

## Italy – Luxury Engineering

Sales were as expected; CF generation beat our forecast

12<sup>th</sup> February 2025

### FY-24 PRELIMINARY RESULTS

RIC: PTRN.MI  
BBG: PTR IM

Pattern reported preliminary sales in line with market expectations, while CF generation significantly exceeded consensus estimates. Once again, the group demonstrated its ability to face the current headwinds of the global luxury market thanks to its industrial footprint, which includes providing top-luxury brands with high-value-added services in engineering, product development, and production.

#### Rating:

**Buy**

#### Price Target:

**€ 8.00**

Upside/(Downside): 43.9%

Last Price: € 5.56

Market Cap.: € 79.7m

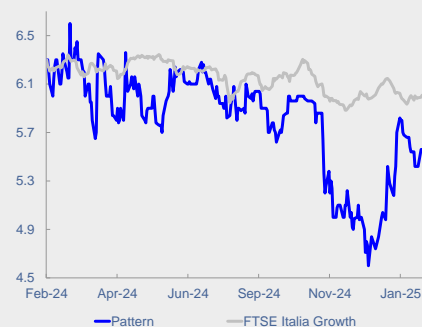
1Y High/Low: € 6.65 / € 4.50

Avg. Daily Turn. (3M, 6M): € 19k, € 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
<b>Absolute</b>	7.3%	6.9%	-7.3%
<b>Rel.to FTSE IT Growth</b>	8.3%	6.1%	-3.7%
<b>Rel.to Sector</b>	-7.0%	-22.4%	7.4%

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#### Estimates, rating and PT reiterated

Pattern has announced FY-24 preliminary results in line with our forecasts concerning sales and significantly better in terms of NFP. The group reported turnover in line with the 2023 pro-forma figure (namely by excluding the BU sold to Burberry in October 2023), also thanks to the contribution of Umbria Verde Mattioli (UVM), acquired in late May 2024 and consolidated for 6 months in FY-24. We remind you that, UVM is a knitting mill focused on thin and super-thin knitwear and, thanks to its acquisition, Pattern unquestionably reinforced the group's leadership in knitwear. This segment demonstrated a strong resiliency in the last years and is anticipated to experience a significant evolution in the near future. Pending the release of FY-24 complete results on 26<sup>th</sup> March, we have kept our estimates and PT unchanged. The Buy recommendation on PTR is reiterated.

€ m	2024	2023	% YoY	2023PF	% YoY	2024e	Δ %
Sales	125.8	145.6	(13.6)	126.4	(0.5)	125.7	0.1
Capex	18.8	19.4	(3.1)	-	-	24.9	(24.5)
NFP debt/(cash)	14.4	(0.6)	n.m.	-	-	18.6	(22.5)

Source: company data, CFO SIM estimates

#### Sales at € 125.8m, perfectly in line with our forecast

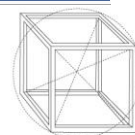
Sales were € 125.8m, -0.5% compared to the 2023 pro-forma figure of € 126.4m. This was also thanks to UVM's contribution, which counterbalanced the significant decline experienced by the leather goods segment. In particular, UVM was consolidated as of June 2024, thus positively impacting the group's performance in H2-24, which accounted for € 66.5m in terms of sales, slightly higher compared to € 65.3m reported in H2-23 on a pro-forma basis. Looking at the FY-23 reported figure of € 145.6m, which includes the BU sold to Burberry in October 2023, FY-24 turnover declined by 13.6% YoY.

#### NFP better-than-expected mainly due to lower-than-projected capex

NFP was € 14.4m debt compared to € 0.6m cash at year-end 2023, mainly because of 1) the acquisition of 100% of UVM and the additional 8% of SMT, 2) the starting of the building of the new group's headquarters in Turin and 3) the purchase of a few pieces of machinery in SMT. Overall, capex was € 18.8m, broadly in line with FY-23 (€ 19.4m). NFP came in significantly better than our forecast of € 18.6m, mainly due to lower-than-expected capex. We believe our estimates include overestimated capex for the new headquarters in 2024, as we anticipated an overall capex of € 24.9m (including M&A) compared to € 18.8m reported by the company. In our understanding, the reason is a simple shift in 2025 of some investments for the new headquarters previously expected in 2024.

#### Pattern, key financials and ratios

€ m	2022	2023	2024e	2025e	2026e
Sales	109.2	145.6	125.7	151.4	167.8
Total Revenues	111.0	147.9	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
Dividend Yield	-	8.3%	0.4%	1.9%	2.9%
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	0.77	0.62	0.51
EV/EBITDA x	9.0	5.0	7.6	5.0	3.8
EV/EBIT x	14.5	7.5	16.9	8.6	5.9
PER x	33.2	17.6	78.9	18.0	12.2
Free Cash Flow Yield	-19.7%	19.8%	-21.5%	4.1%	14.0%



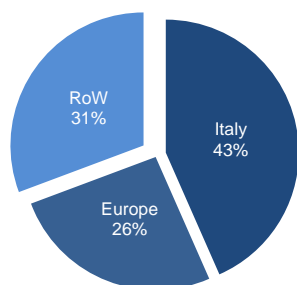
## The Company at a glance

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.

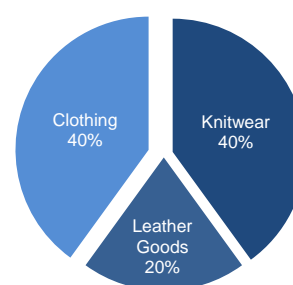
Since 2017, Pattern has been embarking on an external growth process, with the acquisition of Roscini (luxury womenswear) in 2017, S.M.T. (luxury knitwear) in 2019, Idee Partners (luxury leather goods) in 2021, and Zanni (wholegarment knitwear manufacturing technique), RGB (luxury leather goods accessories), Dyloan (luxury technology R&D and production) and Nuova Nicol (luxury knitwear for women) in 2022, and UVM (thin and super thin knitwear) in 2024, 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.

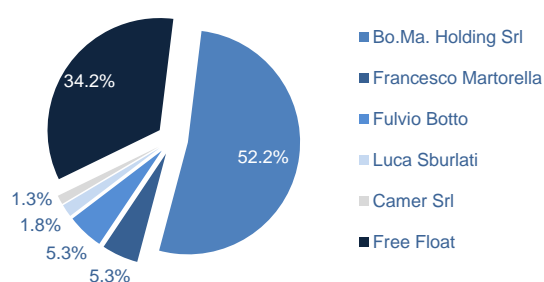
### 2023 breakdown by geography...



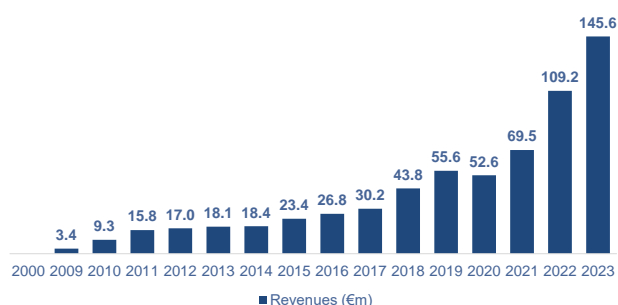
### ... and by product line



### Shareholders structure



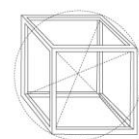
### Top line evolution



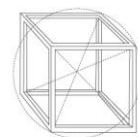
### Peer group multiples table

EV multiples x	Sales FY1	Sales FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Burberry Group PLC	1.93	2.11	13.0	10.0	341.5	30.9	n.m.	44.2
Capri Holdings Ltd	1.12	1.05	16.6	12.6	45.2	27.0	21.1	18.1
Compagnie Financiere Richemont SA	4.49	4.13	15.8	14.0	20.8	17.8	28.8	24.3
Hermes International SCA	18.59	16.51	41.3	36.4	46.2	40.7	64.2	57.7
Kering SA	2.41	2.25	9.3	8.4	15.4	13.1	20.7	16.7
LVMH Moet Hennessy Louis Vuitton SE	3.96	3.63	12.8	11.5	16.6	14.9	23.6	21.1
<b>Median Luxury</b>	<b>3.19</b>	<b>2.94</b>	<b>14.4</b>	<b>12.1</b>	<b>33.0</b>	<b>22.4</b>	<b>23.6</b>	<b>22.7</b>
Brembo NV	0.87	0.85	5.1	5.0	8.6	8.1	11.3	10.0
Fine Foods & Pharmaceuticals NTM SpA	0.58	0.25	4.4	1.9	9.2	3.5	15.3	11.2
Gentili Mosconi SpA	0.99	0.94	10.0	7.1	10.9	7.1	20.2	14.8
Sabaf SpA	0.95	0.87	6.3	5.2	11.8	8.7	13.0	9.8
<b>Median domestic B2B</b>	<b>0.91</b>	<b>0.86</b>	<b>5.7</b>	<b>5.1</b>	<b>10.1</b>	<b>7.6</b>	<b>14.1</b>	<b>10.6</b>
<b>Pattern SpA</b>	<b>0.77</b>	<b>0.62</b>	<b>7.6</b>	<b>5.0</b>	<b>16.9</b>	<b>8.6</b>	<b>78.9</b>	<b>18.0</b>

Sources: CFO SIM, Refinitiv Workspace



<b>Income statement (€ m)</b>	<b>2022</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
Sales	109.2	145.6	125.7	151.4	167.8
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
<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	11.0	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
<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	3.3	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
<b>Financial ratios</b>	<b>2022</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
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%
<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	0.31	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



## ANALYST CERTIFICATION

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DATE	TARGET PRICE	RATING
12/02/2025	€8.00	BUY
01/10/2024	€8.00	BUY
04/06/2024	€7.50	BUY
02/04/2024	€7.00	NEUTRAL
12/02/2024	€7.80	BUY

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- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/-15% range identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return over a 12-month period** and not on the basis of the estimated outperformance or underperformance relative to a market index. Thus, the rating can be directly linked to the estimated percentage difference between current and target prices. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.

