growth	-15.2%	n.m.	-82.4%	n.m.	47.7%
ROCE	9.8%	11.1%	7.4%	12.9%	15.2%
NWC/Sales	10.3%	5.6%	8.6%	9.9%	10.0%
EV/Sales x	0.90	0.68	0.81	0.66	0.54
EV/EBITDA x	9.0	5.0	8.0	5.3	4.1
EV/EBIT x	14.5	7.5	17.8	9.0	6.3
PER x	33.2	17.6	83.8	19.1	12.9
Free Cash Flow Yield	-18.5%	18.7%	-20.2%	3.9%	13.2%



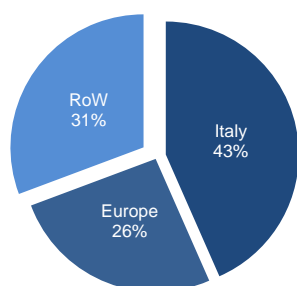
The Company at a glance

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.

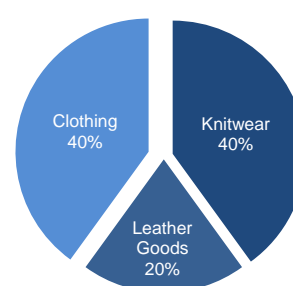
Since 2017, Pattern has been embarking on an external growth process, with the acquisition of Roscini (luxury womenswear) in 2017, S.M.T. (luxury knitwear) in 2019, Idee Partners (luxury leather goods) in 2021, and Zanni (wholegarment knitwear manufacturing technique), RGB (luxury leather goods accessories), 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'. In terms of products, the group's production comes from knitwear for 40% of the total, clothing for 40% and leather goods for 20%.

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 2023, revenues were € 145.6m, adjusted EBITDA was € 19.9m, 13.7% of revenues. NFP was € 0.6m cash.

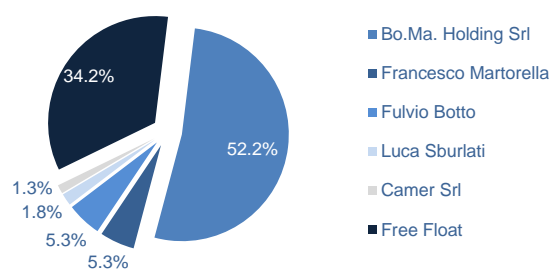
2023 breakdown by geography...



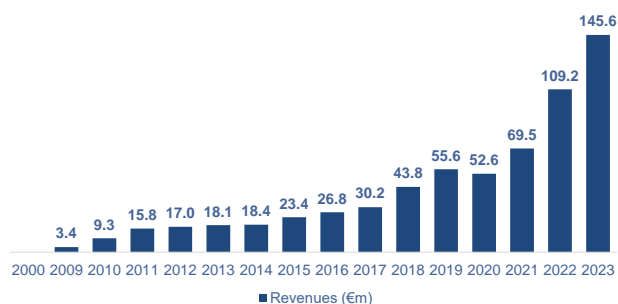
... and by product line



Shareholders structure



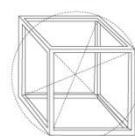
Top line evolution



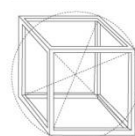
Peer group multiples table

EV multiples x	Sales FY1	Sales FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Burberry Group PLC	0.96	0.93	6.5	4.9	28.2	12.4	115.9	24.5
Capri Holdings Ltd	1.47	1.36	12.7	10.9	22.1	16.8	17.9	14.7
Compagnie Financiere Richemont SA	3.29	3.06	11.4	10.3	14.3	12.8	19.8	17.9
Hermes International SCA	14.86	13.27	32.9	29.2	36.7	32.6	51.2	46.2
Kering SA	2.44	2.30	9.5	8.4	15.0	12.8	18.5	15.5
LVMH Moet Hennessy Louis Vuitton SE	4.08	3.83	12.8	11.9	15.8	14.5	23.5	21.5
Median Luxury	2.86	2.68	12.0	10.6	18.9	13.7	21.7	19.7
Brembo NV	0.96	0.88	5.6	5.0	9.1	7.9	11.1	9.9
Fine Foods & Pharmaceuticals NTM SpA	0.72	0.40	5.9	3.2	12.3	5.8	20.1	15.4
Gentili Mosconi SpA	0.58	0.49	4.5	3.5	4.1	3.4	12.4	10.8
Sabaf SpA	1.04	0.94	6.6	5.4	12.0	9.1	14.2	10.7
Median domestic B2B	0.84	0.68	5.7	4.2	10.6	6.9	13.3	10.8
Pattern SpA	0.81	0.66	8.0	5.3	17.8	9.0	83.8	19.1

Sources: CFO SIM, Refinitiv Eikon



Income statement (€ m)	2022	2023	2024e	2025e	2026e
Total Revenues	111.0	147.9	126.9	152.9	169.5
Value of Production	110.4	145.6	126.9	152.9	169.5
Raw material and processing	(28.4)	(28.8)	(24.1)	(29.1)	(32.2)
Services	(42.3)	(56.2)	(48.5)	(58.4)	(64.7)
Personnel expenses	(25.4)	(37.2)	(37.6)	(42.0)	(45.1)
Other opex	(3.2)	(4.5)	(3.8)	(4.6)	(5.1)
EBITDA	11.1	18.8	13.0	18.9	22.3
D&A	(4.2)	(10.4)	(7.2)	(7.8)	(7.9)
EBIT	6.9	8.4	5.8	11.1	14.4
Financials	(0.3)	(0.6)	(0.8)	(0.7)	(0.6)
Re/(Devaluation) of financial assets	0.0	0.0	0.0	0.0	0.0
Extraordinary	0.0	20.3	0.0	0.0	0.0
Pre-Tax profit	6.6	28.1	5.0	10.4	13.8
Income taxes	(2.5)	(4.7)	(1.8)	(3.1)	(4.1)
Minorities	(1.5)	(2.3)	(2.3)	(2.8)	(3.1)
Group's Net Profit	2.6	21.1	1.0	4.4	6.5
Adj. EBITDA	11.1	19.9	13.0	18.9	22.3
Adj. Group's Net Profit	2.6	5.7	1.0	4.4	6.5
Balance sheet (€ m)	2022	2023	2024e	2025e	2026e
Net Working Capital	11.3	8.2	11.0	15.2	17.0
Net Fixed Assets	35.7	39.1	56.8	57.0	54.1
Equity Investments	1.1	2.9	2.9	2.9	2.9
Other M/L Term A/L	(4.7)	(8.3)	(6.4)	(6.8)	(7.3)
Net Invested Capital	43.5	41.9	64.3	68.3	66.8
Net Financial Debt	13.9	(0.6)	18.6	15.6	6.0
Minorities	4.8	5.0	7.3	10.1	13.2
Group's Shareholders Equity	24.8	37.5	38.5	42.5	47.5
Financial Liabilities & Equity	43.5	41.9	64.3	68.3	66.8
Cash Flow statement (€ m)	2022	2023	2024e	2025e	2026e
Total net income	4.1	3.4	3.3	7.2	9.7
Depreciation	4.2	10.4	7.2	7.8	7.9
Other non-cash charges	3.2	2.7	0.1	0.5	0.4
Cash Flow from Oper. (CFO)	11.5	16.5	10.5	15.5	18.0
Change in NWC	(5.4)	3.1	(2.8)	(4.2)	(1.8)
FCF from Operations (FCFO)	6.1	19.7	7.8	11.3	16.2
Net Investments (CFI)	(21.7)	(3.9)	(24.9)	(8.0)	(5.0)
Free CF to the Firm (FCFF)	(15.7)	15.8	(17.1)	3.3	11.2
CF from financials (CFF)	9.4	(12.9)	7.6	(2.8)	(4.8)
Free Cash Flow to Equity (FCFE)	(6.2)	2.9	(9.5)	0.5	6.4
Financial ratios	2022	2023	2024e	2025e	2026e
EBITDA margin	10.0%	12.7%	10.2%	12.3%	13.2%
EBIT margin	6.2%	5.7%	4.6%	7.3%	8.5%
Adj. Net profit margin	2.3%	3.9%	0.8%	2.9%	3.9%
Tax rate	38.4%	16.8%	35.0%	30.0%	30.0%
Op NWC/Sales	10.3%	5.6%	8.6%	9.9%	10.0%
Interest coverage x	0.04	0.07	0.13	0.07	0.04
Net Debt/EBITDA x	1.25	(0.03)	1.43	0.83	0.27
Debt-to-Equity x	0.56	(0.02)	0.48	0.37	0.13
ROIC	6.0%	50.5%	1.6%	6.5%	9.8%
ROCE	9.8%	11.1%	7.4%	12.9%	15.2%
ROACE	11.6%	11.5%	7.5%	13.4%	15.9%
ROE	10.5%	56.4%	2.6%	10.4%	13.8%
Payout ratio	0.0%	n.m.	34.9%	35.0%	35.0%
Per share figures	2022	2023	2024e	2025e	2026e
Number of shares # m	14.26	14.36	14.41	14.41	14.41
Number of shares Fully Diluted # m	14.26	14.36	14.41	14.41	14.41
Average Number of shares Fully Diluted # m	14.26	14.31	14.39	14.41	14.41
EPS stated €	0.18	1.48	0.07	0.31	0.45
EPS adjusted €	0.18	0.40	0.07	0.31	0.45
EBITDA €	0.78	1.32	0.90	1.31	1.55
EBIT €	0.48	0.59	0.40	0.77	1.00
BV €	2.08	2.96	3.18	3.65	4.22
FCFO €	0.43	1.37	0.54	0.78	1.12
FCFF €	(1.10)	1.10	(1.19)	0.23	0.77
FCFE €	(0.44)	0.20	(0.66)	0.04	0.45
Dividend €	0.00	0.58	0.02	0.11	0.16



H1-24 Results

Pattern reported solid H1-24 results despite the challenging macroeconomic scenario and tough momentum for the leather goods sector. The group was resilient thanks to the outstanding performance of the knitwear sector, its focus on customers in the top luxury segment and its ability to provide its customers with high-value-added services in engineering, design, product development, and production.

Furthermore, Pattern strengthened its presence in the Knitwear segment by acquiring Umbria Verde Mattioli, a knitting mill focused on thin and super-thin knitwear. The company was not included in the H1-24 P&L but was consolidated at the equity level. In 2023, UVM totalled € 17.4m in revenues with EBITDA of € 4.8m (27% margin), whilst in H1-24, it realised revenues of € 9.1m with EBITDA at € 2.8m (31% margin).

Table 1 – Pattern, H1-24 results summary

€ m	H1-24	H1-23	% YoY	H1-23PF	% YoY
Sales	59.3	71.0	(16.6)	61.1	(3.0)
Other revenues	1.1	1.1		1.1	
Total Revenues	60.3	72.1	(16.3)	62.1	(2.9)
Increase in finished products	1.4	2.2		2.3	
Value of Production	61.8	74.3	(16.9)	64.4	(4.1)
Raw material and processing	(11.1)	(17.1)		(13.3)	
Services	(24.1)	(28.0)		(24.5)	
Personnel expenses	(18.1)	(18.8)		(17.2)	
Other opex	(2.0)	(2.8)		(2.6)	
EBITDA	6.6	7.6	(13.3)	6.7	(1.8)
% margin	10.9	10.6		10.8	
D&A	(3.0)	(3.1)		(2.9)	
EBIT	3.6	4.5	(19.9)	3.8	(4.1)
% margin	6.0	6.3		6.1	
Financials	(0.0)	(0.3)		(0.3)	
Re/(Devaluation) of financial assets	(0.0)	0.0		0.0	
Extraordinary	0.0	0.0		0.0	
Pre-Tax profit	3.6	4.2	(13.6)	3.5	4.9
% margin	6.0	5.8		5.6	
Income taxes	(1.5)	(2.0)		(1.7)	
Tax rate	40.6%	46.5%		50.5%	
Minorities	(0.7)	(0.6)		(0.6)	
Group's Net Profit	1.4	1.7	(13.9)	1.1	26.6
% margin	2.4	2.3		1.8	
NFP debt/(cash)*	12.9	(0.6)	n.m.	(0.6)	n.m.

Source: Company data *compared to FY-23

Total revenues were € 60.3m, slightly lower compared to € 62.1m reported in H1-23 on a pro-forma basis, namely excluding the business unit disposed to Burberry in October 2023.

- The **Knitwear** segment continued to grow at an outstanding pace **(+16.2% YoY)**, accounting for **€ 29.7m**, i.e. 50.0% of revenues (41.8% in H1-23PF).
- The **Clothing** segment totalled **€ 18.3m, down by 5.1% YoY**, but showing certain recovery in volumes after the disposal of the BU to Burberry.
- The **Leather Goods** segment suffered from the tough situation of the reference market, **declining by 30.5% YoY to € 11.3m**.

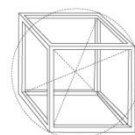


Table 2 – Pattern, H1-24 results summary by product line

€ m	H1-24	H1-23PF	% YoY	% on tot. 24	% on tot. 23
Clothing	18.3	19.3	(5.1)	30.9%	31.6%
Knitwear	29.7	25.5	16.2	50.0%	41.8%
Leather Goods	11.3	16.3	(30.5)	19.1%	26.6%
Revenues	59.3	61.1	(3.0)	100.0%	100.0%

Source: Company data

EBITDA was € 6.7m, 10.9% margin, almost unchanged compared to € 6.7m (10.8% margin) reported in H1-23PF, despite the slight decline in turnover. This remarkable result in a harsh environment was obtained thanks to the outstanding performance of the Knitwear segment as well as to the group structure streamlining process performed in 2023, which generated significant industrial and operating synergies.

After broadly stable D&A and lower financial charges and taxes, **the Group's Net Profit totalled € 1.4m, up by 26.6%** compared to € 1.1m reported in H1-23PF.

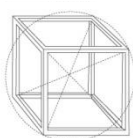
Table 3 – Pattern, H1-24 Op. NWC

€ m	H1-24	FY-23	Δ € m
Op NWC	13.5	8.2	5.3
Inventories	10.6	6.7	3.9
Receivables	23.9	20.4	3.5
Payable	(21.0)	(18.9)	(2.1)

Source: Company data

The increase in the operating net working capital was mainly attributable to the consolidation of Umbria Verde Mattioli. In particular, inventories rose by € 3.9m, € 1.7m of which refers to UVM and the remainder to increased manufacturing volumes in the knitwear segment.

NFP rose to € 12.9m debt compared to € 0.6m cash at year-end 2023, mainly because of the **acquisition of 100% of Umbria Verde Mattioli for € 20.0m** (o/w € 11.0m paid cash at the closing date) **and an additional 8% of SMT for € 6.2m**.



Estimates, Outlook, Valuation & Risks

The harsh macroeconomic scenario due to the **tough geopolitical situation worldwide, negatively influenced the global luxury sector in the first half of 2024**. In this context, Pattern delivered an outstanding performance concerning knitwear products, stable results in the ready-to-wear segment and declining turnover for leather goods. In particular, the latter suffered from the overstocking of luxury brands, which consequently slowed down orders to their suppliers.

Furthermore, in late 2023/beginning of 2024, Pattern focused on a **streamlining process of the group** by merging a few subsidiaries and taking advantage of industrial and operating synergies among the three production pillars (i.e. knitwear, clothing and leather goods). In particular, this process allowed Pattern to have **all the subsidiaries certified SA8000**, representing a unicum in the Italian market and an extremely important competitive advantage as **brands are increasingly looking for reliable and transparent suppliers**.

Concerning the luxury market, **Pattern expects the second half of the year and the beginning of 2025 to be similar to H1-24**, with China not anticipated to return to the spending level of the last years. **The gap between top luxury and fashion luxury is expected to further increase**, as the items of the former are high-quality and durable, thus their value does not decline over time, whilst the latter's goods are tied more to aesthetics alone, thus losing value over time.

Specifically looking at Pattern, **the comparison with H2-23 will be tough** as the latter was positively impacted by 1) the strong performance in the Knitwear segment, which will not be replicated, also because of robust growth in H1-24, and 2) a high level of orders of the Fall-Winter season realised before the sale of the BU to Burberry. **However, in H2-24, Pattern expects a positive contribution stemming from the consolidation of UVM starting from July and certain recovery of the Leather Goods segment**.

Following the H1-24 results release, **we have updated our model by factoring** in 1) broadly unchanged assumptions about top-line growth and 2) slightly lower D&A and net financial charges, consistent with 2024 interim results. **The combined result is an average 0.2%, 1.0% and 5.3% increase in revenues, EBITDA and Net Profit, respectively, in 2024-26**.

Table 4 – Pattern, 2024e new/old estimates

€ m	New	Old	Δ %.	Δ € m
Total Revenues	126.9	126.8	0.1	0.2
EBITDA	13.0	12.8	1.6	0.2
% margin	10.2	10.1		
EBIT	5.8	5.6	3.7	0.2
% margin	4.6	4.4		
Adj. Group's Net Profit	1.0	1.0	3.4	0.0
% margin	0.8	0.8		
NFP debt/(cash)	18.6	19.3	(3.7)	(0.7)

Source: CFO SIM

Table 5 – Pattern, 2025e new/old estimates

€ m	New	Old	Δ %.	Δ € m
Total Revenues	152.9	152.5	0.3	0.4
EBITDA	18.9	18.7	1.2	0.2
% margin	12.3	12.2		
EBIT	11.1	10.9	2.0	0.2
% margin	7.3	7.1		
Adj. Group's Net Profit	4.4	4.1	7.4	0.3
% margin	2.9	2.7		
NFP debt/(cash)	15.6	15.5	0.8	0.1

Source: CFO SIM

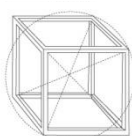


Table 6 – Pattern, 2026e new/old estimates

€ m	New	Old	Δ %.	Δ € m
Total Revenues	169.5	169.4	0.0	0.1
EBITDA	22.3	22.3	0.4	0.1
% margin	13.2	13.1		
EBIT	14.4	14.3	0.6	0.1
% margin	8.5	8.5		
Adj. Group's Net Profit	6.5	6.2	5.2	0.3
% margin	3.9	3.7		
NFP debt/(cash)	6.0	8.0	(25.3)	(2.0)

Source: CFO SIM

Moreover, CFO SIM has updated the DCF valuation criteria, bringing the Risk-Free Rate up-to-date. The combined result is a new **DCF-based PT of € 8.00/s (€ 7.50), 36.5% upside potential.**

We reiterate the Buy recommendation. The healthy balance sheet and the ability to generate cash will allow Pattern to take advantage of **additional M&A opportunities**, but not at any cost: the ideal targets are companies with significantly high capabilities in product development and entrepreneurs who share Pattern's strategic project and who are not just interested in selling of their companies.

DCF

In the valuation via the DCF method, we determine the company's value by identifying an explicit forecast period until 2028 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 7 - WACC derived from:

Interest costs, pre-tax	4.50%
Tax rate	30.0%
Int. costs, after taxes	3.2%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200gg simple moving average)	3.80%
Beta levered (x)	1.00
Required ROE	12.8%

Sources: CFO SIM, Refinitiv Eikon

Risk premium at 9.0% factors in the minute size of the company and basically all the concerns that an investor might have with regard to Euronext Growth Milan. **Beta at 1.00** has been set prudentially, taking into account the company's lower liquidity. **The WACC is computed by using a 30:70% debt/equity balance-sheet structure**, thus taking into account some leverage required for the realisation of the new headquarters as well as for financing some acquisitions.

Table 8 - Pattern, DCF model

€ m	2024e	2025e	2026e	2027e	2028e	TV
EBIT	5.8	11.1	14.4	20.1	22.8	
Tax rate	35.0%	30.0%	30.0%	30.0%	30.0%	
Operating profit (NOPAT)	3.8	7.8	10.1	14.1	15.9	
Change working capital	(2.8)	(4.2)	(1.8)	(1.0)	(0.1)	
Depreciation	7.2	7.8	7.9	6.0	4.0	
Investments	(24.9)	(8.0)	(5.0)	(4.5)	(4.0)	
Free Cash Flows	(16.7)	3.4	11.2	14.6	15.8	179.6
Present value	(16.3)	3.0	9.0	10.7	10.6	120.2
WACC	9.9%	9.9%	9.9%	9.9%	9.9%	
Long-term growth rate	1.0%					

Source: CFO SIM

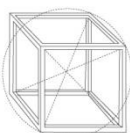


Table 9 – Pattern, DCF derived from:

€ m	
Total EV present value € m	137.2
<i>thereof terminal value</i>	87.6%
NFP last reported	0.6
Pension provision last reported	(5.3)
Minorities valued @ 2.4 P/BV	(17.3)
Equity value € m	115.3
#m shares	14.41
Equity value €/s	8.00
<i>% upside/(downside)</i>	36.5%

Source: CFO SIM

By applying our DCF model, we attained an **equity value of € 115.3m (€ 8.00/s)** for Pattern.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of **€ 7.30-8.84/s (perpetuity range between 0.25% and 1.75%)**, while 2) if compared to changes in the risk-free rate, it produces an equity value of **€ 7.47-8.59/s (risk-free range between 4.40% and 3.20%)** and 3) if compared to changes in the risk premium, including the small-size premium, it results in an equity value of **€ 6.76-9.58/s (risk premium range between 10.5% and 7.50%)**.

Table 10 – 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	17.0	17.0	17.0	17.0	17.0	17.0	17.0
PV of terminal value	110.1	113.3	116.7	120.2	124.0	128.0	132.3
Total value	127.1	130.3	133.7	137.2	141.0	145.0	149.3
NFP last reported	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Pension provision	(5.3)	(5.3)	(5.3)	(5.3)	(5.3)	(5.3)	(5.3)
Minorities	(17.3)	(17.3)	(17.3)	(17.3)	(17.3)	(17.3)	(17.3)
Equity value	105.2	108.4	111.8	115.3	119.1	123.1	127.4
Equity value/share €	7.30	7.52	7.75	8.00	8.26	8.54	8.84

Source: CFO SIM

Table 11 – Pattern, equity value sensitivity to changes in free risk rate

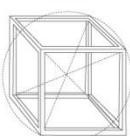
€ m	3.20%	3.40%	3.60%	3.80%	4.00%	4.20%	4.40%
Present value of CF	17.4	17.3	17.1	17.0	16.9	16.7	16.6
PV of terminal value	128.3	125.5	122.8	120.2	117.7	115.3	113.0
Total value	145.6	142.7	139.9	137.2	134.6	132.1	129.6
NFP last reported	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Pension provision	(5.3)	(5.3)	(5.3)	(5.3)	(5.3)	(5.3)	(5.3)
Minorities	(17.3)	(17.3)	(17.3)	(17.3)	(17.3)	(17.3)	(17.3)
Equity value	123.7	120.8	118.0	115.3	112.7	110.2	107.7
Equity value/share €	8.59	8.38	8.19	8.00	7.82	7.64	7.47

Source: CFO SIM

Table 12 – 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	18.0	17.6	17.3	17.0	16.7	16.4	16.1
PV of terminal value	142.0	134.1	126.9	120.2	114.1	108.5	103.3
Total value	160.0	151.7	144.2	137.2	130.8	124.9	119.4
NFP last reported	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Pension provision	(5.3)	(5.3)	(5.3)	(5.3)	(5.3)	(5.3)	(5.3)
Minorities	(17.3)	(17.3)	(17.3)	(17.3)	(17.3)	(17.3)	(17.3)
Equity value	138.1	129.8	122.3	115.3	108.9	103.0	97.5
Equity value/share €	9.58	9.01	8.48	8.00	7.56	7.14	6.76

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 companies operating with a B2B business model listed on the Italian Stock Exchange.

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.

Hermès 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.

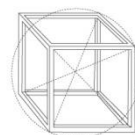
LVMH SE: Louis Vuitton Moët Hennessy operates in four business segments: 1) wines and spirits, with brands like Moët & Chandon, Dom Pérignon, Veuve Clicquot Ponsardin, Krug, Ruinart, Belvedere; 2) fashion and leather goods, which include some absolute luxury brands such as Louis Vuitton, Christian Dior 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 companies, we selected the following:

Brembo NV: 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.

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.

Genili Mosconi SpA: an Italy-based company engaged in apparel and accessories manufacturing. The company provides products, including printed and dyed fabrics, with jacquard and yarn-dyed processing, among others. It presents its collection dedicated to every season within segments, such as Haute Couture, Pret A Porter, Accessories and Home collection.



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 13 - Pattern, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₂₃₋₂₆	EBITDA CAGR ₂₃₋₂₆	EBIT CAGR ₂₃₋₂₆	EPS CAGR ₂₃₋₂₆	NFP FY1	NFP /EBITDA
Burberry Group PLC	UK	3,019	2,915	426	14.6%	-2.8%	-11.4%	-16.7%	-15.9%	(231)	n.m.
Capri Holdings Ltd	US	4,490	4,289	498	11.6%	-2.3%	4.0%	2.5%	n.m.	1,830	3.7
Compagnie Financiere Richemont SA	FRA	76,862	21,197	6,117	28.9%	5.2%	5.0%	6.7%	7.6%	(7,205)	n.m.
Hermes International SCA	FRA	233,492	14,959	6,760	45.2%	11.0%	9.5%	9.4%	10.3%	(11,205)	n.m.
Kering SA	FRA	31,783	17,725	4,561	25.7%	0.3%	-5.0%	-6.7%	-7.0%	11,388	2.5
LVMH Moët Hennessy Louis Vuitton SE	FRA	345,243	86,723	27,643	31.9%	4.4%	3.5%	5.1%	3.1%	8,761	0.3
Median Luxury		54,323	16,342	5,339	27.3%	2.3%	3.7%	3.8%	3.1%	800	2.5
Brembo NV	NL	3,292	3,940	678	17.2%	4.8%	7.3%	8.8%	6.8%	499	0.7
Fine Foods & Pharmaceuticals NTM SpA	IT	201	264	33	12.3%	11.3%	28.2%	n.a.	n.m.	(11)	n.m.
Gentili Mosconi SpA	IT	45	45	6	12.8%	0.7%	1.7%	1.0%	3.2%	(19)	n.m.
Sabaf SpA	IT	225	281	44	15.8%	9.5%	23.2%	53.0%	91.3%	67	1.5
Median domestic B2B		213	273	38	14.3%	7.2%	15.2%	8.8%	6.8%	28	1.1
Pattern SpA		85	127	13	10.2%	4.6%	4.0%	2.5%	4.6%	19	1.4

Sources: CFO SIM, Refinitiv Eikon

Table 14 - Pattern, peer group EV multiple table

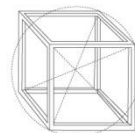
x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Burberry Group PLC	0.96	0.93	0.87	6.5	4.9	4.2
Capri Holdings Ltd	1.47	1.36	1.27	12.7	10.9	9.5
Compagnie Financiere Richemont SA	3.29	3.06	2.82	11.4	10.3	9.3
Hermes International SCA	14.86	13.27	11.82	32.9	29.2	25.7
Kering SA	2.44	2.30	2.14	9.5	8.4	7.5
LVMH Moët Hennessy Louis Vuitton SE	4.08	3.83	3.45	12.8	11.9	10.6
Median Luxury	2.86	2.68	2.48	12.0	10.6	9.4
Brembo NV	0.96	0.88	0.79	5.6	5.0	4.4
Fine Foods & Pharmaceuticals NTM SpA	0.72	0.40	0.36	5.9	3.2	2.6
Gentili Mosconi SpA	0.58	0.49	0.39	4.5	3.5	2.2
Sabaf SpA	1.04	0.94	0.85	6.6	5.4	4.8
Median domestic B2B	0.84	0.68	0.59	5.7	4.2	3.5
Pattern SpA	0.81	0.66	0.54	8.0	5.3	4.1
% premium/(discount) to luxury peers	(71.6)	(75.5)	(78.4)	(33.8)	(49.8)	(56.8)
% premium/(discount) to domestic B2B peers	(3.3)	(3.8)	(9.2)	39.2	25.3	15.7

Sources: CFO SIM, Refinitiv Eikon

Table 15 - Pattern, peer group EV & price multiple table

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Burberry Group PLC	28.2	12.4	9.5	115.9	24.5	16.0
Capri Holdings Ltd	22.1	16.8	14.7	17.9	14.7	13.1
Compagnie Financiere Richemont SA	14.3	12.8	11.4	19.8	17.9	16.2
Hermes International SCA	36.7	32.6	28.8	51.2	46.2	41.3
Kering SA	15.0	12.8	11.0	18.5	15.5	12.9
LVMH Moët Hennessy Louis Vuitton SE	15.8	14.5	12.8	23.5	21.5	19.7
Median Luxury	18.9	13.7	12.1	21.7	19.7	16.1
Brembo NV	9.1	7.9	6.8	11.1	9.9	8.8
Fine Foods & Pharmaceuticals NTM SpA	12.3	5.8	n.a.	20.1	15.4	11.2
Gentili Mosconi SpA	4.1	3.4	2.9	12.4	10.8	7.9
Sabaf SpA	12.0	9.1	7.7	14.2	10.7	9.5
Median domestic B2B	10.6	6.9	6.8	13.3	10.8	9.1
Pattern SpA	17.8	9.0	6.3	83.8	19.1	12.9
% premium/(discount) to luxury peers	(6.0)	(33.8)	(48.1)	n.m.	(3.1)	(19.5)
% premium/(discount) to domestic B2B peers	68.4	31.3	(8.1)	n.m.	77.6	41.4

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 companies operating with a B2B business model and listed in Italy.

Table 16 - Pattern, peer group and indices absolute performance

%	1D	1W	1M	3M	6M	YTD	1Y
Burberry Group PLC	(1.3)	17.0	5.7	(18.7)	(42.2)	(50.5)	(63.3)
Capri Holdings Ltd	7.5	11.4	18.8	25.1	(6.4)	(15.5)	(19.3)
Compagnie Financiere Richemont SA	(0.6)	17.3	0.2	(4.8)	(2.7)	15.6	19.5
Hermes International SCA	(1.2)	14.0	2.0	4.9	(6.8)	15.0	27.5
Kering SA	(3.7)	15.8	-	(23.6)	(29.9)	(35.6)	(40.5)
LVMH Moet Hennessy Louis Vuitton SE	(2.1)	15.7	2.3	(3.3)	(17.4)	(6.1)	(3.9)
Median Luxury	(1.2)	15.7	2.1	(4.1)	(12.1)	(10.8)	(11.6)
Brembo NV	(2.9)	1.3	(7.0)	(4.8)	(17.2)	(11.4)	(16.4)
Fine Foods & Pharmaceuticals NTM SpA	3.7	8.1	9.9	(2.4)	9.4	3.5	8.2
Gentili Mosconi SpA	-	(4.8)	(10.9)	(15.6)	(34.6)	(32.0)	(29.8)
Sabaf SpA	(1.4)	(0.6)	(1.7)	6.3	(1.3)	1.7	15.4
Median domestic B2B	(0.7)	0.4	(4.3)	(3.6)	(9.2)	(4.9)	(4.1)
Pattern SpA	0.3	2.8	(3.0)	(3.9)	(7.7)	(9.8)	(7.9)
MSCI World Index	(0.1)	0.9	1.7	5.8	8.7	17.5	30.5
EUROSTOXX	(1.2)	2.1	0.8	2.2	(0.8)	8.9	17.1
FTSE Italia All Share	(1.7)	1.4	(0.6)	1.1	(1.8)	11.7	20.5
FTSE Italia STAR	(1.1)	1.8	(1.0)	(2.4)	(4.1)	(2.8)	10.4
FTSE Italia Growth	(0.1)	0.2	0.3	(0.7)	(0.6)	(2.9)	(3.2)

Source: Refinitiv Eikon

Table 17 - Pattern relative performances

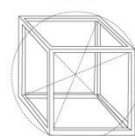
%	1D	1W	1M	3M	6M	YTD	1Y
to MSCI World Index	0.4	1.9	(4.7)	(9.7)	(16.4)	(27.3)	(38.4)
to EUROSTOXX	1.6	0.7	(3.8)	(6.2)	(7.0)	(18.7)	(25.0)
to FTSE Italia All Share	2.0	1.4	(2.4)	(5.0)	(5.9)	(21.6)	(28.5)
to FTSE Italia STAR	1.4	1.0	(2.0)	(1.6)	(3.6)	(7.0)	(18.3)
to FTSE Italia Growth	0.5	2.6	(3.3)	(3.2)	(7.1)	(6.9)	(4.8)
to Domestic B2B Peer Median	1.0	2.4	1.4	(0.4)	1.5	(5.0)	(3.9)
to Luxury Peer Median	1.6	(12.9)	(5.1)	0.1	4.4	1.0	3.7

Source: Refinitiv Eikon

Risks

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

- 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).



ANALYST CERTIFICATION

This publication was prepared by Corporate Family Office SIM S.p.A. ("CFO SIM"), namely by **GIANLUCA MOZZALI, LUCA SOLARI, and CHIARA FRANCOMACARO** 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
01/10/2024	€8.00	BUY
04/06/2024	€7.50	BUY
02/04/2024	€7.00	NEUTRAL
12/02/2024	€7.80	BUY
04/10/2023	€7.80	NEUTRAL

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- a **BUY** rating is assigned if the target price is at least 15% higher than the market price;
- 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.

