

## Italy – Luxury Engineering

## Strategic acquisition in the fruitful luxury knitwear segment

4<sup>th</sup> June 2024

### ACQUISITION OF UVM

RIC: PTRN.MI  
BBG: PTR IM

Pattern acquired Umbria Verde Mattioli, a knitting mill focused on thin and super thin knitwear. We welcomed this move, as Pattern was able to acquire a significantly profitable company at a fair multiple. The acquisition unquestionably reinforced the group's leadership in knitwear, a segment which demonstrated a strong resiliency in the last years and is anticipated to experience a significant evolution in the near future.

#### Rating:

**Buy (Neutral)**

#### Price Target:

**€ 7.50 (€ 7.00)**

Upside/(Downside): 25.8%

Last Price: € 5.96

Market Cap.: € 85.4m

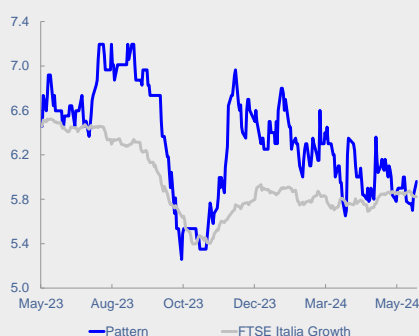
1Y High/Low: € 7.20 / € 5.26

Avg. Daily Turn. (3M, 6M): € 38k, € 45k

Free Float: 32.2%

#### Major shareholders:

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



#### Stock price performance

	1M	3M	12M
<b>Absolute</b>	-0.7%	-5.4%	-11.5%
<b>Rel.to FTSE IT Growth</b>	0.1%	-5.2%	-0.9%
<b>Rel.to Sector</b>	3.5%	9.0%	-3.6%

#### Analysts:

Gianluca Mozzali  
+39 02 30343 396  
gianluca.mozzali@cfosim.com

Luca Solari  
+39 02 30343 397  
luca.solari@cfosim.com

#### Value-accretive acquisition: new PT of € 7.50/s (€ 7.00). Upgrade to Buy (Neutral)

Thanks to the acquisition of UVM, Pattern more than offset the EBITDA lost with the disposal of the BU dedicated to Burberry's products with an overall cash-out lower than the cash-in obtained. We have updated our model by factoring in the acquisition of UVM and more conservative assumptions concerning H2-24 on the back of the uncertain geopolitical and economic environment negatively affecting global luxury spending. The combined result is an average 9.7% and 12.4% increase in revenues and EBITDA in 2024-26. The new DCF-based PT points to € 7.50/s (€ 7.00), 25.8% upside. The increased upside to current price levels stemming from the PT's upwards revision coupled with a slight decline in the stock price in the last weeks led us to upgrade our recommendation to Buy (Neutral).

#### Acquisition of 100% of Umbria Verde Mattioli for € 20m, ca. 4.5x EV/EBITDA

Pattern, through its subsidiary SMT (80% owned), signed a binding agreement for the acquisition of 100% of Umbria Verde Mattioli (UVM) for € 20.0m (4.5x EV/EBITDA) from the two founders Simone and Leonardo Mattioli, paid as follows: 1) € 8.0m at the closing date; 2) € 3.0m in three equal annual instalments; 3) € 9.0m as a credit in favour of the sellers that will be used to subscribe a reserved capital increase in SMT in return for 10% of the company. Furthermore, Pattern entered into a binding agreement with Stefano Casini, who owns 20% of SMT through Camer, for the acquisition of 8% of SMT for € 6.2m. The purchase of the 8% stake in SMT will be performed before the closing of the acquisition of UVM. As a consequence, following the acquisition of UVM, the SMT's share capital will be owned 80% by Pattern, 10% by Camer and 10% by the UVM's selling shareholders.

#### A leading knitting mill specialised in thin and super thin knitwear

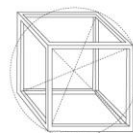
UVM is a knitting company specialised in thin and super thin knitwear, providing its customers with production and processing activities in the luxury knitwear segment using premium fibres and exclusive processing methods. UVM is among the largest knitting mills in Italy in terms of production capacity for thin knitwear, using a peculiar technology typical of English Cotton Machines, which can process super thin yarns. In 2023, UVM totalled € 17.8m in revenues with EBITDA of € 4.2m (23.6% margin) and net cash of € 3.3m.

#### Strategic acquisition aimed at reinforcing the most promising business segment

Thanks to the acquisition of UVM, Pattern further increases its leadership positioning in the high-end luxury knitwear segment by creating one of the largest international hubs. Pattern creates a vertically integrated offer starting from the engineering & production to the marketing of knitwear products, following the ESG principles. Furthermore, UVM allowed Pattern to enrich its knitwear offer with the increasingly required thin and super thin garments, furtherly expanding its customer base by adding a couple of top luxury brands.

#### Pattern, key financials and ratios

€ m	2022	2023	2024e	2025e	2026e
Revenues	109.2	145.6	125.5	151.0	167.7
Value of Production	110.4	145.6	126.8	152.5	169.4
EBITDA	11.1	18.8	12.8	18.7	22.3
EBIT	6.9	8.4	5.6	10.9	14.3
Net profit	2.6	21.1	1.0	4.1	6.2
Adj. Net Profit	2.6	5.7	1.0	4.1	6.2
NFP (cash)/debt	13.9	(0.6)	19.3	15.5	8.0
EBITDA margin	10.2%	12.9%	10.2%	12.4%	13.3%
EBIT margin	6.3%	5.8%	4.5%	7.2%	8.6%
Adj. EPS	0.18	0.40	0.07	0.29	0.43
Adj. EPS growth	-15.2%	120.0%	-83.0%	321.3%	50.9%
ROCE	9.8%	11.1%	7.1%	12.7%	15.2%
NWC/Sales	10.3%	5.6%	9.2%	9.6%	10.9%
EV/Sales x	0.92	0.69	0.83	0.67	0.56
EV/EBITDA x	9.0	5.0	8.2	5.4	4.2
EV/EBIT x	14.5	7.5	18.7	9.3	6.5
PER x	33.2	17.6	87.4	20.7	13.7
Free Cash Flow Yield	-18.3%	18.5%	-20.9%	4.8%	10.4%





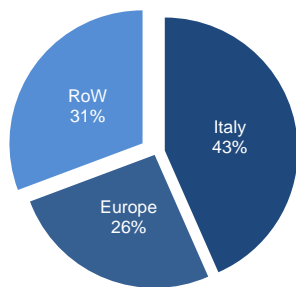
## The Company at a glance

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.

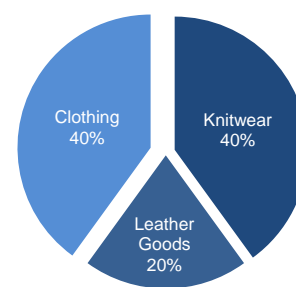
Since 2017, Pattern has been embarking on an external growth process, with the acquisition of Roscini (luxury womenswear) in 2017, S.M.T. (luxury knitwear) in 2019, Idee Partners (luxury leather goods) in 2021, and Zanni (wholegarment knitwear manufacturing technique), RGB (luxury leather goods accessories), 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'. 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.

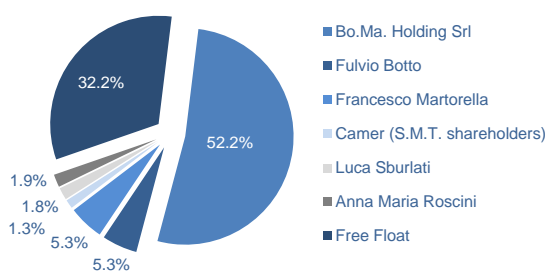
### 2023 breakdown by geography...



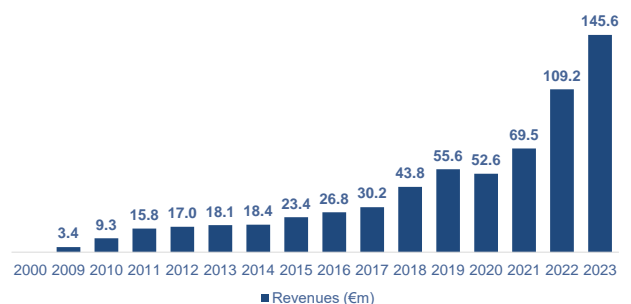
### ... and by product line



### Shareholders structure



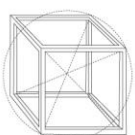
### Top line evolution



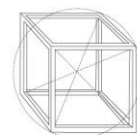
### Peer group multiples table

EV multiples x	Sales FY1	Sales FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Burberry Group PLC	1.22	1.14	5.2	4.6	9.8	8.2	15.6	12.9
Capri Holdings Ltd	1.13	1.00	8.0	6.9	10.9	8.9	8.9	8.0
Compagnie Financiere Richemont SA	3.31	3.05	10.8	9.8	13.7	12.2	19.0	17.2
Hermes International SCA	14.24	12.58	30.7	27.0	34.2	30.0	48.2	42.9
Kering SA	2.66	2.48	9.8	8.6	14.4	12.3	17.7	15.5
LVMH Moet Hennessy Louis Vuitton SE	4.14	3.88	12.6	11.6	15.7	14.5	22.9	20.8
<b>Median Luxury</b>	<b>2.99</b>	<b>2.77</b>	<b>10.3</b>	<b>9.2</b>	<b>14.0</b>	<b>12.3</b>	<b>18.3</b>	<b>16.4</b>
Brembo SpA	1.02	0.92	5.9	5.2	9.6	8.1	11.8	10.4
Eurotech SpA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	9.4
Fine Foods & Pharmaceuticals NTM SpA	0.64	0.35	5.2	2.6	10.9	n.a.	18.9	14.5
Sabaf SpA	1.04	0.94	6.5	5.4	12.1	9.0	14.4	11.2
<b>Median domestic B2B</b>	<b>1.02</b>	<b>0.92</b>	<b>5.9</b>	<b>5.2</b>	<b>10.9</b>	<b>8.6</b>	<b>14.4</b>	<b>10.8</b>
<b>Pattern SpA</b>	<b>0.83</b>	<b>0.67</b>	<b>8.2</b>	<b>5.4</b>	<b>18.7</b>	<b>9.3</b>	<b>87.4</b>	<b>20.7</b>

Sources: CFO SIM, Refinitiv Eikon



<b>Income statement (€ m)</b>	<b>2022</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
Revenues	109.2	145.6	125.5	151.0	167.7
Value of Production	110.4	145.6	126.8	152.5	169.4
Raw material and processing	(28.4)	(28.8)	(24.1)	(29.0)	(32.2)
Services	(42.3)	(56.2)	(48.4)	(58.3)	(64.7)
Personnel expenses	(25.4)	(37.2)	(37.7)	(42.0)	(45.2)
Other opex	(3.2)	(4.5)	(3.8)	(4.6)	(5.1)
EBITDA	11.1	18.8	12.8	18.7	22.3
D&A	(4.2)	(10.4)	(7.2)	(7.8)	(7.9)
EBIT	6.9	8.4	5.6	10.9	14.3
Financials	(0.3)	(0.6)	(1.0)	(1.0)	(1.0)
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	4.6	9.9	13.3
Income taxes	(2.5)	(4.7)	(1.4)	(3.0)	(4.0)
Minorities	(1.5)	(2.3)	(2.2)	(2.8)	(3.1)
Group's Net Profit	2.6	21.1	1.0	4.1	6.2
Adj. EBITDA	11.1	19.9	12.8	18.7	22.3
Adj. Group's Net Profit	2.6	5.7	1.0	4.1	6.2
<b>Balance sheet (€ m)</b>	<b>2022</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
Net Working Capital	11.3	8.2	11.6	14.6	18.4
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	65.0	67.8	68.2
Net Financial Debt	13.9	(0.6)	19.3	15.5	8.0
Minorities	4.8	5.0	7.3	10.0	13.1
Group's Shareholders Equity	24.8	37.5	38.4	42.2	47.0
Financial Liabilities & Equity	43.5	41.9	65.0	67.8	68.2
<b>Cash Flow statement (€ m)</b>	<b>2022</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
Total net income	4.1	3.4	3.2	6.9	9.3
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	15.2	17.7
Change in NWC	(5.4)	3.1	(3.4)	(3.0)	(3.7)
FCF from Operations (FCFO)	6.1	19.7	7.1	12.1	13.9
Net Investments (CFI)	(21.7)	(3.9)	(24.9)	(8.0)	(5.0)
Free CF to the Firm (FCFF)	(15.7)	15.8	(17.8)	4.1	8.9
CF from financials (CFF)	9.4	(12.9)	7.6	(2.8)	(4.6)
Free Cash Flow to Equity (FCFE)	(6.2)	2.9	(10.3)	1.4	4.3
<b>Financial ratios</b>	<b>2022</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
EBITDA margin	10.2%	12.9%	10.2%	12.4%	13.3%
EBIT margin	6.3%	5.8%	4.5%	7.2%	8.6%
Adj. Net profit margin	2.4%	3.9%	0.8%	2.7%	3.7%
Tax rate	38.4%	16.8%	30.0%	30.0%	30.0%
Op NWC/Sales	10.3%	5.6%	9.2%	9.6%	10.9%
Interest coverage x	0.04	0.07	0.18	0.09	0.07
Net Debt/EBITDA x	1.25	(0.03)	1.51	0.83	0.36
Debt-to-Equity x	0.56	(0.02)	0.50	0.37	0.17
ROIC	6.0%	50.5%	1.5%	6.1%	9.1%
ROCE	9.8%	11.1%	7.1%	12.7%	15.2%
ROACE	11.6%	11.5%	7.3%	13.2%	15.9%
ROE	10.5%	56.4%	2.5%	9.8%	13.2%
Payout ratio	0.0%	n.m.	34.9%	35.0%	35.0%
<b>Per share figures</b>	<b>2022</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
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	0.29	0.43
EPS adjusted €	0.18	0.40	0.07	0.29	0.43
EBITDA €	0.78	1.32	0.89	1.30	1.54
EBIT €	0.48	0.59	0.39	0.76	1.00
BV €	2.08	2.96	3.17	3.63	4.17
FCFO €	0.43	1.37	0.49	0.84	0.96
FCFF €	(1.10)	1.10	(1.24)	0.29	0.62
FCFE €	(0.44)	0.20	(0.71)	0.09	0.30
Dividend €	0.00	0.58	0.02	0.10	0.15



## Acquisition of Umbria Verde Mattioli

Pattern, through its subsidiary SMT Srl (80% owned), signed a **binding agreement for the acquisition of 100% of Umbria Verde Mattioli Srl (UVM) for € 20.0m** from the two founders Simone and Leonardo Mattioli. The total consideration agreed upon will be paid as follows:

- € 8.0m at the closing date (expected by the end of June 2024);
- € 3.0m in three equal annual instalments (in 2025-26-27);
- € 9.0m as a credit in favour of the sellers that will be used to subscribe a reserved capital increase in SMT in return for 10% of the company, thus valuing SMT at approximately € 81m on the pre-money basis (€ 90m post-money).

The price agreed upon corresponds to approximately **4.5x EV/EBITDA**, significantly lower compared to Pattern's trading multiple of ca. 7.0x EV/EBITDA at the announcement.

**Furthermore, Pattern entered into a binding agreement with Stefano Casini** (SMT's CEO) and Camer Srl (fully owned by Stefano Casini), which currently owns 20% of SMT, **for the acquisition of 8% of SMT for € 6.2m** (thus valuing SMT at € 77.5m), € 1.2m of which to be paid at the closing date, and € 5.0m in five equal annual instalments starting from 2025. The purchase of the 8% stake in SMT from Stefano Casini will be performed before the closing of the acquisition of UVM.

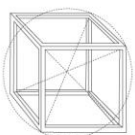
**As a consequence, following the acquisition of UVM, the SMT's share capital will be owned 80% by Pattern, 10% by Camer and 10% by the UVM's selling shareholders** (Simone and Leonardo Mattioli). In addition, a new shareholders' agreement will envisage, inter alia, that: 1) the SMT's BoD will be composed of 5 members, 3 of whom are to be appointed by Pattern, 1 by Camer and 1 by Simone Mattioli; 2) Stefano Casini will be appointed as SMT's CEO; 3) Camer will hold a veto right on certain shareholders' meeting and board matters; 4) restrictions will be posed on the transfer of SMT's shares; 5) two Put & Call options, one with Camer and the other with UVM's sellers, both with Pattern as a prospective buyer, will be signed.

Established in 1959, **Umbria Verde Mattioli Srl is a knitting company** based in Umbria and **specialised in thin and super thin knitwear**. UVM provides its customers with production and processing activities in the luxury knitwear segment using **premium fibres and exclusive processing methods**.

**UVM is among the largest knitting mills in Italy** (and also worldwide if we consider its focus on the top-luxury segment of the market) **in terms of production capacity for thin knitwear**, using a peculiar technology typical of **English Cotton Machines**, which can process super thin yarns. The strong R&D effort, a huge production capacity and the most technologically advanced machinery allow UVM to discover several unique solutions, some of which may be patented or exclusively licensed to customers.

In the last five years, UVM embarked on a strong growth path growing with a CAGR<sub>19-23</sub> of ca. 37% and 29% concerning revenues and EBITDA, respectively, by always maintaining an EBITDA margin above 20% (source AIDA), thanks to its ability to use innovative technology to provide its customers with original and personalised garments. **In 2023, UVM totalled € 17.8m in revenues with EBITDA of € 4.2m (23.6% margin) and net cash of € 3.3m.**

Thanks to the acquisition of UVM, Pattern further increases its leadership positioning in the high-end luxury knitwear segment by **creating one of the largest international hubs focused on luxury knitwear** (SMT, Zanni and Nuova Nicol in Emilia Romagna and UVM in Umbria). In particular, **Pattern creates a "one supply chain" in knitwear**, namely a **vertically integrated offer** starting from the engineering & production to the marketing of knitwear products and semi-finished goods, **following the ESG principles**. Furthermore, UVM allowed Pattern to **enrich its knitwear offer** with increasingly required thin and super thin garments as well as **further expand its customer base** by adding a couple of top luxury brands.



## Estimates, Valuation & Risks

We welcomed this move, as **Pattern was able to acquire a significantly profitable company** (over 20% EBITDA margin compared to the historical average of the group of ca. 12%) **at a fair multiple** (ca. 4.5x EV/EBITDA), thus leaving room to **huge value creation**. Moreover, **thanks to the acquisition of UVM, Pattern more than offset the EBITDA lost with the disposal of the BU dedicated to Burberry's products** with an overall cash-out lower than the cash-in obtained.

**The acquisition of UVM unquestionably reinforced the group's leadership in knitwear**, a segment which demonstrated a strong resiliency in the last years and is anticipated to experience a significant evolution in the near future.

Following this deal announcement, **we have updated our model by factoring in: 1) the acquisition of UVM** and its consolidation starting from July 2024 (six months in 2024) and 2) more conservative assumptions concerning H2-24 on the back of the uncertain geopolitical and economic environment negatively affecting global luxury spending. **The combined result is an average 9.7% and 12.4% increase in revenues and EBITDA in 2024-26.**

**Table 1 – Pattern, 2024e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
<b>Revenues</b>	<b>125.5</b>	<b>120.8</b>	3.8	<b>4.6</b>
<b>EBITDA</b>	<b>12.8</b>	<b>12.2</b>	4.6	<b>0.6</b>
% margin	10.2	10.1		
<b>EBIT</b>	<b>5.6</b>	<b>5.6</b>	(0.3)	<b>(0.0)</b>
% margin	4.5	4.6		
<b>Adj. Net Profit</b>	<b>1.0</b>	<b>1.7</b>	(41.9)	<b>(0.7)</b>
% margin	0.8	1.4		
<b>Y/E net debt / (net cash)</b>	<b>19.3</b>	<b>4.1</b>	n.m.	<b>15.2</b>

Source: CFO SIM

**Table 2 – Pattern, 2025e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
<b>Revenues</b>	<b>151.0</b>	<b>135.4</b>	11.5	<b>15.6</b>
<b>EBITDA</b>	<b>18.7</b>	<b>16.1</b>	15.9	<b>2.6</b>
% margin	12.4	11.9		
<b>EBIT</b>	<b>10.9</b>	<b>9.4</b>	15.4	<b>1.5</b>
% margin	7.2	7.0		
<b>Adj. Net Profit</b>	<b>4.1</b>	<b>4.2</b>	(0.8)	<b>(0.0)</b>
% margin	2.7	3.1		
<b>Y/E net debt / (net cash)</b>	<b>15.5</b>	<b>0.5</b>	n.m.	<b>15.0</b>

Source: CFO SIM

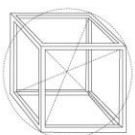
**Table 3 – Pattern, 2026e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
<b>Revenues</b>	<b>167.7</b>	<b>147.5</b>	13.7	<b>20.2</b>
<b>EBITDA</b>	<b>22.3</b>	<b>19.1</b>	16.7	<b>3.2</b>
% margin	13.3	12.9		
<b>EBIT</b>	<b>14.3</b>	<b>12.4</b>	16.1	<b>2.0</b>
% margin	8.6	8.4		
<b>Adj. Net Profit</b>	<b>6.2</b>	<b>6.0</b>	3.0	<b>0.2</b>
% margin	3.7	4.1		
<b>Y/E net debt / (net cash)</b>	<b>8.0</b>	<b>(7.9)</b>	n.m.	<b>16.0</b>

Source: CFO SIM

Moreover, CFO has updated the DCF valuation criteria, bringing the Risk-Free Rate up-to-date. The combined result is a new **DCF-based PT of € 7.50/s (€ 7.00), 25.8% upside potential.**

The increased upside to current price levels stemming from the PT's upwards revision coupled with a slight decline in the stock price in the last weeks led us to **upgrade our recommendation to Buy (Neutral).**





## 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 4 - WACC derived from:**

Interest costs, pre-tax	4.50%
Tax rate	30.0%
<b>Int. costs, after taxes</b>	<b>3.2%</b>
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200gg simple moving average)	4.05%
Beta levered (x)	1.00
<b>Required ROE</b>	<b>13.1%</b>

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 5 - Pattern, DCF model**

€ m	2024e	2025e	2026e	2027e	2028e	TV
EBIT	5.6	10.9	14.3	20.1	23.1	
Tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	
<b>Operating profit (NOPAT)</b>	<b>3.9</b>	<b>7.6</b>	<b>10.0</b>	<b>14.1</b>	<b>16.2</b>	
Change working capital	(3.4)	(3.0)	(3.7)	(1.9)	(0.1)	
Depreciation	7.2	7.8	7.9	6.0	4.0	
Investments	(24.9)	(8.0)	(5.0)	(4.5)	(4.0)	
<b>Free Cash Flows</b>	<b>(17.2)</b>	<b>4.4</b>	<b>9.2</b>	<b>13.6</b>	<b>16.2</b>	<b>179.6</b>
Present value	(16.3)	3.8	7.2	9.7	10.4	<b>115.8</b>
WACC	10.1%	10.1%	10.1%	10.1%	10.1%	
<b>Long-term growth rate</b>	<b>1.0%</b>					

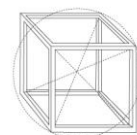
Source: CFO SIM

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

€ m	
Total EV present value € m	130.5
<i>thereof terminal value</i>	88.7%
NFP last reported	0.6
Pension provision last reported	(5.3)
Minorities valued @ 2.4 P/BV	(17.2)
<b>Equity value € m</b>	<b>108.6</b>
#m shares	14.41
<b>Equity value €/s</b>	<b>7.50</b>
% upside/(downside)	25.8%

Source: CFO SIM

By applying our DCF model, we attained an **equity value of € 108.6m (€ 7.50/s)** for Pattern.



The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of € 6.87-8.33/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 € 7.02-8.10/s (risk-free range between 4.65% and 3.45%) and 3) if compared to changes in the risk premium, including the small-size premium, it results in an equity value of € 6.34-9.06/s (risk premium range between 10.50% 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	14.7	14.7	14.7	14.7	14.7	14.7	14.7
PV of terminal value	106.2	109.2	112.4	115.8	119.4	123.1	127.1
<b>Total value</b>	<b>120.9</b>	<b>123.9</b>	<b>127.1</b>	<b>130.5</b>	<b>134.1</b>	<b>137.8</b>	<b>141.8</b>
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	(17.2)	(17.2)	(17.2)	(17.2)	(17.2)	(17.2)	(17.2)
<b>Equity value</b>	<b>99.0</b>	<b>102.1</b>	<b>105.3</b>	<b>108.6</b>	<b>112.2</b>	<b>116.0</b>	<b>120.0</b>
<b>Equity value/share €</b>	<b>6.87</b>	<b>7.08</b>	<b>7.30</b>	<b>7.50</b>	<b>7.79</b>	<b>8.05</b>	<b>8.33</b>

Source: CFO SIM

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

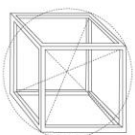
€ m	3.45%	3.65%	3.85%	4.05%	4.25%	4.45%	4.65%
Present value of CF	15.1	14.9	14.8	14.7	14.6	14.5	14.3
PV of terminal value	123.5	120.9	118.3	115.8	113.4	111.0	108.8
<b>Total value</b>	<b>138.6</b>	<b>135.8</b>	<b>133.1</b>	<b>130.5</b>	<b>127.9</b>	<b>125.5</b>	<b>123.1</b>
NFP last reported	0.6	0.6	0.6	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	(17.2)	(17.2)	(17.2)	(17.2)	(17.2)	(17.2)	(17.2)
<b>Equity value</b>	<b>116.8</b>	<b>114.0</b>	<b>111.3</b>	<b>108.6</b>	<b>106.1</b>	<b>103.6</b>	<b>101.2</b>
<b>Equity value/share €</b>	<b>8.10</b>	<b>7.91</b>	<b>7.72</b>	<b>7.50</b>	<b>7.36</b>	<b>7.19</b>	<b>7.02</b>

Source: CFO SIM

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

€ m	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%
Present value of CF	15.6	15.3	15.0	14.7	14.4	14.1	13.8
PV of terminal value	136.8	129.2	122.2	115.8	109.9	104.4	99.4
<b>Total value</b>	<b>152.4</b>	<b>144.5</b>	<b>137.2</b>	<b>130.5</b>	<b>124.3</b>	<b>118.5</b>	<b>113.2</b>
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	(17.2)	(17.2)	(17.2)	(17.2)	(17.2)	(17.2)	(17.2)
<b>Equity value</b>	<b>130.6</b>	<b>122.7</b>	<b>115.4</b>	<b>108.6</b>	<b>102.4</b>	<b>96.7</b>	<b>91.3</b>
<b>Equity value/share €</b>	<b>9.06</b>	<b>8.51</b>	<b>8.00</b>	<b>7.50</b>	<b>7.11</b>	<b>6.71</b>	<b>6.34</b>

Source: CFO SIM



## Market Multiples

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

Among luxury fashion companies, we have selected the following:

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

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

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

**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.

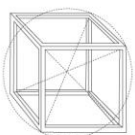
**Kering SA:** as a global luxury group, Kering develops an ensemble of luxury houses in fashion, leather goods, jewellery and watches: Gucci, Saint Laurent, Bottega Veneta, Alexandre McQueen, Balenciaga, Ulysse Nardin, etc. The company specialises in ready-to-wear products, sports goods, shoes, jewellery,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

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

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





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

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

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

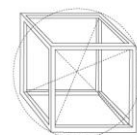
€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR <sub>23-26</sub>	EBITDA CAGR <sub>23-26</sub>	EBIT CAGR <sub>23-26</sub>	EPS CAGR <sub>23-26</sub>	NFP FY1	NFP /EBITDA
Burberry Group PLC	UK	4,381	3,361	782	23.3%	2.0%	0.3%	2.1%	5.6%	(282)	n.m.
Capri Holdings Ltd	US	3,679	4,761	673	14.1%	2.8%	16.2%	18.3%	n.m.	1,689	2.5
Compagnie Financiere Richemont	F	79,100	21,725	6,643	30.6%	6.2%	8.0%	8.9%	10.1%	(7,186)	n.m.
Hermes International SCA	F	227,804	15,195	7,052	46.4%	11.9%	11.1%	11.4%	12.0%	(11,500)	n.m.
Kering SA	F	39,538	18,847	5,102	27.1%	3.3%	-0.4%	-0.3%	-0.5%	10,671	2.1
LVMH Moet Hennessy Louis Vuitton	F	367,040	90,040	29,576	32.8%	6.4%	6.5%	7.5%	6.6%	6,108	0.2
<b>Median Luxury</b>		<b>59,319</b>	<b>17,021</b>	<b>5,872</b>	<b>28.8%</b>	<b>4.7%</b>	<b>7.3%</b>	<b>8.2%</b>	<b>6.6%</b>	<b>704</b>	<b>2.1</b>
Brembo SpA	IT	3,603	3,984	687	17.2%	5.4%	8.0%	10.0%	8.1%	472	0.7
Eurotech SpA	IT	46	90	6	6.3%	n.a.	n.a.	n.a.	n.m.	n.a.	n.a.
Fine Foods & Pharmac. NTM SpA	IT	189	274	34	12.2%	11.7%	28.2%	n.a.	n.m.	(13)	n.m.
Sabaf SpA	IT	227	273	44	16.0%	8.8%	22.8%	52.3%	89.2%	57	1.3
<b>Median domestic B2B</b>		<b>208</b>	<b>273</b>	<b>39</b>	<b>14.1%</b>	<b>8.8%</b>	<b>22.8%</b>	<b>31.2%</b>	<b>48.7%</b>	<b>57</b>	<b>1.0</b>
<b>Pattern SpA</b>	IT	<b>85</b>	<b>125</b>	<b>13</b>	<b>10.2%</b>	<b>4.8%</b>	<b>3.8%</b>	<b>2.3%</b>	<b>2.8%</b>	<b>10</b>	<b>0.8</b>

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	1.22	1.14	1.17	5.2	4.6	4.5
Capri Holdings Ltd	1.13	1.00	0.86	8.0	6.9	5.4
Compagnie Financiere Richemont	3.31	3.05	2.83	10.8	9.8	8.8
Hermes International SCA	14.24	12.58	11.19	30.7	27.0	23.9
Kering SA	2.66	2.48	2.29	9.8	8.6	7.6
LVMH Moet Hennessy Louis Vuitton	4.14	3.88	3.42	12.6	11.6	10.2
<b>Median Luxury</b>	<b>2.99</b>	<b>2.77</b>	<b>2.56</b>	<b>10.3</b>	<b>9.2</b>	<b>8.2</b>
Brembo SpA	1.02	0.92	0.81	5.9	5.2	4.5
Eurotech SpA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Fine Foods & Pharmac. NTM SpA	0.64	0.35	0.32	5.2	2.6	2.3
Sabaf SpA	1.04	0.94	0.84	6.5	5.4	4.7
<b>Median domestic B2B</b>	<b>1.02</b>	<b>0.92</b>	<b>0.81</b>	<b>5.9</b>	<b>5.2</b>	<b>4.5</b>
<b>Pattern SpA</b>	<b>0.83</b>	<b>0.67</b>	<b>0.56</b>	<b>8.2</b>	<b>5.4</b>	<b>4.2</b>
% premium/(discount) to luxury peers	(72.1)	(75.8)	(78.2)	(20.5)	(41.1)	(48.9)
% premium/(discount) to domestic B2B peers	(18.4)	(27.3)	(31.4)	38.4	4.3	(6.6)

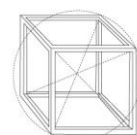
Sources: CFO SIM, Refinitiv Eikon



**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	9.8	8.2	8.0	15.6	12.9	11.7
Capri Holdings Ltd	10.9	8.9	7.6	8.9	8.0	7.0
Compagnie Financiere Richemont	13.7	12.2	11.1	19.0	17.2	15.5
Hermes International SCA	34.2	30.0	26.4	48.2	42.9	38.5
Kering SA	14.4	12.3	10.6	17.7	15.5	13.1
LVMH Moet Hennessy Louis Vuitton	15.7	14.5	12.5	22.9	20.8	19.0
<b>Median Luxury</b>	<b>14.0</b>	<b>12.3</b>	<b>10.8</b>	<b>18.3</b>	<b>16.4</b>	<b>14.3</b>
Brembo SpA	9.6	8.1	6.9	11.8	10.4	9.3
Eurotech SpA	n.a.	n.a.	n.a.	n.m.	9.4	n.a.
Fine Foods & Pharmac. NTM SpA	10.9	n.a.	n.a.	18.9	14.5	10.5
Sabaf SpA	12.1	9.0	7.7	14.4	11.2	9.9
<b>Median domestic B2B</b>	<b>10.9</b>	<b>8.6</b>	<b>7.3</b>	<b>14.4</b>	<b>10.8</b>	<b>9.9</b>
<b>Pattern SpA</b>	<b>18.7</b>	<b>9.3</b>	<b>6.5</b>	<b>87.4</b>	<b>20.7</b>	<b>13.7</b>
% premium/(discount) to luxury peers	33.2	(24.4)	(39.9)	n.m.	26.5	(4.0)
% premium/(discount) to domestic B2B peers	71.8	8.1	(10.7)	n.m.	91.8	38.4

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 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	1.0	1.0	(11.4)	(16.8)	(28.8)	(26.2)	(52.2)
Capri Holdings Ltd	(0.4)	(0.6)	(3.7)	(24.9)	(29.4)	(31.5)	(4.7)
Compagnie Financiere Richemont	(0.3)	(0.1)	8.9	0.9	30.0	24.1	(1.4)
Hermes International SCA	(0.3)	(1.4)	(4.6)	(5.7)	13.2	13.1	10.9
Kering SA	1.6	(3.3)	(1.4)	(22.5)	(19.5)	(19.3)	(36.4)
LVMH Moet Hennessy Louis Vuitton	0.4	(2.4)	(5.6)	(12.1)	5.6	0.6	(11.2)
<b>Median Luxury</b>	<b>0.1</b>	<b>(1.0)</b>	<b>(4.1)</b>	<b>(14.4)</b>	<b>(6.9)</b>	<b>(9.3)</b>	<b>(7.9)</b>
Brembo SpA	1.8	(0.2)	(9.8)	(7.9)	(0.1)	(2.2)	(25.6)
Eurotech SpA	1.2	(2.4)	(13.9)	(41.7)	(44.3)	(47.3)	(57.6)
Fine Foods & Pharmac. NTM SpA	1.2	(1.1)	(0.2)	1.8	6.4	(1.9)	2.4
Sabaf SpA	0.6	(2.2)	5.0	5.9	23.5	3.7	17.6
<b>Median domestic B2B</b>	<b>1.2</b>	<b>(1.7)</b>	<b>(5.0)</b>	<b>(3.1)</b>	<b>3.2</b>	<b>(2.1)</b>	<b>(11.6)</b>
<b>Pattern SpA</b>	<b>2.1</b>	<b>3.5</b>	<b>(0.7)</b>	<b>(5.4)</b>	<b>(11.5)</b>	<b>(8.3)</b>	<b>(11.5)</b>
MSCI World Index	0.2	(0.4)	1.8	2.7	14.1	9.0	20.2
EUROSTOXX	0.4	(1.0)	1.2	3.4	12.1	9.4	13.6
FTSE Italia All Share	0.5	(0.3)	1.9	5.3	15.8	13.6	26.4
FTSE Italia STAR	(0.2)	(1.3)	0.8	2.9	10.0	0.2	0.2
FTSE Italia Growth	(0.0)	(0.9)	(0.7)	(0.2)	2.6	(1.4)	(10.6)

Source: Refinitiv Eikon

**Table 14 - Pattern relative performances**

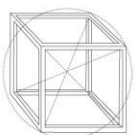
%	1D	1W	1M	3M	6M	YTD	1Y
to MSCI World Index	1.8	3.9	(2.5)	(8.1)	(25.6)	(17.3)	(31.7)
to EUROSTOXX	1.6	4.5	(1.9)	(8.8)	(23.6)	(17.7)	(25.1)
to FTSE Italia All Share	1.6	3.8	(2.6)	(10.7)	(27.3)	(21.9)	(37.9)
to FTSE Italia STAR	2.2	4.8	(1.5)	(8.3)	(21.5)	(8.5)	(11.7)
to FTSE Italia Growth	2.1	4.4	0.1	(5.2)	(14.1)	(6.9)	(0.9)
to Domestic B2B Peer Median	0.8	5.1	4.3	(2.3)	(14.7)	(6.2)	0.1
to Luxury Peer Median	2.0	4.5	3.5	9.0	(4.6)	1.0	(3.6)

Source: Refinitiv Eikon

## Risks

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

- 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

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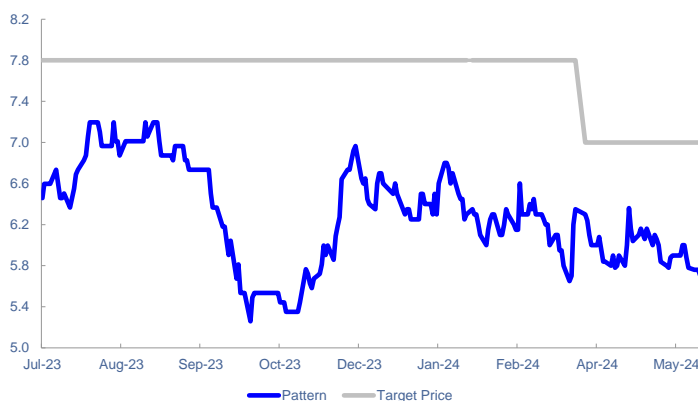
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DATE	TARGET PRICE	RATING
04/06/2024	€7.50	BUY
02/04/2024	€7.00	NEUTRAL
12/02/2024	€7.80	BUY
04/10/2023	€7.80	NEUTRAL
30/03/2023	€7.80	NEUTRAL

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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;
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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.

