

1H 2020 Results

September 24, 2020

Disclaimer

This document has been prepared by Pattern S.p.A. (the 'Company') solely for the purposes of this presentation. This document may not be reproduced or distributed in whole or in part by any other person with any way than the Company. The Company takes no responsibility for the use of this document by any person and for any purposes. The information contained in this document has not been subject to independent verification and no representation, warranty or undertaking, express or implied, is made as to the accuracy, completeness or correctness of the information or opinions contained herein. This presentation may contain forwards-looking information and statements about the Company. Forward-looking statements are statements that are not historical facts. These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, products and services, and statements regarding plans, performance. In any case, investors and holders of the Company are cautioned that forward-looking information and statements are subject to various risk and uncertainties many of which are difficult to predict and subject to an independent evaluation by the Company; that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking statements. No representation, warranty or undertaking is made by the Company in order to the implementation of these forward – looking statements. These risks and uncertainties include, but are not limited to, those contained in this presentation. Except as required by applicable law, the Company does not undertake any obligation to update any forward-looking information or statements. Neither the Company, its shareholders, its advisors or representatives nor any other person shall have any liability whatsoever for any loss arising from any use of this document or its contents or otherwise arising in connection with this document. This document does not constitute an offer to sell or an invitation or solicitation of an offer to subscribe for or purchase any securities, and this shall not form the basis for or be used for any such offer or invitation or other contract or engagement in any jurisdiction. Under all circumstances the user of this document shall solely remain responsible for his/her own assumptions, analyses and conclusions.

Today's speakers

**Luca
Sburlati**



CEO

-  7 years in Pattern
-  13 years of Fashion & Luxury industry experience as a Top Manager
-  Education: Executive MBA Bocconi / Graduated International Political Sciences

**Innocenzo
Tamborrini**



CFO

-  10 years in Pattern
-  18 years as CFO and Senior Controller
-  Education: Graduated in Economics

**Sara
De Benedetti**



Investor Relations Manager

-  Joined Pattern in July 2018
-  9 years in communication, last 5 years focused on the International Fashion Industry
-  Education: MSc Bocconi in Economics



Index



1. Group at a glance
2. 1H 2020 Results
3. The Luxury Fashion Market
4. Group Strategy & Outlook 2020
5. Pattern and Sustainability
6. Appendix
 - Group Overview
 - Business and Process
 - Investment Case

Group at a glance



The Italian Hub of Luxury Fashion Engineering



The Italian Hub of Luxury Fashion Engineering

Pattern: Luxury Menswear

Pattern S.p.A is one of the most important operators in the field of **engineering, development, prototyping and production** of fashion lines for the most prestigious brands worldwide exclusively for the top luxury range, in the segment of fashion shows and main lines.

-  Quality, Speed, Flexibility, and Reputation
-  A solid focus on **Research & Development, technology and innovation**
-  A market leader in A **highly experienced** task force
-  A business model based on **sustainability**

Client Loyalty 2018 Pattern S.p.A.

Period	Share ¹
<3 Years	7%
3-10 Years	12%
>10 Years	81%

Roscini Atelier: Luxury Womenswear Engineering

Studio Roscini was born in the early '80s and became **one of the most important Italian companies in pattern-making of women's collections**.




In **2017 Studio Roscini joined Pattern Group** with a clear mission: follow each step of the collection development.

The craftsmanship of the creations combined with the most advanced technology allows Roscini Atelier to achieve the perfect balance between quality and speed.

-  Quality, Speed
-  Flexibility and Reputation
-  A solid focus on **craftsmanship and innovation**

Società Manifattura Tessile (S.M.T.): Luxury Knitwear

S.M.T. s.r.l., based in Correggio (Reggio Emilia), began its activity in the luxury knitwear sector in 2010 and today it is a **leading company in prototyping, engineering and production of luxury knitwear**. In **2020 Pattern** completed the acquisition of 51% of SMT's share capital while the remaining 49% will remain property of Stefano Casini.

-  Excellence, Quality
-  Proactivity
-  A solid focus on **Research & Development**
-  120 cutting-edge machines and 20 shima/stoll technicians

March 2020 – SMT enters Pattern Group

Società Manifattura Tessile (S.M.T.): Luxury Knitwear

Pattern thus confirms the expected growth path and **announces the entry of S.M.T. in the Group**, this achievement will allow the Piedmontese company (Pattern) to **enter the luxury knitwear sector which up until now was not a part of the company's activities**. The union with this Italian company aims to **enhance the growth prospects of both companies**.

OPERATION DESCRIPTION

- Acquisition of 51% of SMT's share capital by Pattern while the remaining 49% will remain property of Stefano Casini
- The equity value of S.M.T. has been fixed at € 10.8 million.
- The transaction price was set at € 5.5 million with a possible price adjustment linked to the closure of the 2020 financial statements of S.M.T. Srl.

SOCIETÀ MANIFATTURA TESSILE (S.M.T.)

S.M.T. s.r.l, based in Correggio (Reggio Emilia), is a leading company in prototyping, engineering and production of luxury knitwear for top luxury fashion brands.

The company began its activity in the luxury knitwear sector in 2010 and today owns a unique technological park consisting of almost 120 weaving machines and a programming department made of over 20 technical programmers.

- 2019 Revenues €17.9 million (€11.3 million FY 2018)
- 2019 Adjusted EBITDA margin at €2.6 million and EBITDA Margin 14.5% (8.8% reported FY 2018)
- Negative NFP 2019 of around € 3.4 million (negative NFP of € 3.5 million FY 2018)



1H 2020 Results



1H 2020 Highlights



€ mln

Revenues
€ 24.5
+14%¹

EBITDA
€ 2.5
+22%¹

EBITDA margin
10.2%

Net Income
€ 1.3
+5%¹

POSITIVE NFP
€ 3.9
€ 12.4 m¹

“

COVID has been having a significant impact on the entire luxury fashion sector and this obviously also affects the first half of Pattern.

However, we are **proud to present a result in line with that of the most performing luxury players**, thanks to the **fundamental contribution of S.M.T.** - from this year in the Pattern Group - to a light cost structure as it is mainly composed of variable costs, to the use of social safety nets (cassa integrazione) and the voluntary reduction of remuneration agreed by all management.

This allows us to continue without hesitation on our path towards the **creation of the Italian Hub of Luxury Fashion Engineering** and to confirm the strategic investments already planned regarding sustainability, technology and innovation.”

”

Luca Sburlati, Group CEO

1H 2020 Highlights: A focus on SMT



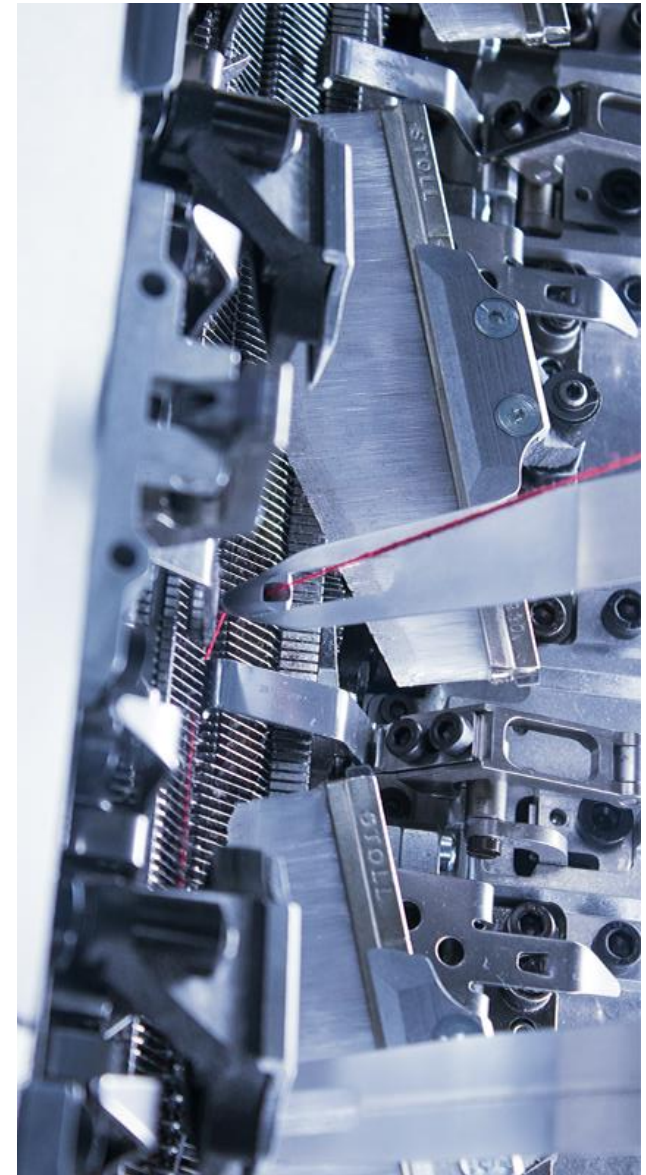
€ mln

Revenues
€ 9.2

EBITDA
€ 1.2

EBITDA margin
13%

NFP
(€ 3.8)



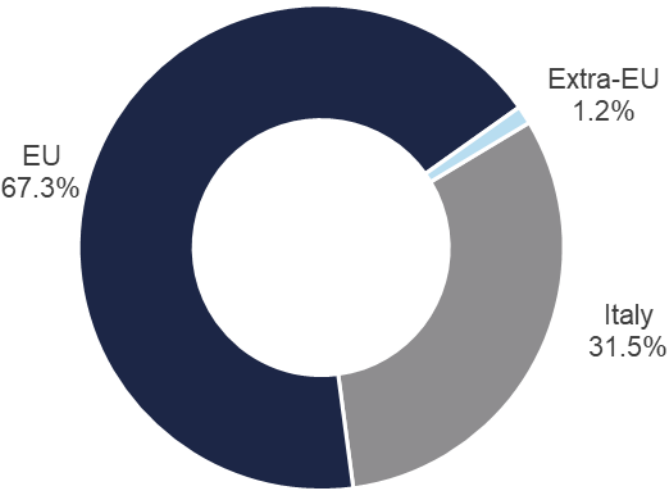
1H 2020 Income Statement

(€ 000)	1H 2020	1H 2019	%
Sales revenues	23,808.8	21,520.4	11%
Other revenues	728.7	33.3	2089%
Total Revenues	24,537.5	21,553.7	14%
Change in inventories	580.0	3,565.8	-84%
Value of production	25,117.5	25,119.5	0%
Raw materials	(6,969.2)	(10,461.1)	-33%
Change inventories raw materials	158.3	1,841.0	-91%
Cost of services	(9,081.6)	(9,845.8)	-8%
Leases and rentals	(732.6)	(259.8)	182%
Personnel Expenses	(5,906.3)	(4,288.6)	38%
Other operating expenses	(94.1)	(66.9)	41%
EBITDA	2,492.0	2,038.3	22%
<i>EBITDA margin</i>	<i>10.2%</i>	<i>9.5%</i>	
D&A	894.9	215.4	315%
EBIT	1,597.1	1,822.9	-12%
<i>EBIT margin</i>	<i>6.5%</i>	<i>8.5%</i>	
Net financial income	(60.6)	(37.5)	62%
EBT	1,536.6	1,785.4	-14%
Taxes	(230.3)	(544.5)	-58%
Net income	1,306.3	1,240.9	5%

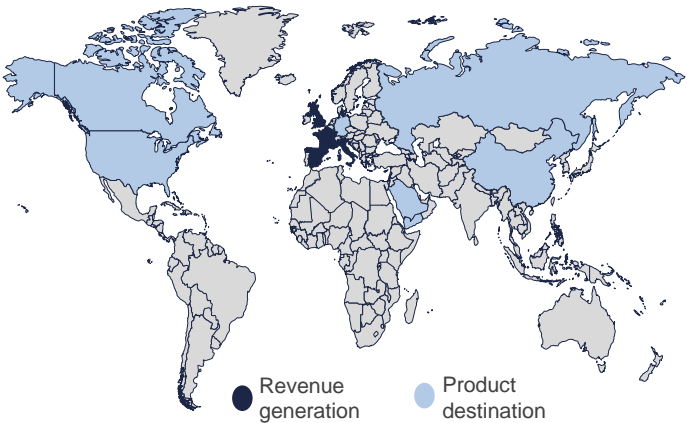
- **Revenues** at 30 June 2020 amount to € 24.5 million compared to € 21.5 million at 30 June 2019, showing an increase of around 14%.
- **EBITDA**, amounted to € 2.5 million compared to € 2.0 million at June 30, 2019, showing an increase of 22%. **EBITDA margin** at 10.2% compared to 9.5%.
- **Net income for the period** at € 1.3 million compared to € 1.2 million at June 30, 2019, showing an increase of 5%.

Revenues Breakdown

(€ 000)	1H 2020	1H 2019
Italy	31.5%	14.1%
EU	67.3%	85.3%
Extra-EU	1.2%	0.6%
Total	100.0%	100.0%



Geographic footprint



The geographical breakdown of sales shows a significant **increase in revenues from Italian clients**, whose share of the total has more than doubled, rising from 14.1% to 31.5%. **The internationalization rate of S.M.T. is high**, but lower than that of Pattern. Overall, the foreign share of sales revenues remains very high, since it stands at 68.5%.

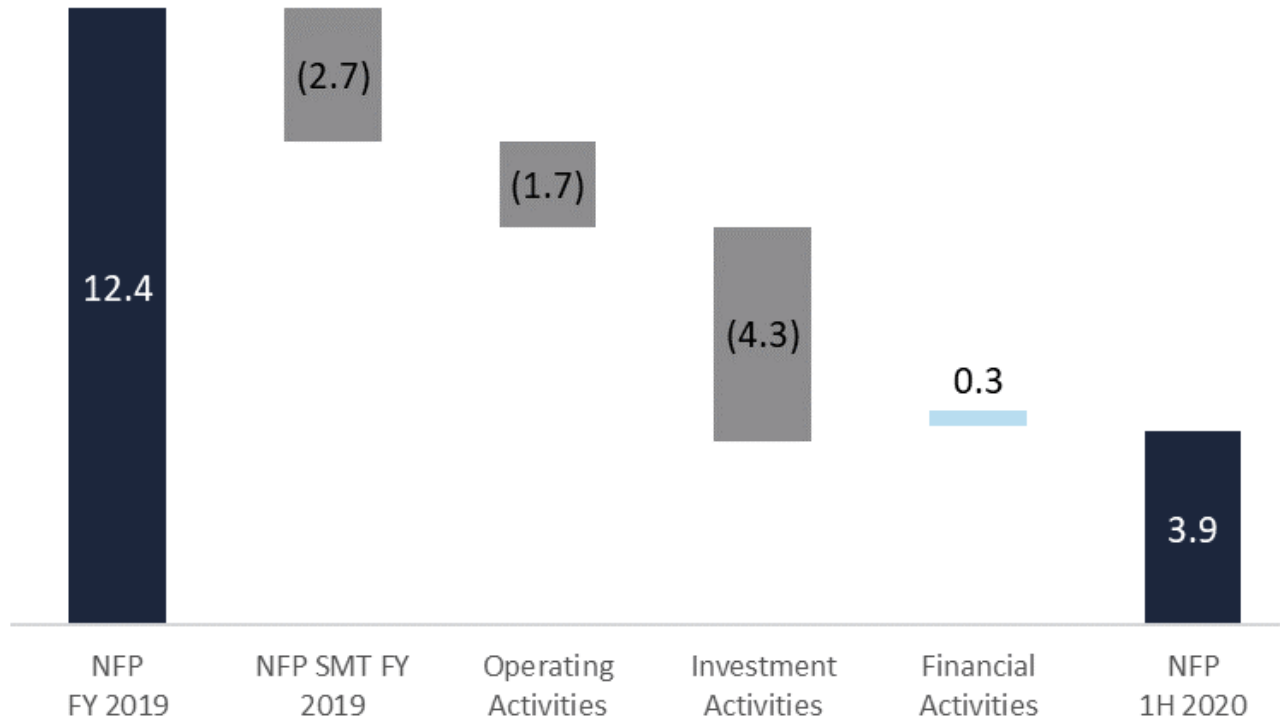
1H 2020 Balance Sheet (Use and Sources)

(€ 000)	30-giu-20	31-dic-19
Fixed Assets	10,457.2	3,589.3
Warehouse	5,201.1	3,435.0
Trade Receivables	9,250.6	8,005.6
Other Receivables	2,659.0	1,332.0
Prepayments and accrued income	718.9	512.5
Working Capital	17,829.5	13,285.0
Trade Payables	(7,291.2)	(8,894.4)
Other Payables	(3,170.2)	(2,021.0)
Accrued expenses and deferred income	(75.8)	(22.5)
Net Working Capital	7,292.3	2,347.0
Funds	(1,751.2)	(928.1)
Net Invested Capital	15,998.2	5,008.1

(€ 000)	30-giu-20	31-dic-19
Shareholders' Equity	19,930.3	17,393.7
Cash and Cash equivalents	(17,923.3)	(16,073.9)
Short term bank debt	4,213.5	925.8
Medium term financial debt	9,777.7	2,762.5
Bank Debt	13,991.2	3,688.3
Net Debt/(Cash)	(3,932.1)	(12,385.6)
Total Sources	15,998.2	5,008.1

- Also in terms of assets, the acquisition of 51% of S.M.T. has brought substantial **changes due to the different structure of the latter which reflects greater vertical integration with respect to Pattern**, which has resulted in greater fixed capital - especially for investments in machinery - and greater working capital, due to the lower variability of operating costs.
- The amount of **fixed assets of € 10.5 million grew by 191%** compared to € 3.6 million at 31 December 2019. Investments concerned intangible and tangible fixed assets. The former mainly refer to the recognition of the consolidation difference (€ 4 million). The increase in tangible fixed assets, on the other hand, is a consequence of the consolidation of S.M.T. **Financial fixed assets underwent a reduction of about 80%**, following the loss of the security deposit paid in December last year under the framework contract signed for the purchase of the stake in S.M.T.
- Net working capital increased considerably, from € 2.3 to € 7.3 million, registering a + 211%.** This increase is explained by the expansion of the consolidation area but also with a higher working capital than the turnover of S.M.T. Finally, the lock-down due to Covid-19 also had an impact on the extent that production was postponed by a month and this contributed to keeping the working capital of the latter company higher. The net invested capital at 30 June 2020 was approximately € 16 million, compared to € 5 million at 31 December 2019, with a consequent increase of 219%.
- The **structure of the sources of capital also changed due to the different consolidation area.** Shareholders' equity increased by 15% from € 17.4 million to € 19.9 million.

NFP Bridge

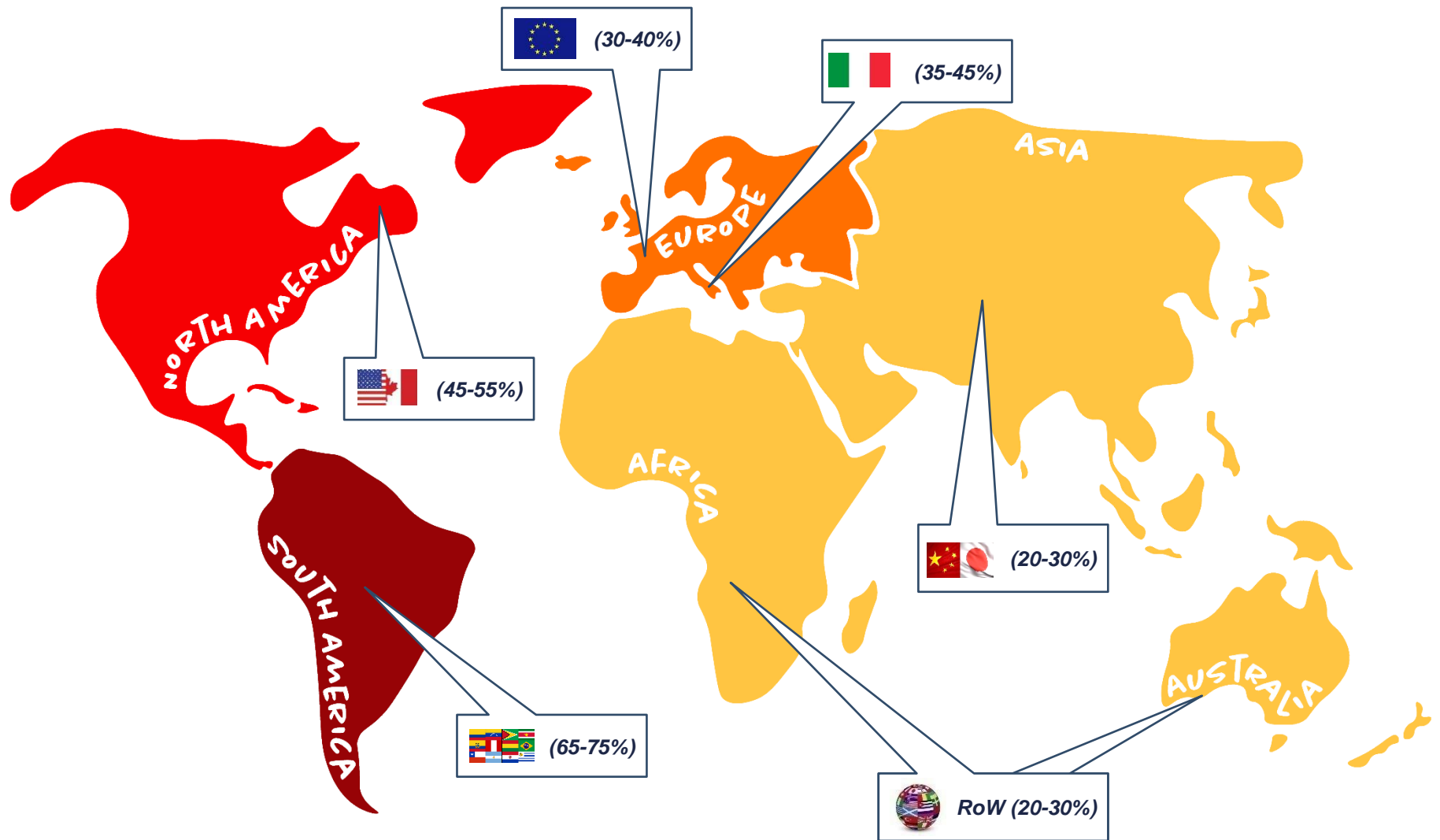


Group's cash and cash equivalents, equal to approximately € 18 million

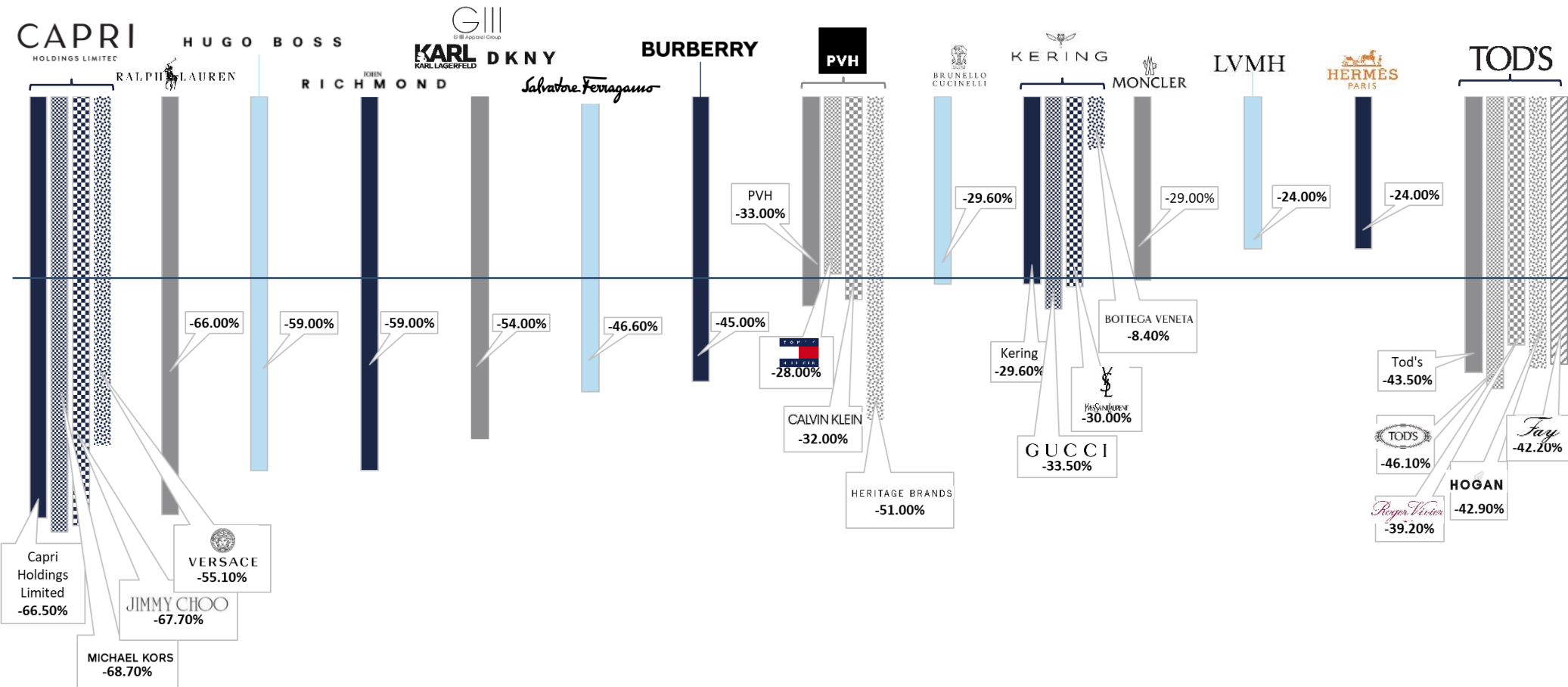
The Luxury Fashion Market



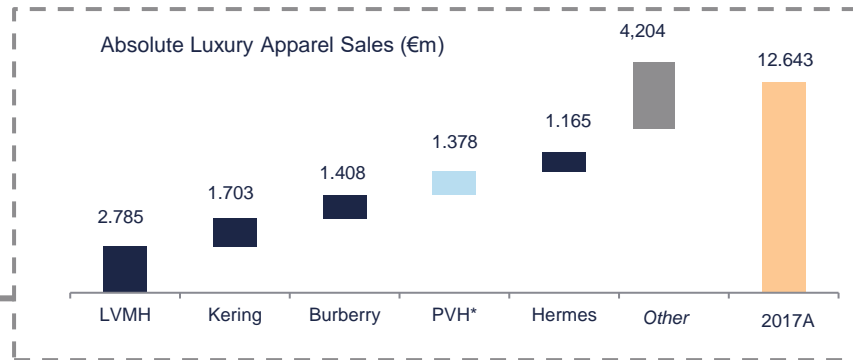
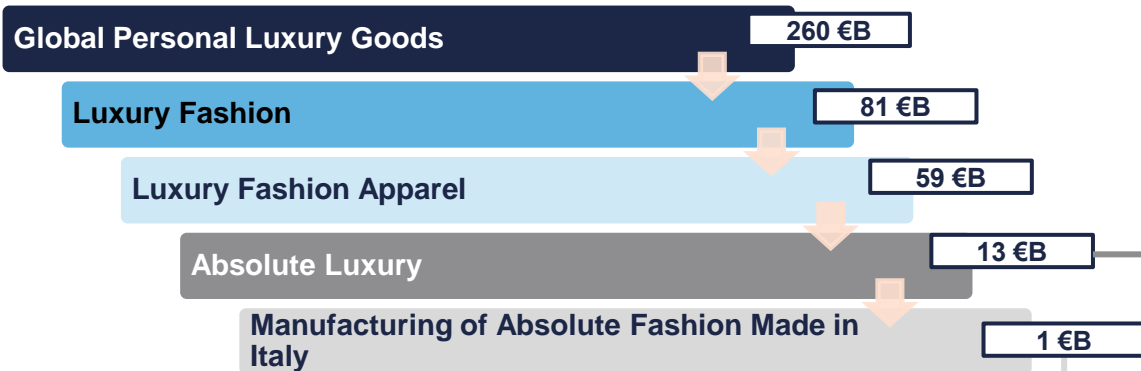
Luxury Fashion Market performance post COVID-19



Luxury brands' performance post COVID-19



The Luxury Fashion Market



Net of the multiplier factor of 12x charged into the final price of absolute luxury fashion products



Current competitive landscape

300 €m → 600 €m

Strategic Group:

Pattern and its competitive arena currently cover approximately 300€m of the 1€B approachable market

← 300 €m

Knitwear

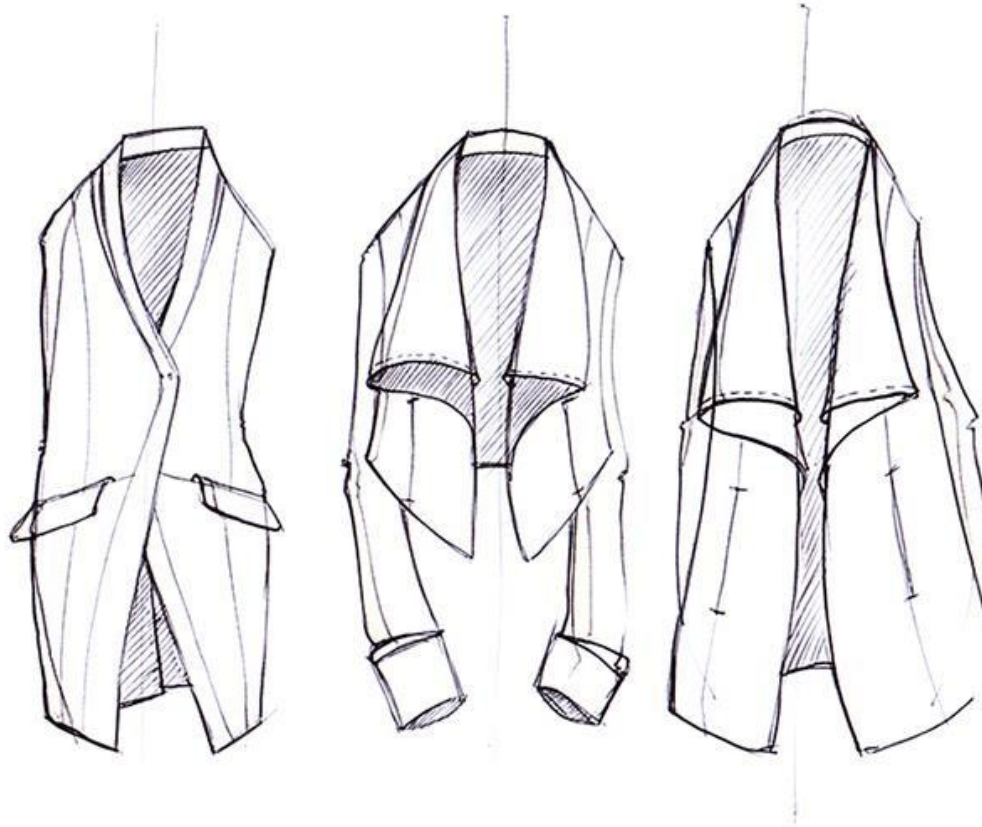
Thanks to S.M.T entering Pattern Group

400 €m

Leather apparel & accessories

Portion of the market currently not served by Pattern

Group Strategy & Outlook 2020

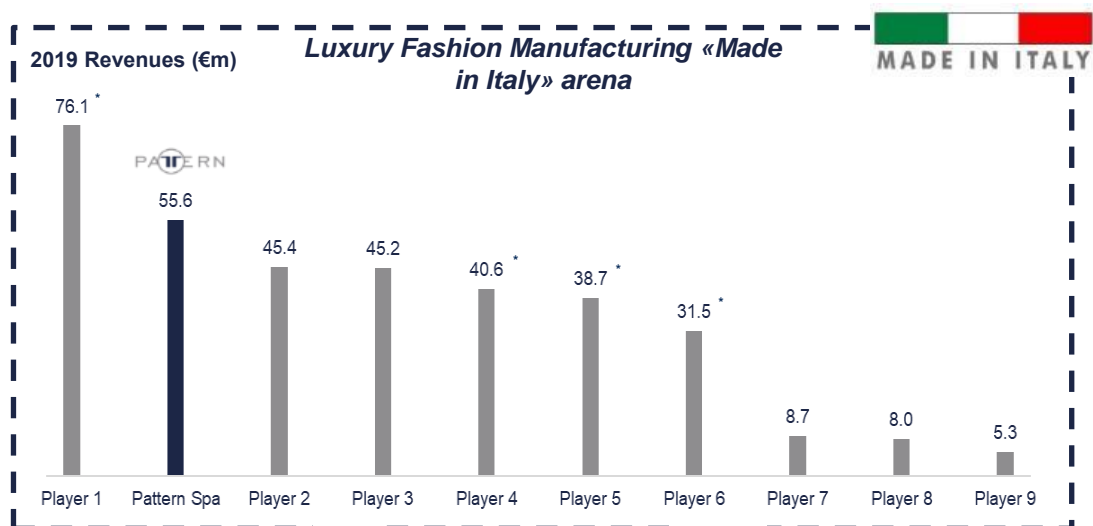


Group Strategy

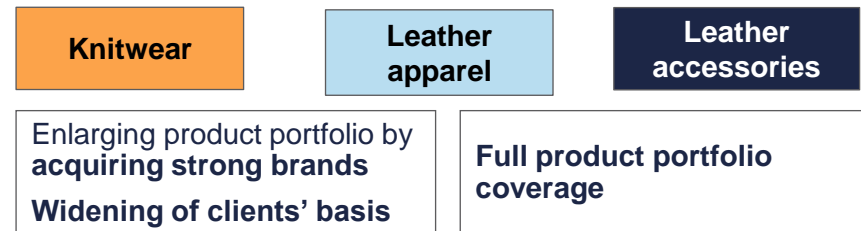


Proceed with the growth of the Italian Hub of Luxury Fashion Engineering

Organic Growth



External Growth



Stakeholder initiatives during COVID

Local Community:

- Engineering and production of top-quality face mask for local community (3 plants Torino, Spello and Correggio)
- Direct support to design schools maintained during lock-down

Employees:

- Implementation of a **strong working protocol** with several different preventions systems into our offices and facilities (mandatory temperature measurement / plexiglass barriers / spaces sanitations / creations of working shifts / mandatory use of mask also into offices since early February)
- Supply of face mask also for employees' families
- Strong use of **homeworking** across company
- Block of business trip since February
- Private Covid Insurance for employees

Business recovery plan:

- Definition of **backup plan** in case of shutdown of one of the plant and complete support of the others
- Management self cutting salary** (25% CEO, 20% Mgmt Team)
- Use of **social safety nets** (cassa integrazione) for the 3 plants with an average of about 20% after lockdown and 90% during lockdown weeks

Tax and Government:

- Notwithstanding the possibility given by the Covid Law (moratoria), it was decided – thanks to the positive cash – not to postpone tax payments or suspend leasings.

Outlook 2020

Looking at a medium to long term horizon, it is important to underline the following strengths of the Group:

- ability to work on different areas (men, women and knitwear) and on differentiated clients, an example of **versatility almost unique on the market**;
- great competence in enabling technologies for the development of remote collections through **3D engineering**, in a context that severely limits physical movements;
- presence of **supply chain certification tools** also through blockchain;
- financial structure with a **positive NFP of € 3.9 million**;
- rather **variable cost structure**.



Outlook 2020

Obviously the second part of 2020 will also be influenced by the pandemic.

The forecast for the second half of the year is **an economic trend in line with the first half, both in terms of volumes and margins.**

To achieve this result, Pattern confirms social safety nets (cassa integrazione) and management's salary cut-off till the end of the year, always taking care not to compromise the business.

Regarding the **financial situation**, thanks to the reduction in net working capital and the related strengthening of the net financial position, we expect an **improvement compared to our records at 30 June.**

Regarding net financial position, it should be noted that at 31 August it was positive for € 5.7 million, with an increase of 46% compared to the situation at 30 June 2020.

Waiting for a more vigorous recovery in 2021, this would be a positive result considering the international context and the actual economic situation.



SUSTAINABILITY
REPORT
2019



PATTERN



FROM RED TO GREEN CARPET

“From Red to Green Carpet” is a **five-year plan** announced in 2018 by Pattern.

The aim is to create the same luxury but drastically reducing the impact on the environment without compromising the quality.

Pattern has identified three main goals to achieve:



With this project Pattern is facing an important challenge: creating value from sustainability. In order to achieve these ambitions Pattern aims to involve suppliers through its actions, including them in a path of raw materials and workers sustainability, by trying to improve the environment in which they operate.

PATTERN RESPONDS TO THE UN INVITATION



ESG Certified Company



**SUSTAINABLE
DEVELOPMENT GOALS**

17 GOALS TO TRANSFORM OUR WORLD

Goal 5:

Achieve gender equality and empower all women and girls



8 DECENT WORK AND ECONOMIC GROWTH



Goal 8:

Promote inclusive and sustainable economic growth, employment and decent work for all

Goal 9:

Build resilient infrastructure, promote sustainable industrialization and foster innovation

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Goal 12:

Ensure sustainable consumption and production Patterns

Pattern has decided to respond to the UN challenges by **identifying 4 goals to work immediately on**, with the aim of contributing to make our world sustainable and achieve the “**2030 Agenda for Sustainable Development**”.

PATTERN ADHERES TO THE ONU'S "FASHION INDUSTRY CHARTER FOR CLIMATE ACTION"



Pattern is the first Italian company to join the **UNFCCC's Fashion for Global Climate Action** initiative as a signatory to the **Fashion Industry Charter for Climate Action**.

The initiative calls on the Fashion industry to acknowledge the contribution of the sector to climate change and the responsibility to strive towards climate neutrality for a safer planet. By signing the Charter, Pattern has demonstrated the **commitment to playing its part to ensure the fashion sector is on the path to a low-carbon future**.

In line with the principles enshrined in the Charter and the aims of the Paris Agreement, **Pattern commits to a 30% GHG emissions reduction by 2030** and will strive to de-carbonization of the production phase, selection of climate friendly and sustainable materials, low-carbon transport, consumer dialogue and awareness, work with the financing community and policymakers to catalyse scalable solutions, and explore circular business models.

EUROPE2020 PROJECT “2020 CLEANCHAIN”

Since 2015, Pattern has been engaging in a process that aims at **eliminating the substances deemed to be toxic or harmful** by the main international standards. This procedure has been followed in conformity with the “Europe 2020” community project and, in some cases, even more restrictive than what is required in the protocols.

In 2016 this process became operational and the substances considered harmful were completely removed from the products.

Furthermore, since 2019 Pattern has been a member of the “Cleanchain” initiative.

CLEANCHAIN[™]
AN ADEC INNOVATION



ESG CERTIFIED COMPANY



ESG Certified Company

CDP REPORTING ON CLIMATE CHANGE

In 2019 **Pattern achieves the ESG (Environmental, Social and Governance) rating with CDP and decides to certify its path towards Carbon Neutrality** by joining the CDP 2019 Reporting on Climate Change.

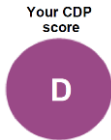
Thanks to the decision to adhere the CDP reporting process, Pattern Group demonstrates its will to be transparent on its governance structure, emissions and energy consumption.

Pattern Group now is not only able to **measure its impact and work on ambitious reduction targets towards environmental leadership**, but is also able to manage strategically its environmental risk.

Pattern Group decided to concentrate on the report focused on Climate Change with the aim of **improving corporate awareness** through measurement and disclosure, essential to the effective management of carbon and climate change risk.



CDP SCORE REPORT
CLIMATE CHANGE
2019 - D



SUPPLIER ENGAGEMENT RATING – SER

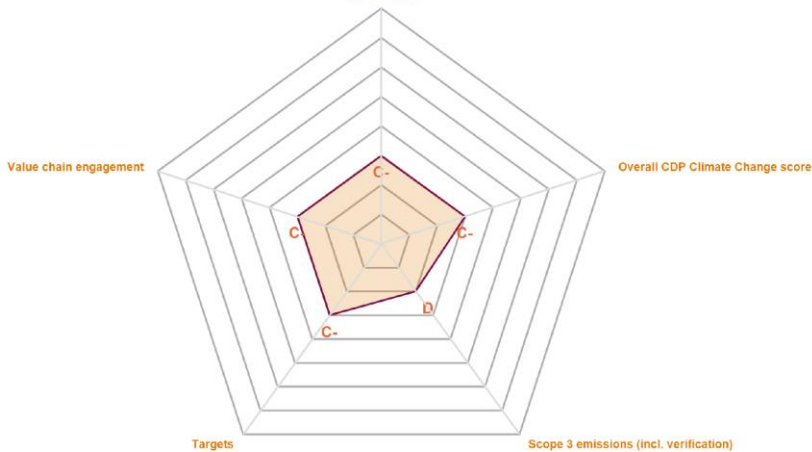
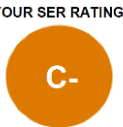
In 2019 Pattern achieves the Supplier Engagement Rating (SER).

The SER provides a rating **to evaluate how effectively companies are engaging their suppliers on climate change**. CDP’s annual Supplier Engagement Rating (SER) is designed to evaluate and implement actions on corporate supply chain engagement on climate issues.

In detail, it assesses performance on supplier engagement on the issues regarding governance, targets, value chain emissions, and value chain engagement.



CDP SCORE REPORT
SUPPLIER ENGAGEMENT RATING
2019 - C



ESEMPLARE and Special Projects



ESEMPLARE

ESEMPLARE was acquired in 2014 and is the only proprietary brand of Pattern.

The brand is the authentic **implementation of the Circular Economy principles**: a closed cycle economic system that could self-sustain and self-regenerate.

The brand's policy could be described in:

- **Sustainable Design**: we are inspired by concept of modularity and versatility
- **Research and Development**: Innovation for regeneration
- **Procurement**: we use only Italian and eco-sustainable fabrics, combining tradition and innovation.
- **Energetic efficiency**: we deploy renewable and certificated energy sources, paying particular attention into the efficient use, minimizing resources' waste.
- **Research of new ecological materials**: since 2015, ESEMPLARE stopped using fur or goose down in the new collections and has developed a new quilting called Thermore Ecodown; this material, made of 100% recycled fibres, allows the reuse of 10 plastic bottles for a single garment production.

Finally, all the garments made during 2019 have been realised using 100% recycled products and the 40% of them has a GRS certification, as previously happened in 2018.

For the second year in a row, ESEMPLARE is a 100% eco-sustainable brand.



April 2020 - Special Project



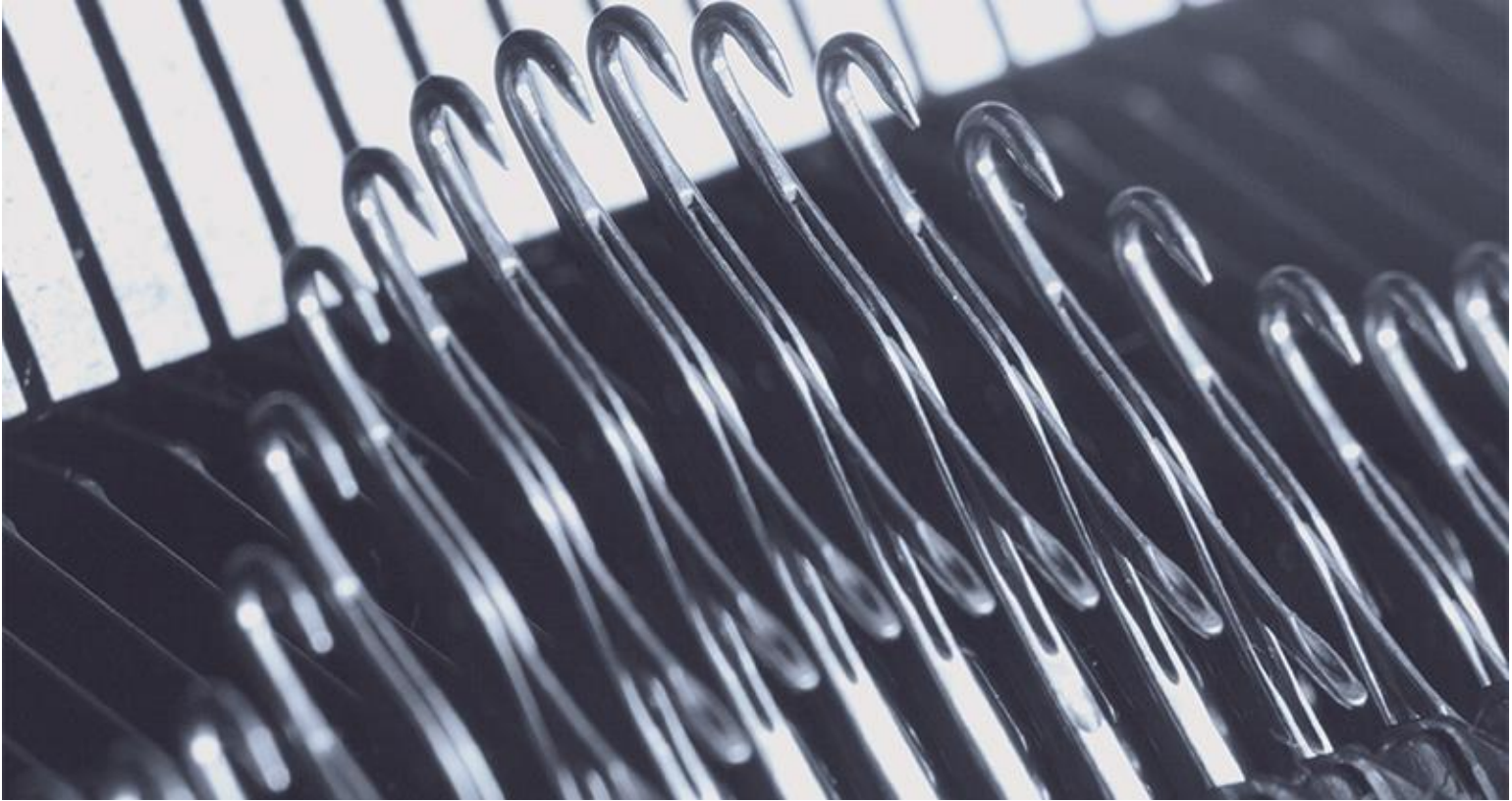
On April 2020 Pattern launched the production of **E MASK**: innovative, sustainable and made in Italy mask.

The E MASK product is:

- **Sustainable.** E MASK is in fact a reusable mask as it is composed of a fabric that, while washable, maintains its own antibacterial and anti-drip characteristics, and a non-woven italian fabric filter certified by the Polytechnic University of Milan to be replaced daily.
- **Comfortable.** It is composed of a hypoallergenic cotton shell that remains in contact with the skin.
- **Comfortable and elegant.** It is developed thanks to an advanced 3D pattern-making software, in three sizes (man, woman and child) so as to adapt perfectly to the different conformations of the male, female and 4-12-year-old face.
- **Low cost of use.** Given that it is, in fact, reusable it has a lower cost per use than disposable masks; while using materials of the highest level.
- **Made in Italy.** E MASK supports the Italian economy throughout the supply chain since it is 100% Made in Italy, both regarding the fabric of the mask and the non-woven fabric of the filter, and for its manufacture. A QCode applied on the template certifies the entire Italian supply chain used.



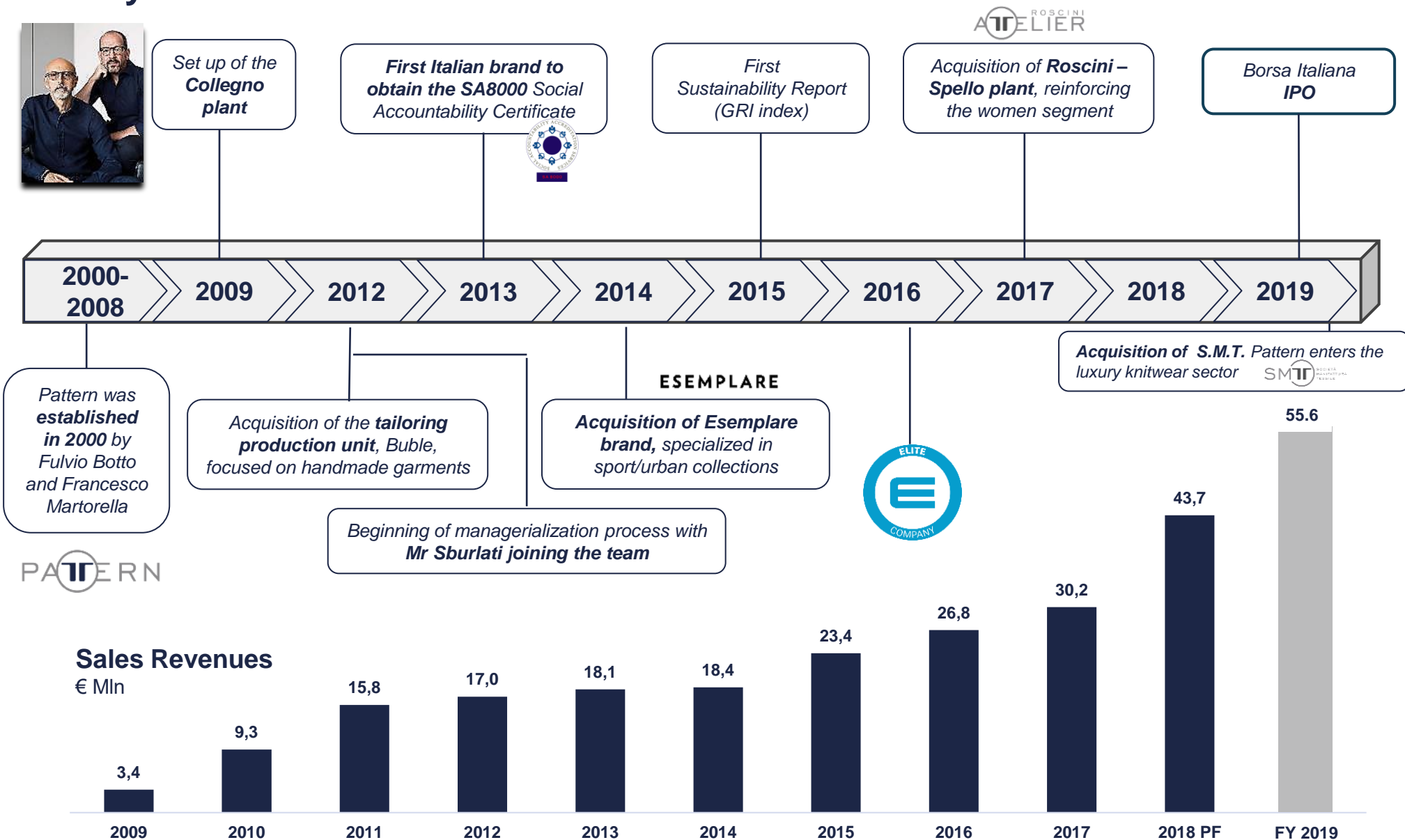
Appendix



1. Pattern overview




History of Continuous Growth

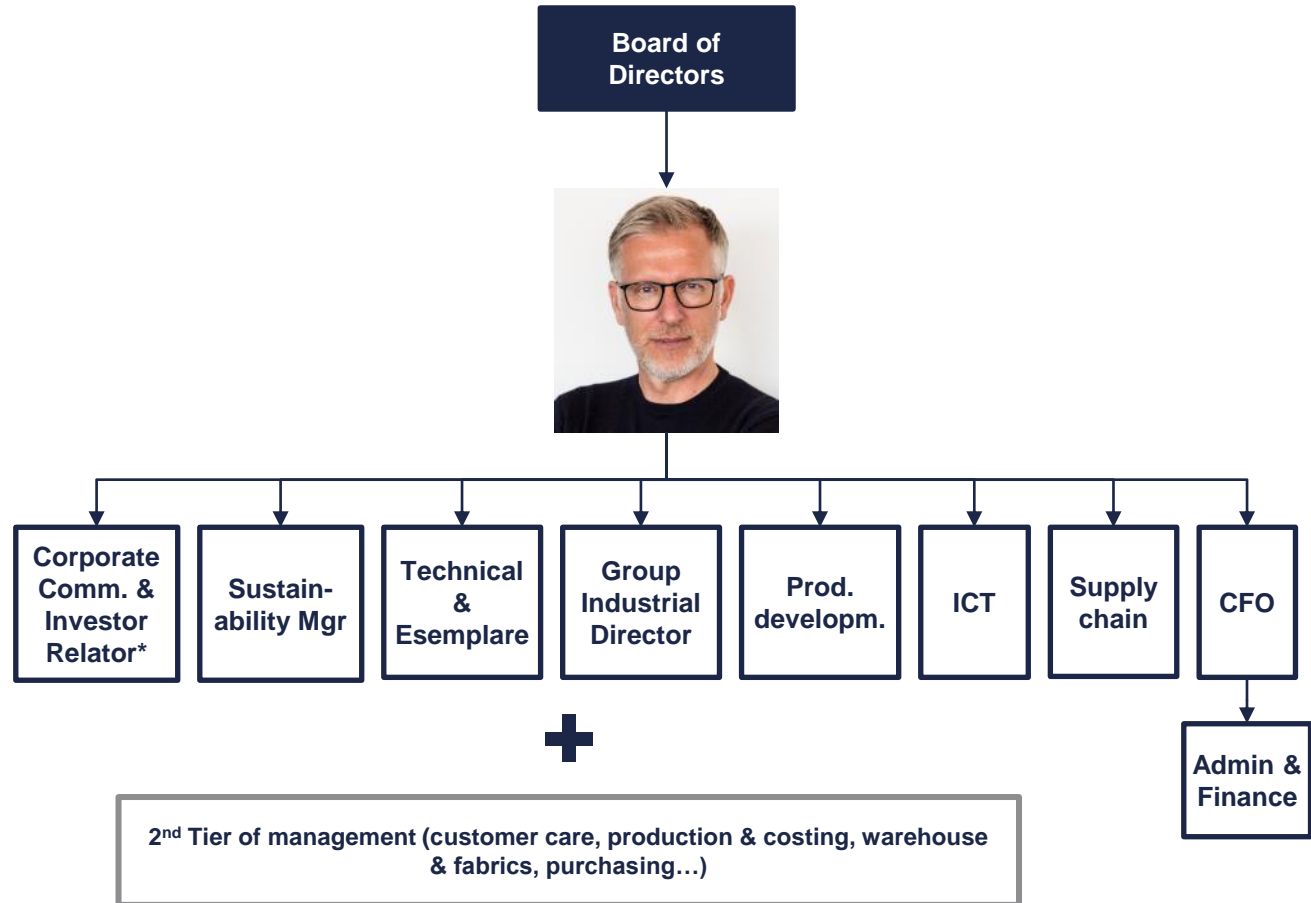


HR - Highly Experienced and Committed Management Team



F. Botto and F. Martorella, founders and owners, are **recognized and valued professionals among fashion industry**, having cooperated with some of the most **prestigious brands** (i.e. Armani, Valentino)

 The two have **rapidly built a team of highly skilled personnel** thanks to a constant knowledge sharing approach and internal training of staff which ensure protection and leverage of their heritage

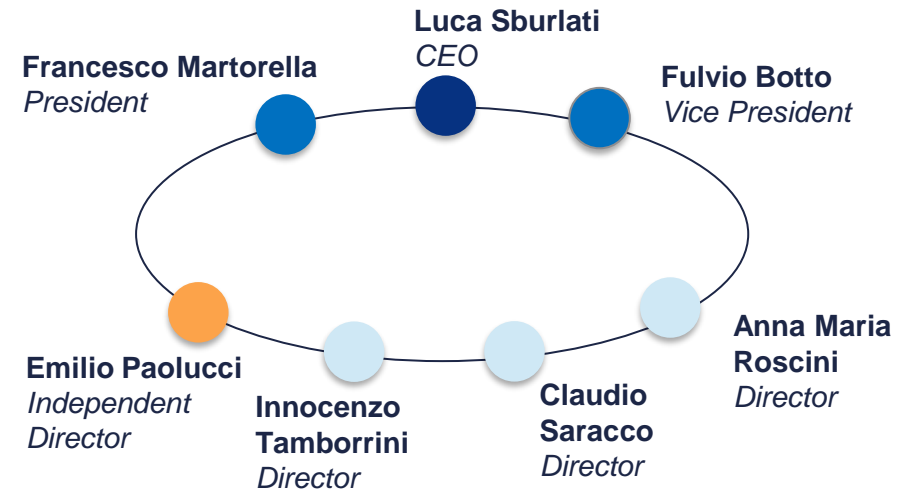


Sole player, in its competitive arena, to have adopted a modern management structure as a key competitive advantage

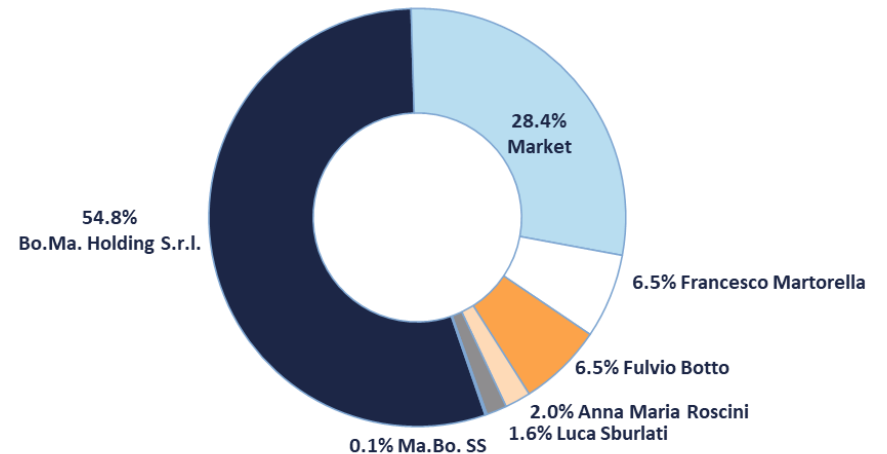
Corporate Governance



Board of Directors



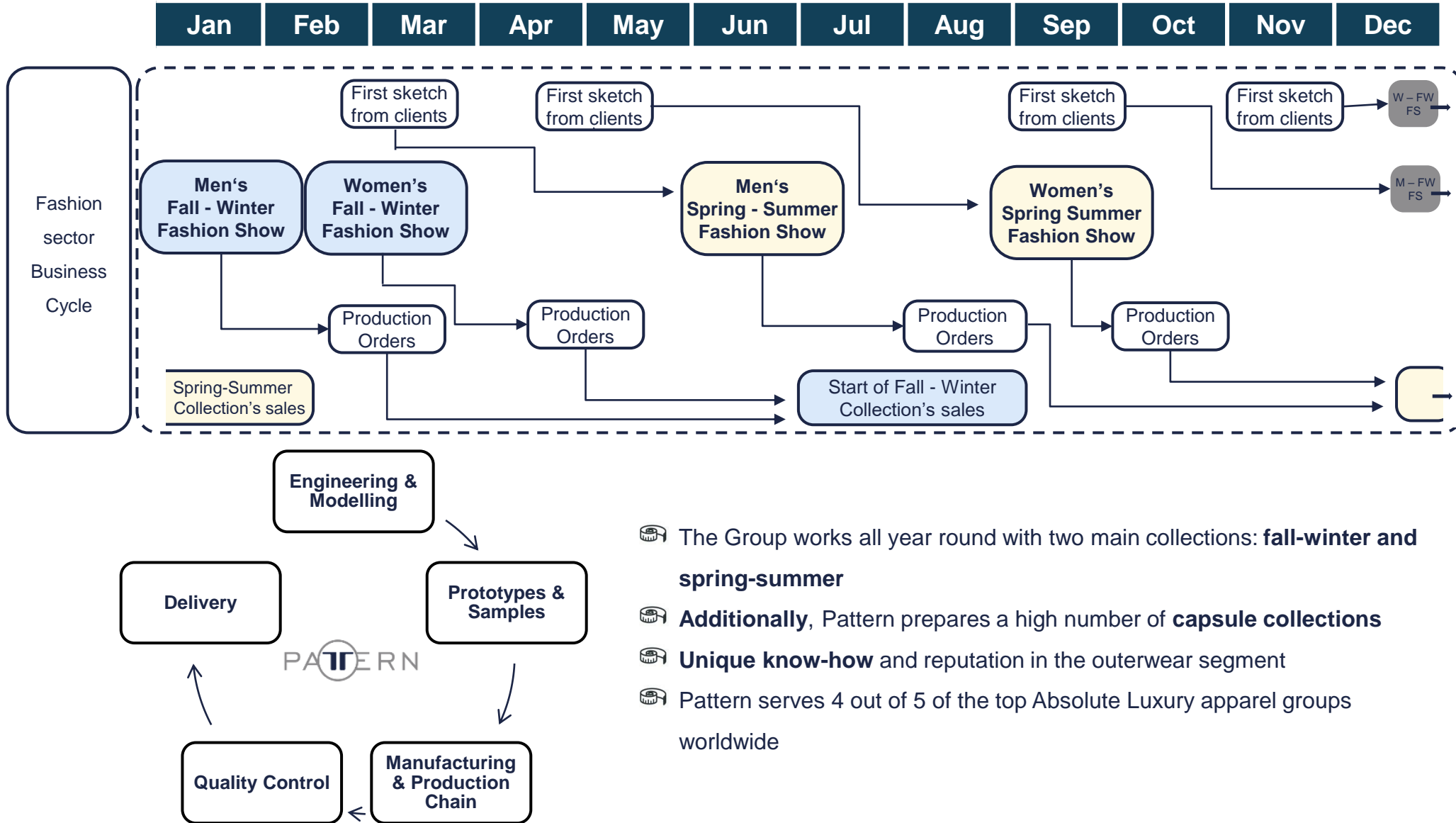
Shareholder Structure



2. Business and Values

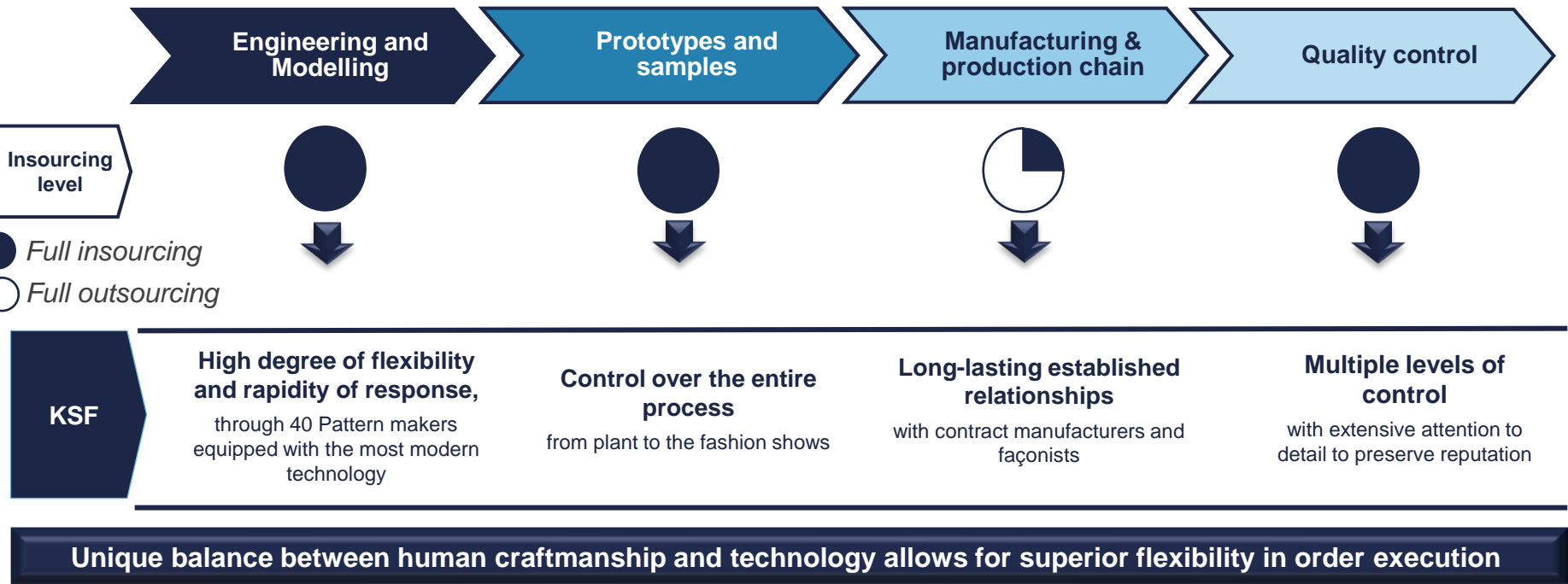


How the fashion sector works



- The Group works all year round with two main collections: **fall-winter** and **spring-summer**
- Additionally**, Pattern prepares a high number of **capsule collections**
- Unique know-how** and reputation in the outerwear segment
- Pattern serves 4 out of 5 of the top Absolute Luxury apparel groups worldwide

Pattern's business model



Competitive Advantages

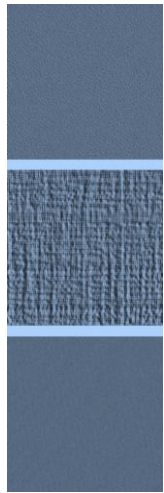
Quality	Flexibility	Speed	Reputation
Highest quality through technology, human resources and control of the supply chain	Flexible organizational structure with vertical integration	Superior time-to-market, thanks to newest technologies and proven procedures	20 years heritage of a fine-tuned business model for the luxury apparel industry

Pattern operates in a strategic stage of the process, the “Formula 1”

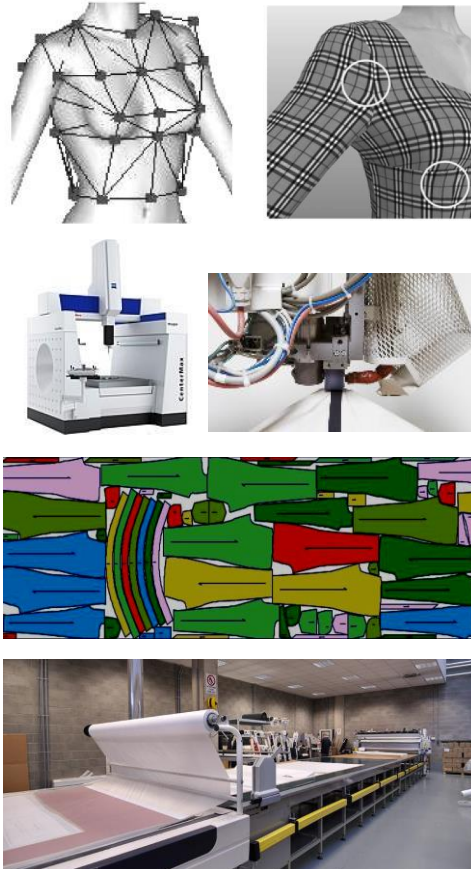
Pattern is fully integrated with Italy's Best Suppliers and *Façonists*

Suppliers


Selection of suppliers




Pattern / Project Engineering



Façonist / Contract Manufacturer

 Pre-production samples are prepared internally to allow clients to pre-verify



 The majority of production is carried out externally by *façonists*



 High fragmentation of minor suppliers

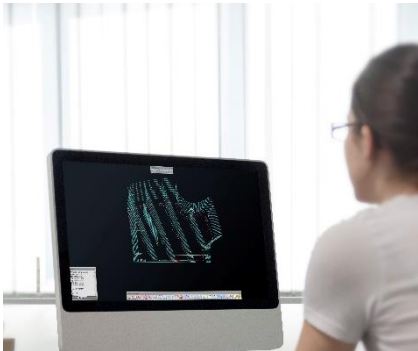
 Full control over the value chain by dictating own standards

Established partnerships with suppliers of certified raw materials, mainly located in Italy

Full control over the value chain through established long-term partnership with the key players of a highly polarized industry

Pattern's Key Business Values

Technology and R&D



Unique laborations

Human Resources



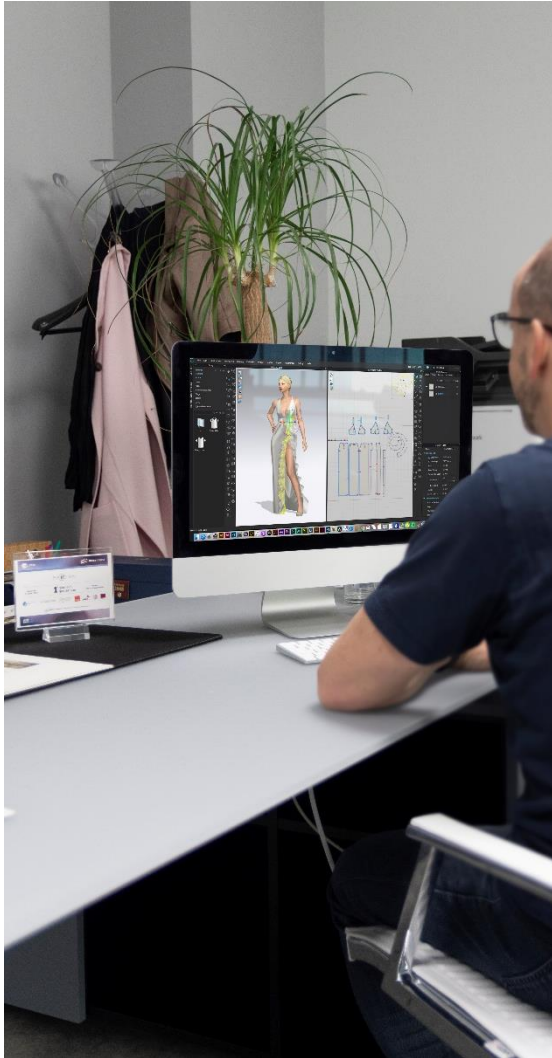
Quality assurance

Sustainability



Circular economy

Technology and R&D



Technology

- 🔊 For **prototyping**, Pattern has been investing for the last 8 years in the **latest CAD technologies**
- 🔊 **Introduction of a more advanced plotting machine, up to date with the latest machinery (heat-sealing, ultrasound)**
- 🔊 3D CAD, advanced PDM and breakthrough production technologies allow for flexibility and superior response to clients

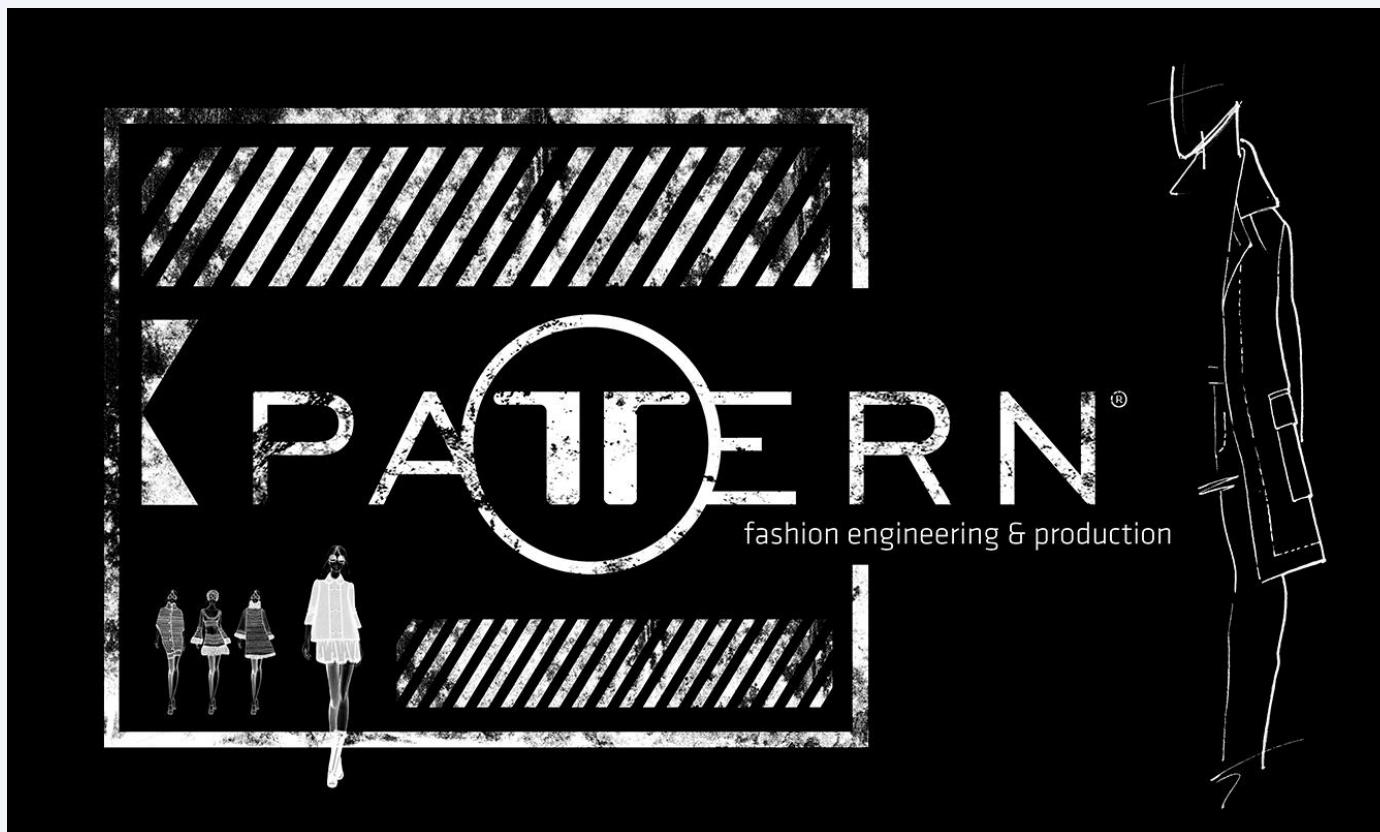


Innovation

- 🔊 Experimentation on new fabric technologies and a recognized signature of eco-sustainability
- 🔊 The ESEMPLARE brand is a:
 - 🔊 R&D tool for the experimentation of new fabrics and the use of the newest technologies
 - 🔊 Marketing tool to show Pattern capabilities
- 🔊 Continuous experimentation and process improvement to stay always ahead of market trends

ESEMPLARE





Follow us:



Sede Legale e Amministrativa
Via Italia, 6/A
10093 Collegno (TORINO) Italy



Investor Relations

Sara De Benedetti

sara.debenedetti@pattern.it



NOMAD

CFO SIM

ecm@cfosim.com

