

PATTERN

**AIM Italia Conference**

London, 21 October 2019

# 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**

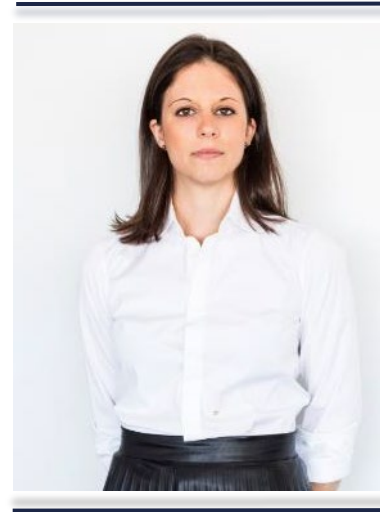


*CEO*

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



**Sara  
De Benedetti**



*Investor Relator*

-  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 Overview
2. Market
3. Business and Process
4. Group Strategy
5. Financials
6. Investment Case

# Group Overview





The background image is a fashion show runway set in a hospital. A mannequin with a tall, thin male torso and a female head is the central focus, wearing a long brown plaid coat and white trousers. A male model with long blonde hair is walking behind it. The runway is a light blue floor with a red stripe, surrounded by a seated audience. Hospital equipment, including large overhead surgical lights and a gurney with a green sheet, are visible in the background.

PATTERN

is a

**landmark for top-end  
Luxury Fashion  
engineering**

in the *outerwear* and *sportswear*  
segments, for the most prestigious  
luxury fashion brands worldwide

# Pattern in a Nutshell



**Torino Plant (HQ)**

Office space: ca. 3,800 sqm  
Employees<sup>2</sup>: ca. 106









**Spello Plant**

Office space: ca. 4,100 sqm  
Employees<sup>2</sup>: ca. 54

**Pattern S.p.A** is an Italian company among the most important operators in the field of **design, 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 for men and women.

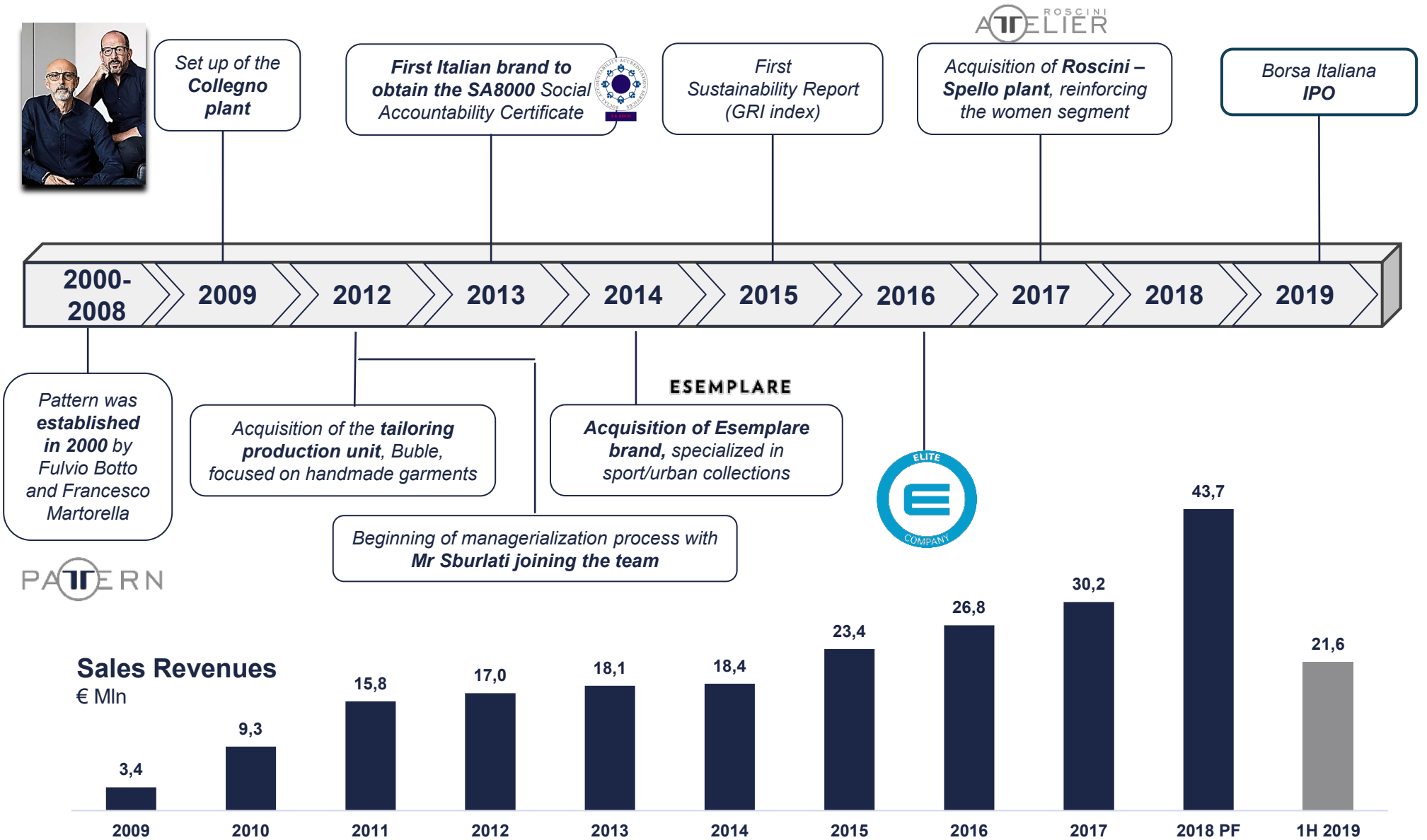
Pattern is characterized by:

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

## *Client Loyalty 2018 Pattern S.p.A.*

| <i>Period</i> | <i>Share<sup>1</sup></i> |
|---------------|--------------------------|
| <3 Years      | 7%                       |
| 3-10 Years    | 12%                      |
| >10 Years     | 81%                      |

# History of Continuous Growth

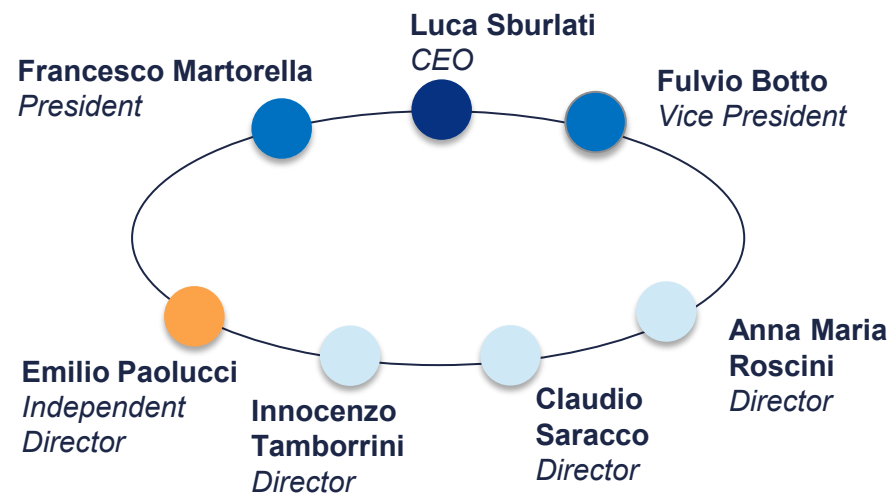




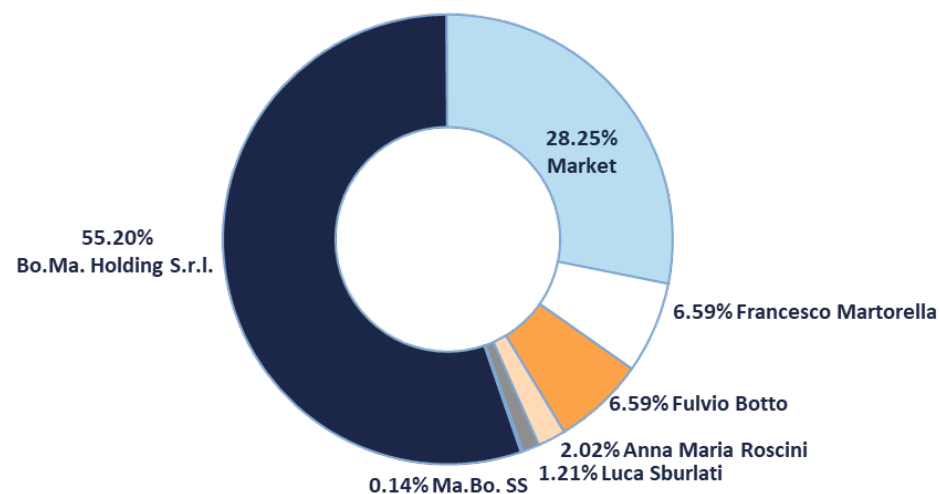
# Corporate Governance



## Board of Directors



## Shareholder Structure



## Share Details

|                                |            |
|--------------------------------|------------|
| Share Price (October 15, 2019) | € 3.56     |
| Market Cap (October 15, 2019)  | € 48.4 M   |
| Market                         | AIM Italia |
| Ticker                         | PTR.MI     |
| Performance from IPO           | + 9.4%     |

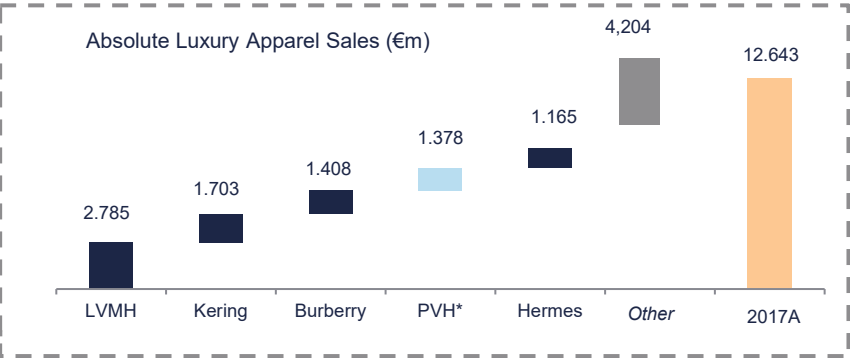
# Market



# Attractive Market Trends



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



**Current competitive landscape** 300 €m

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

**Local and Small players:** Highly fragmented market with a large number of small local players not in direct competition to Pattern

700 €m

300 €m **Knitwear**

400 €m **Leather apparel & accessories**

Significant portion of the market currently not served by Pattern

# “Luxury Fashion” Market Drivers

## GEN Z

*The increasing interest of young generations in luxury fashion shines a bright light over future outlook of Pattern, pioneer in the luxury casualization trend*



*Considering the final end-markets of delivered products, Pattern is strongly exposed to international growth, both from emerging and mature markets*



*"Made in Italy" is one of Pattern's main competitive advantages.  
Production and know-how are "Made in Italy"*



*China represents a key driver to the luxury fashion industry, therefore a positive country outlook will indirectly benefit Pattern's industry segment*

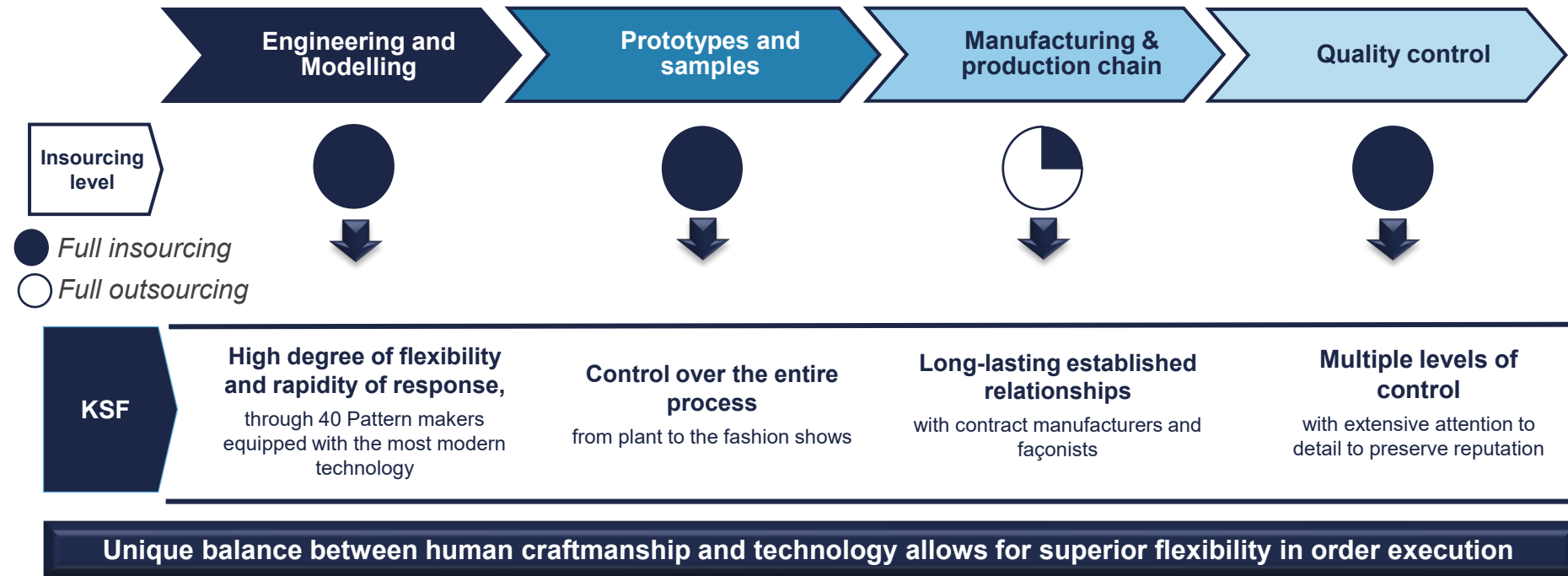
**“Made in Italy” represents a key market driver in the luxury fashion industry and a crucial leverage for Pattern globally**

# Business and Process





# Pattern's business model

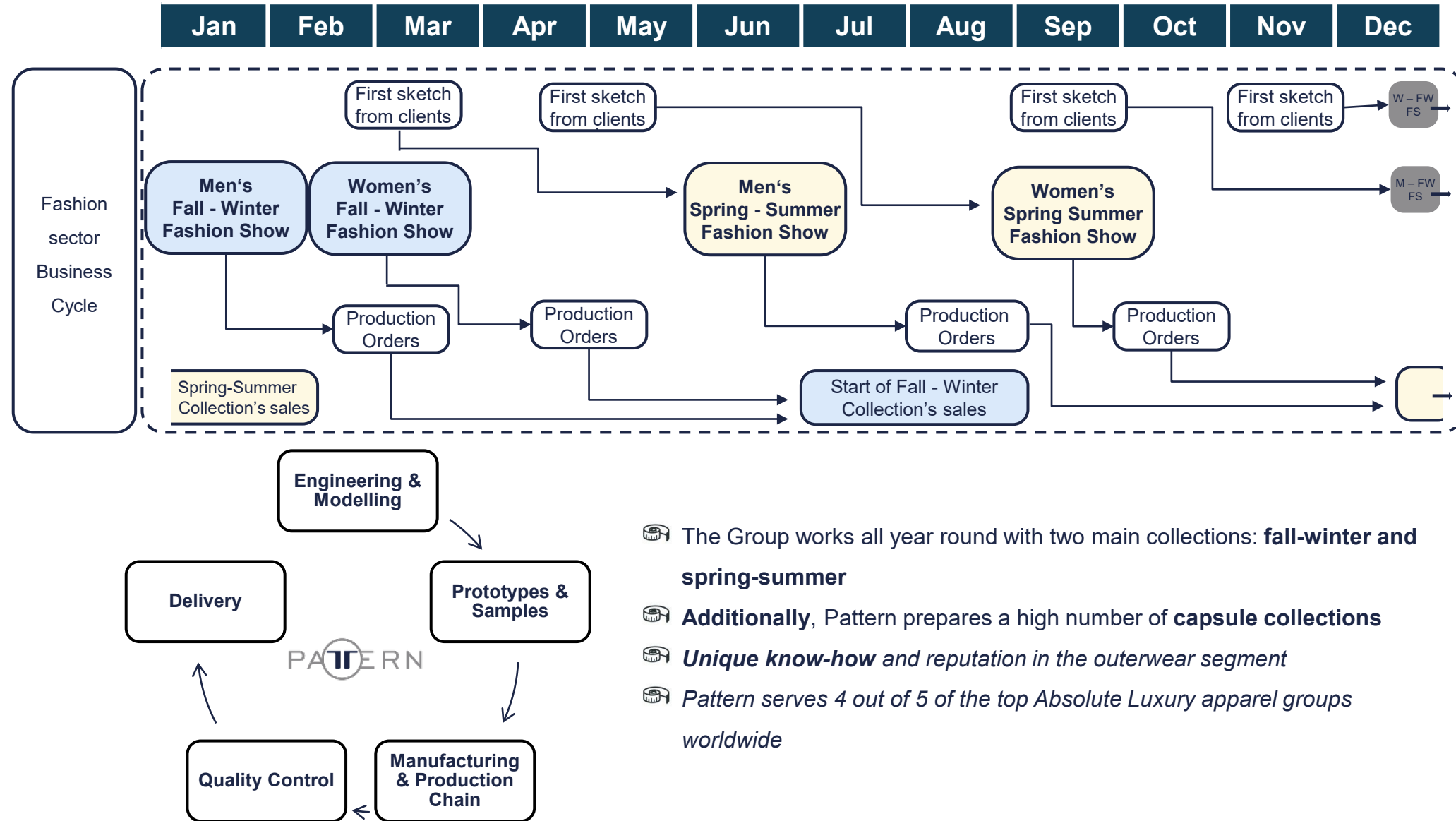


## Competitive Advantages

| 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"***

# How the fashion sector works



# Pattern's Key Business Values

## Technology and R&D



*Unique laborations*

## Human Resources



*Quality assurance*

## Sustainability



*Circular economy*

# Technology and R&D

In Cina i capi hi-tech di Pattern

Il Sole 24 ORE

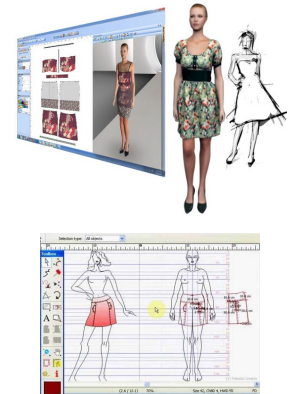
di Filomena Greco

23 luglio 2017 - La tecnologia al servizio



## 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

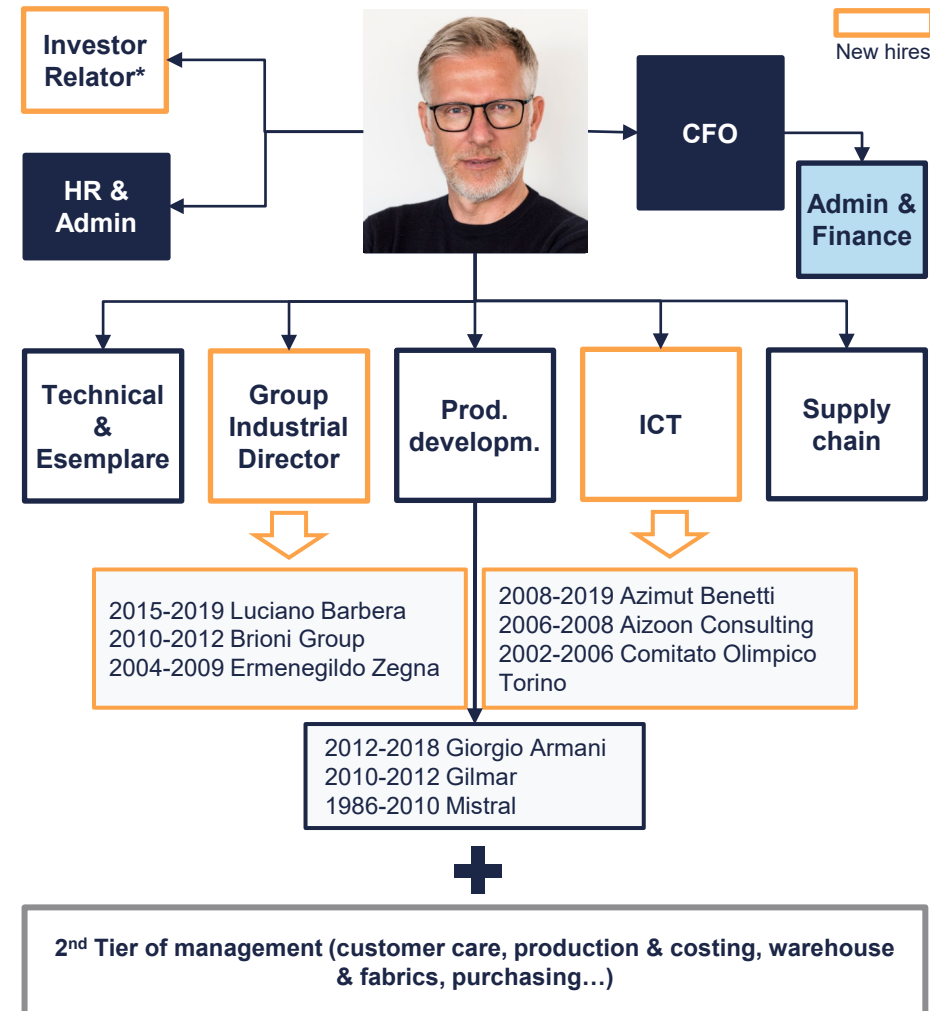


# HR - Highly Experienced and Committed Management Team



F. Botto and F. Martorella are **recognized and valued professionals among industry designers**, 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

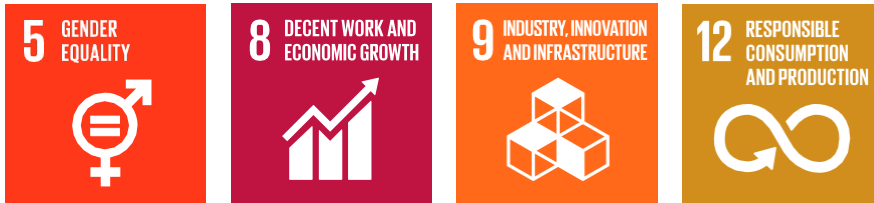


**Sole player, in its competitive arena, to have adopted a modern management structure as a key competitive advantage**



# Sustainability and Special Projects

Pattern meets the U.N. challenges with «From Red to Green Carpet» five-years plan



Pattern is the **first Italian company** to sign the **Fashion Climate Action Charter of U.N.**

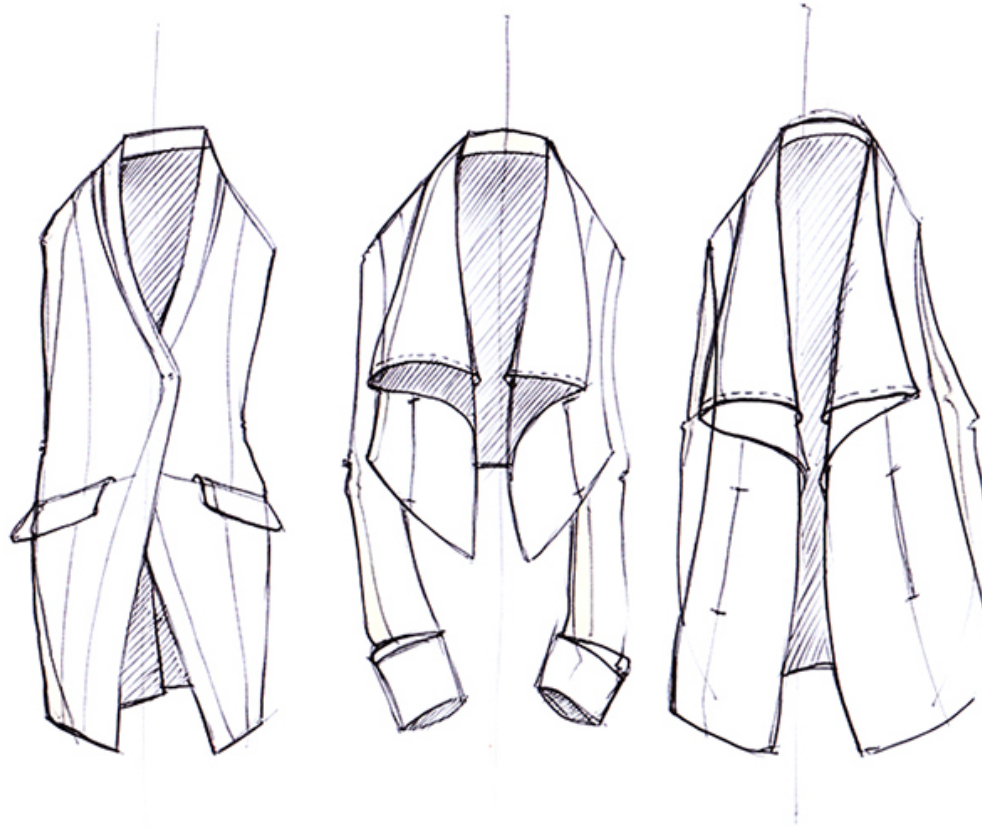
Global Climate Action

United Nations Climate Change



- 👉 On 19 July 2019 Pattern officially joined the UNFCCC Fashion for Global Climate Action initiative as a signatory of the Fashion Industry Charter for Climate Action. The objective of the initiative is to support the fashion industry in identifying the possible actions to be taken to achieve climate neutrality.
- 👉 On September 3, 2019 Pattern received from the United Nations Climate Action Secretariat Executive Secretary, as the first Italian company to have joined the initiative, an important thank you letter that attests to the active role of Pattern in achieving climate neutrality. The letter is published on the institutional website of Pattern.

# Group Strategy



# M&A as a Key Lever to Acquire New Business



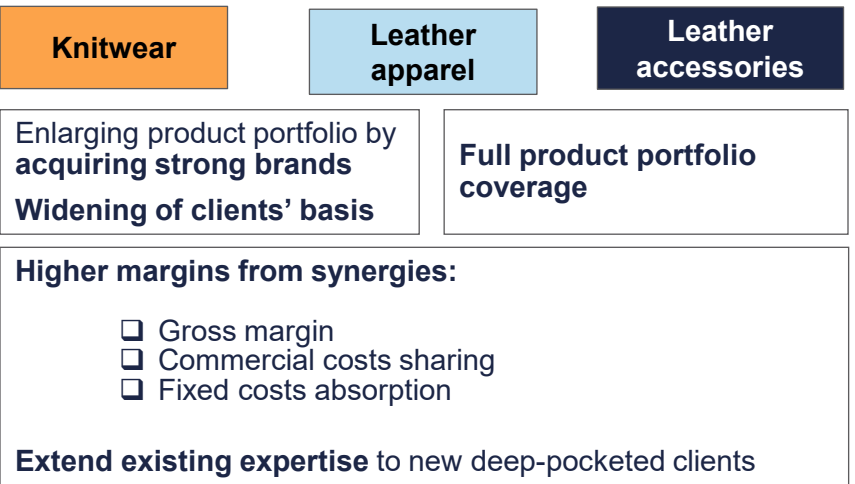
## Organic Growth

- ❑ Strengthening relationships with **existing clients**
- ❑ Building new partnerships, **scouting for compatible valuable brands**



## External Growth

- ❑ Take advantage of the rapidly **evolving, fragmented market**
- ❑ Acquisition of targets in **different product categories**



**Creating a national champion covering every segment of Made in Italy Absolute Luxury engineering**

# H1 2019 Results





# H1 2019 Highlights



€ mln

Revenues  
**€21.6**  
(+17%)<sup>1</sup>

Value of Production  
**€25.1**  
(+18%)

EBITDA  
**€2.0**  
(+21%)

EBITDA margin  
**9.5%**  
(+ 29 pp)

EBIT  
**€1.8**  
(+23%)

Net Income  
**€1.2**  
(+17%)

Net Cash  
**€4.1**  
(+ €0.2 m)

Shareholders' Equity  
**€6.3**  
(- €0.6 m)

Net Invested Capital  
**€2.3**  
(- € 0.7 m)

“ We are pleased to formalize the **revenue growth in the first half of the year of about 17%** and **EBITDA growth of 21%**. These results make us optimistic about our company's future development plans.”

”

- Luca Sburlati, Pattern S.p.A. CEO



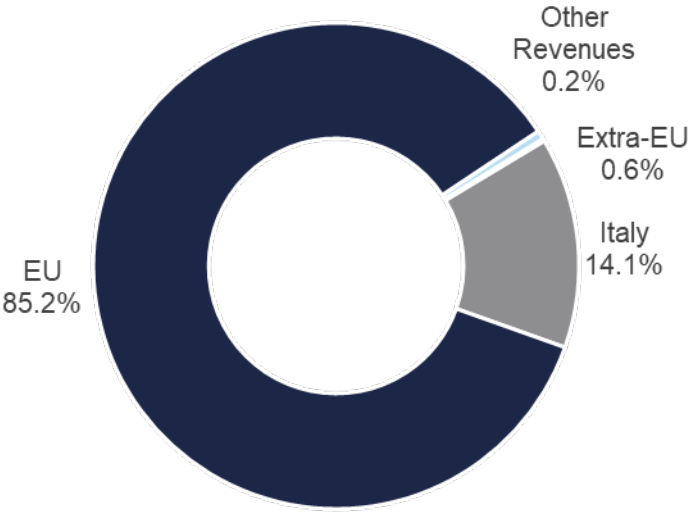
# H1 2019 Income Statement

| (€ 000)                    | H1 2019       | H1 2018<br>Pro-forma | %          |
|----------------------------|---------------|----------------------|------------|
| Sales revenues             | 21,520        | 18,322               | 17%        |
| Other revenues             | 33            | 124                  | -73%       |
| <b>Total Revenues</b>      | <b>21,554</b> | <b>18,446</b>        | <b>17%</b> |
| Change in inventories      | 3,566         | 2,816                | 27%        |
| <b>Value of production</b> | <b>25,119</b> | <b>21,262</b>        | <b>18%</b> |
| Raw materials              | (8,620)       | (7,556)              | 14%        |
| Cost of services           | (9,846)       | (8,028)              | 23%        |
| Leases and rentals         | (260)         | (300)                | -13%       |
| Personnel Expenses         | (4,289)       | (3,651)              | 17%        |
| Other operating expenses   | (67)          | (37)                 | 80%        |
| <b>EBITDA</b>              | <b>2,038</b>  | <b>1,690</b>         | <b>21%</b> |
| <i>EBITDA margin</i>       | <i>9.5%</i>   | <i>9.2%</i>          |            |
| D&A                        | (215)         | (214)                | 1%         |
| <b>EBIT</b>                | <b>1,823</b>  | <b>1,476</b>         | <b>23%</b> |
| <i>EBIT margin</i>         | <i>8.5%</i>   | <i>8.0%</i>          |            |
| Net financial income       | (37)          | (13)                 | 190%       |
| <b>EBT</b>                 | <b>1,785</b>  | <b>1,464</b>         | <b>22%</b> |
| Taxes                      | (544)         | (401)                | 36%        |
| <b>Net income</b>          | <b>1,241</b>  | <b>1,062</b>         | <b>17%</b> |
| <i>Net income margin</i>   | <i>5.8%</i>   | <i>5.8%</i>          |            |

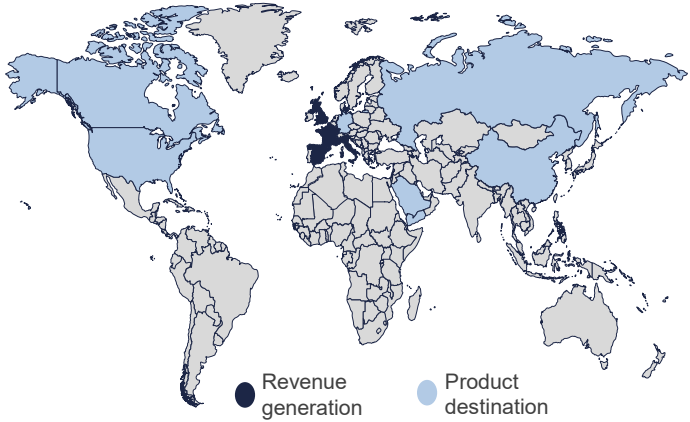
- **Revenues** at 30 June 2019 amount to € 21.6 million compared to € 18.4 million at 30 June 2018, showing an increase of around 17%. The value of production also rose from € 21.3 million to € 25.1 million at 30 June 2019, with an increase of around 18%.
- **EBITDA**, amounted to € 2.0 million compared to € 1.7 million in the first half of 2018, showing a significant increase of around 21%
- **EBITDA margin** at 9.5% compared to 9.2%. These are the results of the marginality consolidation resulting from the containment of fixed costs, synergies and economies of scale generated with the acquisition of Studio Roscini, which allowed to improve the profitability more than proportionally.
- Depreciation, provisions and write-downs remained in line with those of the previous year.
- **Net income for the period** at € 1.2 million compared to € 1.1 million at 30 June 2018, showing an increase of 17% despite a greater weight of current taxation.

# Revenues Breakdown

| (€ 000)        | H1 2019       | H1 2018<br>Pro-forma | %          |
|----------------|---------------|----------------------|------------|
| Italy          | 3,029         | 4,332                | -30%       |
| EU             | 18,366        | 13,725               | 34%        |
| Extra-EU       | 125           | 265                  | -53%       |
| Other Revenues | 33            | 124                  | -73%       |
| <b>Total</b>   | <b>21,554</b> | <b>18,446</b>        | <b>17%</b> |



Geographic footprint



The geographical breakdown of sales shows a further increase in foreign sales. Italy's revenue share has decreased from 24% to 14%. This is also due to the increase in revenues from the abroad production of Spello, very concentrated in Italy in the first half of 2018.

# H1 2019 Balance Sheet (Use and Sources)

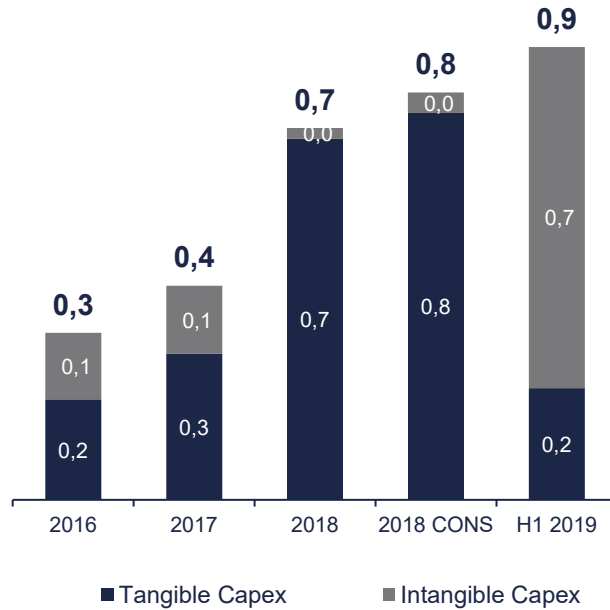
| (€ 000)                              | 30-Jun-19     | 31-Dec-18    |
|--------------------------------------|---------------|--------------|
| <b>Fixed Assets</b>                  | <b>2,767</b>  | <b>1,808</b> |
| Warehouse                            | 8,685         | 3,278        |
| Trade Receivables                    | 6,360         | 3,861        |
| Other Receivables                    | 660           | 1,191        |
| Prepayments and accrued income       | 532           | 270          |
| <b>Working Capital</b>               | <b>16,237</b> | <b>8,600</b> |
| Trade Payables                       | (12,746)      | (4,413)      |
| Other Payables                       | (3,157)       | (2,157)      |
| Accrued expenses and deferred income | (16)          | (14)         |
| <b>Net Working Capital</b>           | <b>319</b>    | <b>2,016</b> |
| Funds                                | (826)         | (828)        |
| <b>Net Invested Capital</b>          | <b>2,260</b>  | <b>2,996</b> |

| (€ 000)                          | 30-Jun-19      | 31-Dec-18      |
|----------------------------------|----------------|----------------|
| <b>Shareholders' Equity</b>      | <b>6,342</b>   | <b>6,915</b>   |
| <b>Cash and Cash equivalents</b> | <b>(8,091)</b> | <b>(6,392)</b> |
| Short term bank debt             | 794            | 1,144          |
| Medium term financial debt       | 2,815          | 1,328          |
| <b>Bank Debt</b>                 | <b>3,609</b>   | <b>2,473</b>   |
| Other medium term financial debt | 400            | -              |
| <b>Net Debt/(Cash)</b>           | <b>(4,082)</b> | <b>(3,919)</b> |
| <b>Total Sources</b>             | <b>2,260</b>   | <b>2,996</b>   |

- The amount of **fixed assets**, € 2.8 million, increased 53% compared to € 1.8 million at December 31, 2018. The investments concerned intangible and tangible fixed assets related to operating activities, the listing process and the purchase of the Modalis Srl business unit. In more detail, the sum of the acquisitions for intangible assets amounted to € 0.7 million, while that for tangible assets was € 0.2 million.
- **Working capital** of € 16.2 million is improving compared to € 8.6 million at 31 December 2018, essentially due to the dynamics linked to the seasonality of production and sales that characterizes Pattern, therefore a structural part of the business. That also explains the high level of the warehouse, equal to € 8.7 million, against the € 3.3 million recorded at 31 December 2018, as well as the receivables from customers, amounting to € 6.4 million against € 3.9 million at December 31, 2018, and trade payables, up to € 12.7 million compared to € 4.4 million at December 31, 2018. The item "other payables" is instead increasing, from € 2.2 million to € 3.2 million, mainly due to the taxes for the period
- The trend in working capital did not have an impact on **net invested capital**, which actually decreased from € 3 million to € 2.3 million. This figure means that there was no cash absorption, despite the increase in volumes and a distribution of almost € 1.8 million.
- The **net financial position** improved slightly from positive € 3.9 million at December 31, 2018 to positive € 4.1 million at June 30, 2019.

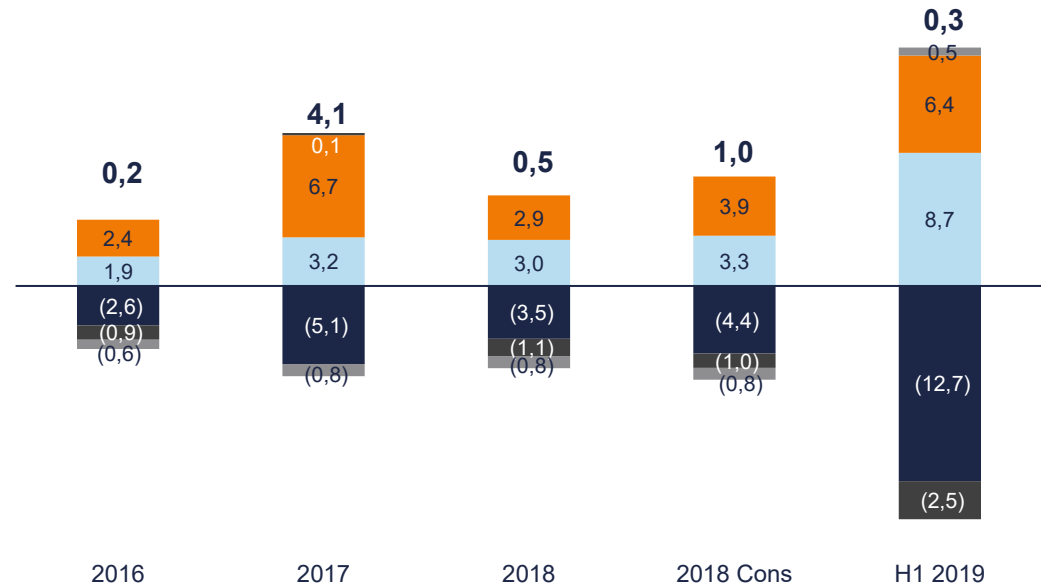
# Asset-light Business Model

2016-2019 Capex trend



Low Capex levels even in 2018, which saw expansionary investments for the Turin plant expansion

2016-2019 Working Capital trend



Inventory Trade receivables Trade payables Other receivables/payables Provisions

|     | 2016 | 2017 | 2018 | 2018 Cons |   |
|-----|------|------|------|-----------|---|
| DOI | 26   | 38   | 28   | 27        | Favorable contractual conditions with clients and suppliers |
| DSO | 32   | 79   | 27   | 32        |   |
| DPO | 48   | 77   | 44   | 51        |   |

Working Capital cycle near zero, in terms of days outstanding, paired with low Capex needs

# Investment Case





# Investment Highlights

1

Attractive market trend and strong positioning



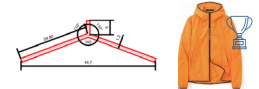
2

Unique combination of “Made in Italy” craftsmanship and avant-garde technologies



3

Innovation leadership in processes & manufacturing



4

Continuous strong cash generation



5

Highly experienced and committed management team



6

Asset-light business model



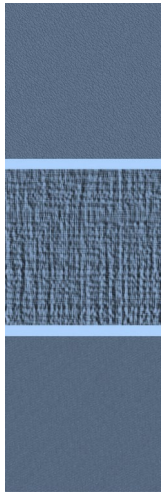
# Appendix



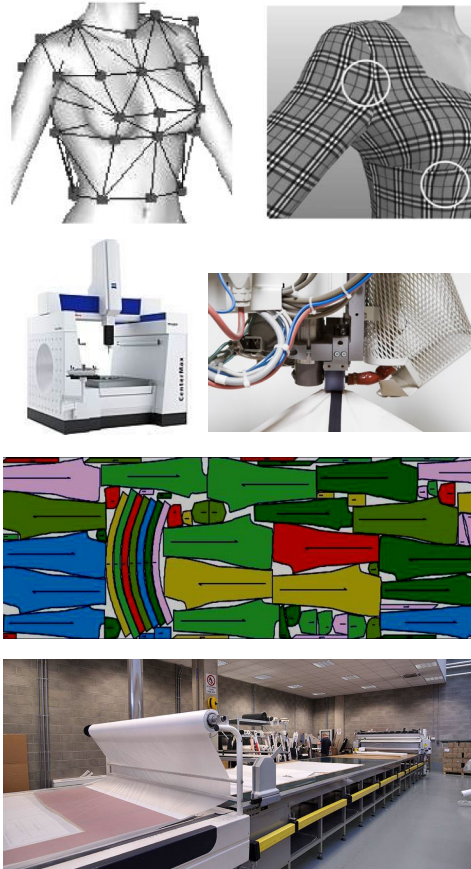
# Pattern is fully integrated with Italy's Best Suppliers and *Façonists*

## 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