

Italy – Luxury Engineering

A further brick to shape the Italian Hub of luxury engineering

23rd December 2022

NUOVA NICOL ACQUISITION

RIC: PTRN.MI
BBG: PTR IM

Thanks to the acquisition of Nuova Nicol, Pattern definitely created a hub dedicated to the luxury knitwear in the area between Reggio Emilia and Bologna. As of today, the group is becoming ever more the main Italian hub of luxury fashion engineering & production, unquestionably a reference partner for the key luxury brands worldwide.

Rating:

Buy

Price Target:

€ 7.80

Upside/(Downside): 22.6%

Last Price: € 6.36

Market Cap.: € 90.8m

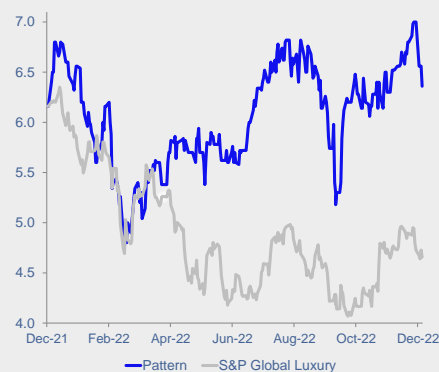
1Y High/Low: € 7.00 / € 4.72

Avg. Daily Turn. (3M, 6M): € 30k, € 42k

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	-2.5%	8.5%	4.3%
Rel.to FTSE IT Growth	0.0%	7.8%	22.9%
Rel.to Sector	-0.4%	-10.6%	11.5%

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Estimates upgraded, Rating and PT confirmed

Pattern acquired Nuova Nicol at an extremely appealing multiple and the move is accretive at EBITDA and Net Profit level, as early as 2023, the first year of consolidation. We have updated our model by factoring in the consolidation of Nuova Nicol starting from 1-Jan-23 and the related cash-out at the closing date (expected by the end of April 2023). The combined results are an average 8.1%, 13.7% and 15.7% increase in Revenues, EBITDA and Net Profit in 2023-24. We also updated our DCF valuation criteria by bringing the free risk rate up to date, whose 200 days moving average increased to 3.49% from 2.46% since our last publication. As a consequence of the estimate revision and the update in the valuation criteria, the DCF-based PT remains unchanged at € 7.80/s, 22.6% upside. According to our elaborations, the acquisition of Nuova Nicol brings in approximately € 1.00/s of additional value to Pattern, which is entirely absorbed by the ca. 100bps increase in the free risk rate. We reiterate our Buy recommendation on the stock.

A domestic player focused on luxury knitwear for women

Nuova Nicol is a company specialised in the production of luxury knitwear for women based between Reggio Emilia and Bologna. Nuova Nicol boasts a customer portfolio comprising top luxury brands and its activity is characterised by a meticulous attention to the quality of yarns and fabrics as well as to the finishing of garments. In 2021, Nuova Nicol recorded VoP of € 8.3m, EBITDA of € 1.9m, 23% margin and Net cash of € 0.2m.

Pattern buys 100% of Nuova Nicol for € 6.0m, 3.0x EV/EBITDA₂₁

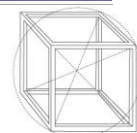
Pattern, through its subsidiary S.M.T. (80% owned), purchased 100% of Nuova Nicol for € 6.0m, corresponding to ca. 3.0x EV/EBITDA₂₁. The agreement provides for the spin-off of certain non-core assets, currently included in the company's balance sheet, before the closing date, which is expected to be by the end of April 2023. Furthermore, the price agreed is subjected to certain conditions, namely: FY-22 Net Equity, net of the aforementioned spin-off, at least € 1.4m; FY-22 pre-tax profit at least € 1.5m; Net cash at the closing date at least € 0.7m. The price will be corresponded for 80% at the closing date while the remainder following Nuova Nicol's FY-25 financial statement approval.

A value-accretive and strategic move in the knitwear field

Following the acquisition of S.M.T. in 2019 and Zanni at the beginning of 2022, Pattern furtherly enlarged its presence in the luxury knitwear sector with the acquisition of Nuova Nicol. Furthermore, this acquisition sees a value-accretive multiple and will allow Pattern to 1) integrate a comprehensive technical know-how and expertise in the field of luxury knitwear for women 2) strengthen the luxury knitwear hub and, 2) increase the group's production capacity with regard to knitwear.

Pattern, key financials and ratios

€ m	2020	2021	2022e	2023e	2024e
Value of Production	54.0	72.5	97.4	134.3	147.6
EBITDA	5.4	7.7	10.9	15.9	18.5
EBIT	3.6	5.3	6.8	10.9	13.5
Net profit	2.3	3.0	3.3	5.5	6.8
NFP (cash)/debt	(8.8)	(3.1)	8.9	10.8	6.0
EBITDA margin	10.0%	10.6%	11.1%	11.9%	12.5%
EBIT margin	6.6%	7.3%	7.0%	8.1%	9.2%
EPS	0.16	0.21	0.23	0.39	0.47
EPS growth	-40.1%	32.1%	10.3%	66.3%	22.8%
Dividend	0.00	0.08	0.08	0.14	0.17
Dividend Yield	0.0%	1.2%	1.3%	2.2%	2.7%
ROCE	9.3%	10.9%	13.2%	19.2%	21.7%
NWC/Sales	6.1%	8.2%	8.3%	8.7%	8.8%
Free Cash Flow Yield	-0.1%	-5.2%	-12.0%	-0.9%	7.5%
PER x	30.2	23.7	27.5	16.5	13.4
EV/Sales x	0.85	0.98	1.03	0.76	0.66
EV/EBITDA x	9.2	8.8	9.2	6.4	5.2
EV/EBIT x	14.6	12.9	14.7	9.3	7.2



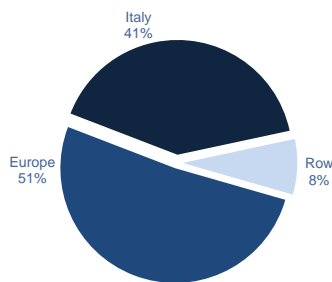


The Company at a Glance

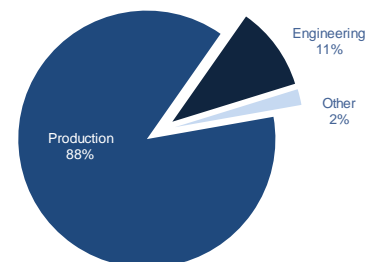
Founded in 2000 by Fulvio Botto and Francesco Martorella (group directors and major shareholders with a 32% stake each), Pattern is the second Italian player (CFO SIM estimate) specialised in the modelling, engineering, grading, prototyping and production of luxury clothing for men and women, and the undisputed leader in the outerwear niche, operating in the catwalk segment and among the top lines of the most prestigious global luxury brands. Pattern manages the entire engineering and production cycle from patterns to prototypes, from the creation of ready-to-wear garments to successive productions. Pattern runs the high value-added engineering and prototyping phases whilst production is outsourced to a plethora of suppliers. Since 2017, Pattern has been embarking on an external growth process, with the acquisition of Roscini (luxury womenswear) in 2017, S.M.T. (luxury knitwear) in 2019, Idee Partner (luxury leather goods) in 2021, and Zanni (wholegarment knitwear manufacturing technique), RGB (luxury leather goods accessories) and Dyloan (luxury technology R&D and production) in 2022, thus creating the first 'Italian hub of luxury fashion engineering'. Pattern's global export sales reached almost 60% of total revenues in 2021. 88% of revenues come from production while engineering processes account for 10%. Female apparel makes up 41% of the total thanks to the acquisition of Roscini Atelier in 2017, whereas male apparel now accounts for 59% of total revenues. In terms of products, most of the group's production comes from outerwear, namely 46% of the total, whereas knitwear accounts for 38% and the remainder is represented by upper wear, light wear and leather goods (consolidated for just one month in 2021).

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

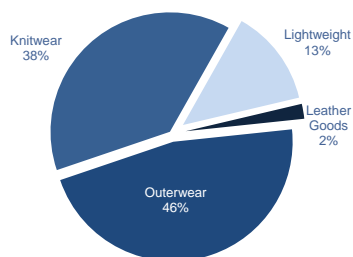
2021 breakdown by geography...



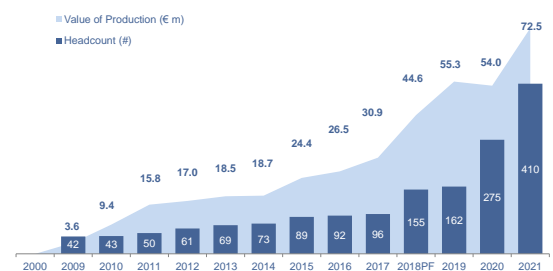
... by service...



...and by product line



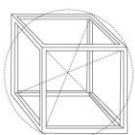
Top line and headcount evolution



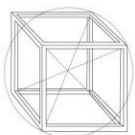
Peer group multiples table

EV multiples x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
Burberry Group PLC	2.23	2.08	1.88	7.7	7.1	6.5	11.3	10.5	9.4
Capri Holdings Ltd	2.29	2.04	1.02	7.0	6.2	4.8	8.3	7.5	5.6
Compagnie Financiere Richemont	3.00	2.69	2.51	9.6	8.7	8.0	12.4	11.2	10.0
Hermes International SCA	12.84	11.36	10.12	28.4	25.1	22.3	32.3	28.5	25.2
Kering SA	3.01	2.61	2.36	8.5	7.5	6.7	10.6	9.3	8.3
LVMH Moet Hennessy Louis Vuitton	4.45	4.02	3.63	13.0	11.8	10.6	16.2	14.6	12.9
Median Luxury	3.00	2.65	2.43	9.1	8.1	7.3	11.9	10.8	9.7
Brembo SpA	1.09	1.01	0.95	6.2	5.7	5.3	9.8	9.1	8.3
Eurotech SpA	n.a.	0.80	n.a.	n.a.	4.0	n.a.	n.a.	5.0	n.a.
Fine Foods & Pharmaceuticals	0.81	0.94	0.61	10.0	8.5	4.8	71.1	19.9	n.a.
Sabaf SpA	1.12	0.98	0.90	7.1	5.6	4.8	12.1	9.4	7.9
Median domestic B2B	1.09	0.96	0.90	7.1	5.7	4.8	12.1	9.2	8.1
Pattern SpA	1.03	0.76	0.66	9.2	6.4	5.2	14.7	9.3	7.2

Sources: CFO Sim, Refinitiv Eikon



Income statement (€ m)	2020	2021	2022e	2023e	2024e
Revenues	52.6	69.5	97.2	134.0	147.3
Value of Production	54.0	72.5	97.4	134.3	147.6
Raw material and processing	(15.5)	(22.3)	(27.5)	(38.3)	(42.1)
Services	(19.0)	(25.6)	(36.3)	(46.8)	(51.8)
Personnel expenses	(12.4)	(15.2)	(21.8)	(32.0)	(33.8)
Other opex	(1.7)	(1.8)	(1.0)	(1.3)	(1.5)
EBITDA	5.4	7.7	10.9	15.9	18.5
D&A	(1.8)	(2.4)	(4.1)	(5.0)	(5.0)
EBIT	3.6	5.3	6.8	10.9	13.5
Financials	(0.1)	(0.1)	(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	3.5	5.1	6.6	10.8	13.4
Income taxes	(0.5)	(1.5)	(2.0)	(3.2)	(4.0)
Minorities	(0.7)	(0.7)	(1.3)	(2.0)	(2.6)
Net Profit	2.3	3.0	3.3	5.5	6.8
Net Profit adj.	1.8	3.0	3.3	5.5	6.8
EBITDA Adjusted	4.9	7.7	10.9	15.9	18.5
Balance sheet (€ m)	2020	2021	2022e	2023e	2024e
Net Working Capital	3.3	5.9	8.0	11.6	13.0
Net Fixed Assets	10.7	17.6	29.5	32.0	30.6
Equity Investments	0.2	0.3	0.3	0.3	0.3
Other M/L Term A/L	(2.0)	(1.8)	(1.6)	(1.3)	(1.3)
Net Invested Capital	12.2	22.0	36.2	42.5	42.5
Net Financial Debt	(8.8)	(3.1)	8.9	10.8	6.0
Minorities	2.0	2.2	3.5	5.6	8.2
Group's Shareholders Equity	18.9	22.9	23.9	26.2	28.4
Financial Liabilities & Equity	12.2	22.0	36.2	42.5	42.5
Cash Flow statement (€ m)	2020	2021	2022e	2023e	2024e
Total net income	2.3	3.0	3.3	5.5	6.8
Depreciation	1.8	2.4	4.1	5.0	5.0
Other non-cash charges	0.9	(0.2)	(0.2)	(0.3)	(0.0)
Cash Flow from Oper. (CFO)	5.0	5.2	7.2	10.2	11.7
Change in NWC	0.1	(2.6)	(2.1)	(3.6)	(1.3)
FCF from Operations (FCFO)	5.1	2.6	5.1	6.6	10.4
Net Investments (CFI)	(5.2)	(7.2)	(16.0)	(7.4)	(3.6)
Free CF to the Firm (FCFF)	(0.1)	(4.7)	(10.9)	(0.8)	6.8
CF from financials (CFF)	7.5	3.9	(0.8)	(0.9)	(1.6)
Free Cash Flow to Equity (FCFE)	7.4	(0.8)	(11.7)	(1.7)	5.2
Financial ratios	2020	2021	2022e	2023e	2024e
EBITDA margin	10.0%	10.6%	11.1%	11.9%	12.5%
EBIT margin	6.6%	7.3%	7.0%	8.1%	9.2%
Net profit margin	4.2%	4.1%	3.4%	4.1%	4.6%
Tax rate	13.2%	28.5%	30.0%	30.0%	30.0%
Op NWC/Sales	6.1%	8.2%	8.3%	8.7%	8.8%
Interest coverage x	0.03	0.02	0.03	0.01	0.01
Net Debt/EBITDA x	(1.63)	(0.40)	0.82	0.68	0.32
Debt-to-Equity x	(0.46)	(0.13)	0.37	0.41	0.21
ROIC	18.7%	13.6%	9.1%	12.9%	15.9%
ROCE	9.3%	10.9%	13.2%	19.2%	21.7%
ROACE	11.7%	12.1%	13.6%	20.2%	22.7%
ROE	12.0%	13.1%	13.9%	21.0%	23.8%
Payout ratio	0.0%	36.4%	36.4%	36.4%	36.4%
Per share figures	2020	2021	2022e	2023e	2024e
Number of shares # m	14.26	14.26	14.26	14.26	14.26
Number of shares Fully Diluted # m	14.26	14.26	14.26	14.26	14.26
Average Number of shares Fully Diluted #	14.26	14.26	14.26	14.26	14.26
EPS stated FD €	0.16	0.21	0.23	0.39	0.47
EPS adjusted FD €	0.12	0.21	0.23	0.39	0.47
EBITDA €	0.38	0.54	0.76	1.12	1.30
EBIT €	0.25	0.37	0.48	0.77	0.95
BV €	1.47	1.76	1.92	2.22	2.56
FCFO €	0.36	0.18	0.36	0.47	0.73
FCFF €	(0.01)	(0.33)	(0.76)	(0.06)	0.47
FCFE €	0.52	(0.06)	(0.82)	(0.12)	0.36
Dividend €	0.00	0.08	0.08	0.14	0.17



A domestic player focused on luxury knitwear

Pattern announced the acquisition of Nuova Nicol Srl, **a company specialised in the production of luxury knitwear for women**. Based between Reggio Emilia and Bologna, Nuova Nicol boasts a **customer portfolio comprising top luxury brands** and its activity is characterised by a meticulous attention to the quality of yarns and fabrics as well as to the finishing of garments.

In 2021, Nuova Nicol reported:

- Value of Production of € 8.3m;
- EBITDA of € 1.9m, 23% margin;
- Net cash of € 0.2m.

100% of Nuova Nicol for € 6.0m, 3.0x EV/EBITDA₂₁

Pattern, through its subsidiary S.M.T. (80% owned), purchased **100% of Nuova Nicol for € 6.0m** from the three current shareholders of the company, namely Gianluca Nicoli (99.6%), Michele Marchi (0.2%) and Rita Nanni (0.2%). The total consideration corresponds to ca. **3.0x EV/EBITDA₂₁**. The multiple is even lower if we consider the minimum value of net cash expected at the closing date (i.e. € 0.7m).

The agreement provides for the spin-off of certain non-core assets, currently included in the company's balance sheet, before the closing date, which is expected to be by the end of April 2023.

Furthermore, the price agreed is subjected to certain conditions, namely:

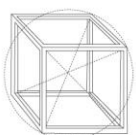
- FY-22 Net Equity, net of the aforementioned spin-off, at least € 1.4m;
- FY-22 pre-tax profit at least € 1.5m;
- Net cash at the closing date at least € 0.7m.

The price will be corresponded for 80% at the closing date while the remainder following Nuova Nicol's FY-25 financial statement approval.

A value-accretive and strategic move in the knitwear field

Following the acquisition of S.M.T. in 2019 and Zanni at the beginning of 2022, **Pattern furtherly enlarged its presence in the luxury knitwear sector** with the acquisition of Nuova Nicol.

Furthermore, this acquisition sees a **value-accretive multiple** and will allow Pattern to 1) integrate a comprehensive technical know-how and expertise in the field of luxury knitwear for women 2) strengthen the luxury knitwear hub and, 2) increase the group's production capacity with regard to knitwear.



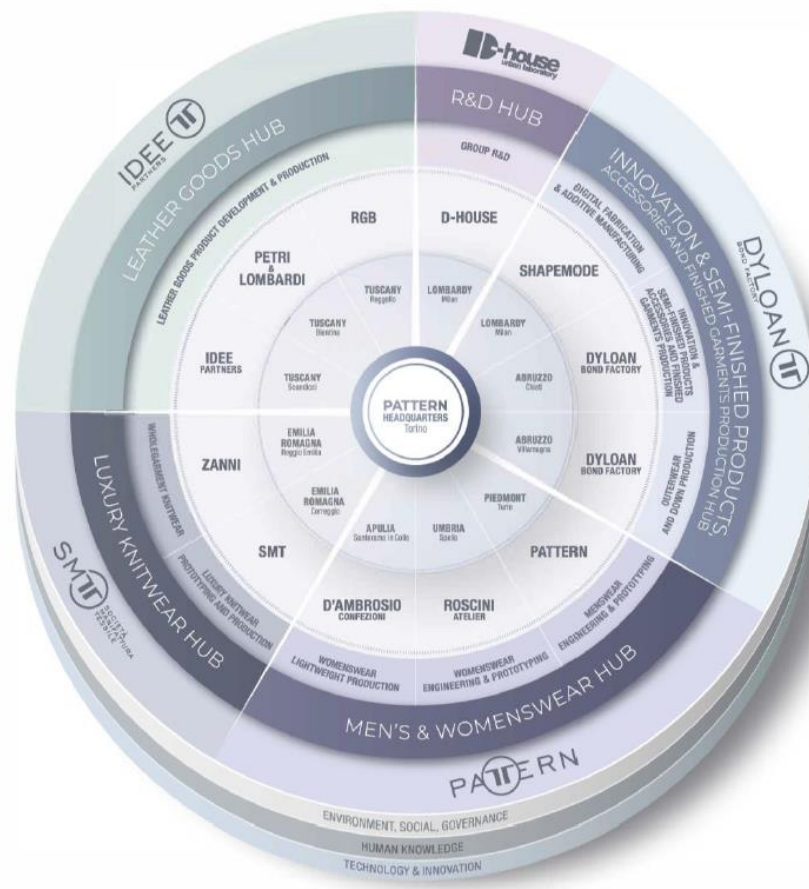
The Italian hub of luxury fashion engineering & production

Thanks to the acquisition of Nuova Nicol, Pattern definitely created a hub dedicated to the luxury knitwear in the area between Reggio Emilia and Bologna, composed by S.M.T., Zanni and Nuova Nicol.

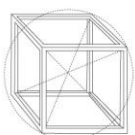
As of today, Pattern is becoming ever more **the main Italian hub of luxury fashion engineering & production**, operating with five 'sub-hubs' focused on specific niches:

- 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 by **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 by **S.M.T.**, **Zanni** and **Nuova Nicol**;
- 5) The **Hub of Leather Goods** in Tuscany, with **Idee Partners**, **RGB** and **Petri & Lombardi**.

Chart 1 – Pattern, the Italian hub of luxury fashion engineering & production



Source: Pattern



Estimates, Valuation & Risks

Pattern acquired Nuova Nicol at an extremely appealing multiple and **the move is accretive at EBITDA and Net Profit level**, as early as 2023, the first year of consolidation. We have updated our model by factoring in the consolidation of Nuova Nicol starting from 1-Jan-23 and the related cash-out at the closing date (expected by the end of April 2023). The combined results are **an average 8.1%, 13.7% and 15.7% increase in Revenues, EBITDA and Net Profit in 2023-24**. We have left unchanged our estimates with respect to FY-22.

Table 1 – Pattern, 2023e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	134.3	124.2	8.1	10.1
EBITDA	15.9	13.9	14.6	2.0
% margin	11.9	11.2		
EBIT	10.9	9.3	17.9	1.7
% margin	8.1	7.5		
Net Profit	5.5	4.7	17.9	0.8
% margin	4.1	3.8		
Y/E net debt (net cash)	10.8	6.4	70.2	4.5

Source: CFO Sim

Table 2 – Pattern, 2024e new/old estimates

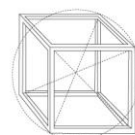
€ m	New	Old	% Diff.	€ m Diff.
Value of Production	147.6	136.5	8.1	11.1
EBITDA	18.5	16.4	12.7	2.1
% margin	12.5	12.0		
EBIT	13.5	11.9	14.0	1.7
% margin	9.2	8.7		
Net Profit	6.8	6.0	13.5	0.8
% margin	4.6	4.4		
Y/E net debt (net cash)	6.0	2.5	137.2	3.5

Source: CFO Sim

We also updated our DCF valuation criteria by bringing the free risk rate up to date, whose 200 days moving average increased to 3.49% from 2.46% since our last publication. As a consequence of the estimate revision and the update in the valuation criteria, **the DCF-based PT remains unchanged at € 7.80/s, 22.6% upside**.

According to our elaborations, **the acquisition of Nuova Nicol brought in approximately € 1.00/s of additional value to Pattern**, which is entirely absorbed by the ca. 100bps increase in the free risk rate.

We reiterate our Buy recommendation on the stock.



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 3 - 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)	3.49%
Beta levered (x)	1.00
Required ROE	12.5%

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** has been set prudentially, taking into account the company's lower liquidity. Indeed, the 5Y Beta calculated using the domestic B2B peer group is 1.05x. **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 4 - Pattern, DCF model

€ m	2023e	2024e	2025e	2026e	2027e	Term. Val.
EBIT	10.9	13.5	15.8	18.4	20.7	
Tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	
Operating profit (NOPAT)	7.6	9.5	11.1	12.8	14.5	
Change working capital	(3.6)	(1.3)	(1.0)	(0.5)	(0.1)	
Depreciation	5.0	5.0	4.5	3.0	1.5	
Investments	(7.4)	(3.6)	(1.5)	(1.5)	(1.5)	
Free Cash Flows	1.6	9.5	13.1	13.8	14.5	157.6
Present value	1.5	7.8	9.7	9.3	8.9	96.4
WACC	10.3%	10.3%	10.3%	10.3%	10.3%	
Long-term growth rate	1.0%					

Source: CFO Sim

Table 5 – Pattern, DCF derived from:

€ m	
Total EV present value € m	133.6
	<i>thereof terminal value</i>
	72.2%
NFP FY1	(8.9)
Pension provision	(2.6)
Minorities (valued at 9.0x & 7.0x PER)	(11.6)
Equity value € m	110.6
#m shares	14.26
Equity value €/s	7.80
% upside/(downside)	22.6%

Source: CFO Sim

By applying our DCF model, we attained an **equity value of € 110.6m (€ 7.80/s)** with regard to Pattern.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of **€ 7.20-8.40/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 **€ 7.24-8.32/s (free risk range between 4.09% and 2.89%)** and 3) if compared to changes in the risk premium, including the small-size premium, it results in an equity value of **€ 6.57-9.30/s (risk premium range between 10.5% and 7.50%)**.

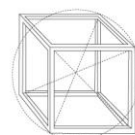


Table 6 – Pattern, equity value sensitivity to changes in terminal growth rate

€ m	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
Present value of CF	37.2	37.2	37.2	37.2	37.2	37.2	37.2
PV of terminal value	88.6	91.1	93.7	96.4	99.4	102.4	105.7
Total value	125.7	128.2	130.8	133.6	136.5	139.6	142.9
NFP FY1	(8.9)	(8.9)	(8.9)	(8.9)	(8.9)	(8.9)	(8.9)
Pension provision	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)
Minorities	(11.6)	(11.6)	(11.6)	(11.6)	(11.6)	(11.6)	(11.6)
Equity value	102.7	105.2	107.8	110.6	113.5	116.6	119.8
Equity value/share €	7.20	7.37	7.56	7.80	7.96	8.17	8.40

Source: CFO Sim

Table 7 – Pattern, equity value sensitivity to changes in free risk rate

€ m	2.89%	3.09%	3.29%	3.49%	3.69%	3.89%	4.09%
Present value of CF	37.7	37.5	37.4	37.2	37.0	36.8	36.6
PV of terminal value	104.0	101.4	98.9	96.4	94.1	91.9	89.7
Total value	141.7	138.9	136.2	133.6	131.1	128.7	126.3
NFP FY1	(8.9)	(8.9)	(8.9)	(8.9)	(8.9)	(8.9)	(8.9)
Pension provision	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)
Minorities	(11.6)	(11.6)	(11.6)	(11.6)	(11.6)	(11.6)	(11.6)
Equity value	118.7	115.9	113.2	110.6	108.1	105.6	103.3
Equity value/share €	8.32	8.12	7.93	7.80	7.58	7.41	7.24

Source: CFO Sim

Table 8 – 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	38.6	38.1	37.6	37.2	36.7	36.3	35.8
PV of terminal value	117.0	109.5	102.6	96.4	90.8	85.6	80.9
Total value	155.6	147.6	140.3	133.6	127.5	121.9	116.7
NFP FY1	(8.9)	(8.9)	(8.9)	(8.9)	(8.9)	(8.9)	(8.9)
Pension provision	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)
Minorities	(11.6)	(11.6)	(11.6)	(11.6)	(11.6)	(11.6)	(11.6)
Equity value	132.6	124.6	117.3	110.6	104.5	98.8	93.6
Equity value/share €	9.30	8.73	8.22	7.80	7.32	6.93	6.57

Source: CFO Sim

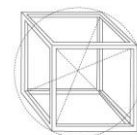
Market Multiples

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.

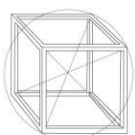


Table 9 - Pattern, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₂₁₋₂₄	EBITDA CAGR ₂₁₋₂₄	EBIT CAGR ₂₁₋₂₄	EPS CAGR ₂₂₋₂₄	NFP FY1	NFP /EBITDA
Burberry Group PLC	UK	8,767	3,544	1,027	29.0%	5.7%	5.2%	8.6%	4.9%	(875)	n.m.
Capri Holdings Ltd	US	6,804	3,544	1,157	32.6%	21.1%	5.7%	6.5%	2.4%	1,319	1.1
Compagnie Financiere Richemont	F	62,404	19,551	6,092	31.2%	4.7%	11.8%	17.7%	13.3%	(3,815)	n.m.
Hermes International SCA	F	154,752	11,440	5,176	45.3%	16.2%	15.5%	16.3%	11.3%	(7,844)	n.m.
Kering SA	F	59,002	20,774	7,333	35.3%	10.1%	8.7%	10.1%	6.6%	3,440	0.5
LVMH Moet Hennessy Louis Vuitton	F	344,553	78,838	26,994	34.2%	12.3%	12.1%	14.2%	9.0%	6,166	0.2
Median Luxury		60,703	15,495	5,634	33.4%	11.2%	10.3%	12.1%	7.8%	222	0.5
Brembo SpA	IT	3,443	1,206	639	52.9%	11.9%	12.5%	17.8%	4.3%	501	0.8
Eurotech SpA	IT	102	90	6	6.1%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Fine Foods & Pharmaceuticals	IT	180	207	17	8.1%	10.3%	21.1%	n.a.	n.a.	(13)	n.m.
Sabaf SpA	IT	197	253	40	15.8%	1.8%	-1.4%	-5.5%	14.6%	86	2.2
Median domestic B2B		189	230	28	11.9%	10.3%	12.5%	6.2%	9.5%	86	1.5
Pattern SpA	IT	91	97	11	11.2%	28.5%	34.0%	36.9%	42.9%	9	0.8

Sources: CFO Sim, Refinitiv Eikon

Table 10 - Pattern, peer group EV multiple table

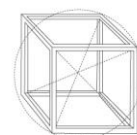
x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Burberry Group PLC	2.23	2.08	1.88	7.7	7.1	6.5
Capri Holdings Ltd	2.29	2.04	1.02	7.0	6.2	4.8
Compagnie Financiere Richemont	3.00	2.69	2.51	9.6	8.7	8.0
Hermes International SCA	12.84	11.36	10.12	28.4	25.1	22.3
Kering SA	3.01	2.61	2.36	8.5	7.5	6.7
LVMH Moet Hennessy Louis Vuitton	4.45	4.02	3.63	13.0	11.8	10.6
Median Luxury	3.00	2.65	2.43	9.1	8.1	7.3
Brembo SpA	1.09	1.01	0.95	6.2	5.7	5.3
Eurotech SpA	n.a.	0.80	n.a.	n.a.	4.0	n.a.
Fine Foods & Pharmaceuticals	0.81	0.94	0.61	10.0	8.5	4.8
Sabaf SpA	1.12	0.98	0.90	7.1	5.6	4.8
Median domestic B2B	1.09	0.96	0.90	7.1	5.7	4.8
Pattern SpA	1.03	0.76	0.66	9.2	6.4	5.2
% premium/(discount) to luxury peers	(65.8)	(71.4)	(73.0)	1.3	(21.3)	(28.7)
% premium/(discount) to domestic B2B peers	(5.7)	(20.7)	(26.6)	29.6	13.0	8.3

Sources: CFO Sim, Refinitiv Eikon

Table 11 - Pattern, peer group EV & price multiple table

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Burberry Group PLC	11.3	10.5	9.4	16.8	16.3	15.2
Capri Holdings Ltd	8.3	7.5	5.6	7.7	7.8	7.4
Compagnie Financiere Richemont	12.4	11.2	10.0	18.8	16.3	14.6
Hermes International SCA	32.3	28.5	25.2	48.6	43.5	39.2
Kering SA	10.6	9.3	8.3	14.6	14.0	12.9
LVMH Moet Hennessy Louis Vuitton	16.2	14.6	12.9	23.6	21.7	19.9
Median Luxury	11.9	10.8	9.7	17.8	16.3	14.9
Brembo SpA	9.8	9.1	8.3	11.3	10.9	10.4
Eurotech SpA	n.a.	5.0	n.a.	n.m.	4.7	n.a.
Fine Foods & Pharmaceuticals	71.1	19.9	n.a.	n.m.	21.2	13.9
Sabaf SpA	12.1	9.4	7.9	11.3	9.6	8.6
Median domestic B2B	12.1	9.2	8.1	11.3	10.3	10.4
Pattern SpA	14.7	9.3	7.2	27.5	16.5	13.4
% premium/(discount) to luxury peers	23.5	(14.1)	(26.2)	54.6	1.3	(10.0)
% premium/(discount) to domestic B2B peers	21.6	0.6	(11.6)	142.9	60.6	29.0

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 12 - Pattern, peer group and indices absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Burberry Group PLC	(0.5)	(2.5)	(3.6)	17.5	23.6	11.0	13.4
Capri Holdings Ltd	(2.1)	(3.9)	4.7	32.4	26.9	(13.8)	(8.9)
Compagnie Financiere Richemont	(1.3)	(1.9)	1.6	20.9	20.4	(13.9)	(11.8)
Hermes International SCA	(2.1)	(2.3)	(1.5)	21.2	41.5	(4.7)	(5.5)
Kering SA	(1.3)	(4.1)	(13.3)	(4.1)	(3.0)	(32.8)	(30.9)
LVMH Moët Hennessy Louis Vuitton	(1.1)	(2.5)	(2.6)	9.5	20.8	(5.9)	(4.4)
Median Luxury	(1.3)	(2.5)	(2.1)	19.2	22.2	(9.9)	(7.2)
Brembo SpA	(1.2)	(2.7)	(6.4)	18.3	9.4	(17.8)	(16.1)
Eurotech SpA	(0.9)	(0.1)	(16.5)	4.8	(4.7)	(43.4)	(44.3)
Fine Foods & Pharmaceuticals	(0.2)	(1.6)	(1.1)	(0.4)	(5.0)	(46.9)	(45.9)
Sabaf SpA	0.1	(9.0)	(9.9)	(0.9)	(30.2)	(28.8)	(27.8)
Median domestic B2B	(0.6)	(2.2)	(8.2)	2.2	(4.8)	(36.1)	(36.1)
Pattern SpA	(3.0)	(9.1)	(2.5)	8.5	11.6	(6.5)	4.3
MSCI World Index	(1.2)	(1.6)	(4.1)	4.3	1.8	(19.7)	(18.5)
EUROSTOXX	(1.1)	(0.4)	(3.3)	9.4	8.1	(13.9)	(12.2)
FTSE Italia All Share	(1.1)	0.2	(3.5)	9.3	9.2	(13.8)	(12.1)
FTSE Italia STAR	(1.2)	(2.1)	(3.7)	10.5	0.8	(29.0)	(27.3)
FTSE Italia Growth	(0.6)	(2.0)	(2.5)	0.7	(0.5)	(20.1)	(18.6)

Source: Refinitiv Eikon

Table 13 – Pattern relative performances

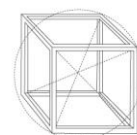
	1D	1W	1M	3M	6M	YTD	1Y
to MSCI World Index	(1.8)	(7.6)	1.6	4.3	9.8	13.2	22.7
to EUROSTOXX	(2.0)	(8.8)	0.8	(0.9)	3.5	7.4	16.5
to FTSE Italia All Share	(1.9)	(9.4)	1.0	(0.7)	2.3	7.3	16.4
to FTSE Italia STAR	(1.9)	(7.0)	1.2	(2.0)	10.8	22.5	31.5
to FTSE Italia Growth	(2.4)	(7.1)	0.0	7.8	12.1	13.7	22.9
to Domestic B2B Peer Median	(2.5)	(7.0)	5.7	6.3	16.4	29.6	40.3
to Luxury Peer Median	(1.8)	(6.7)	(0.4)	(10.6)	(10.6)	3.4	11.5

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



ANALYST CERTIFICATION

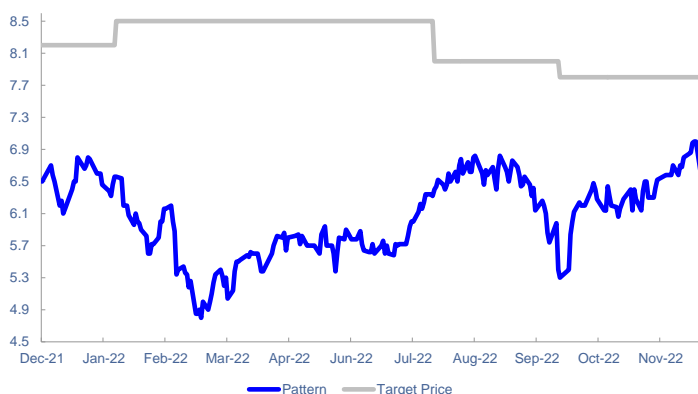
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DATE	TARGET PRICE	RATING
23/12/2022	€7.80	BUY
29/09/2022	€7.80	BUY
20/07/2022	€8.00	BUY
08/04/2022	€8.50	BUY
11/03/2022	€8.50	BUY
15/02/2022	€8.50	BUY
24/01/2022	€8.50	BUY
28/10/2021	€8.20	BUY

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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.

