

## FY2020 Results Conference Call



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# 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

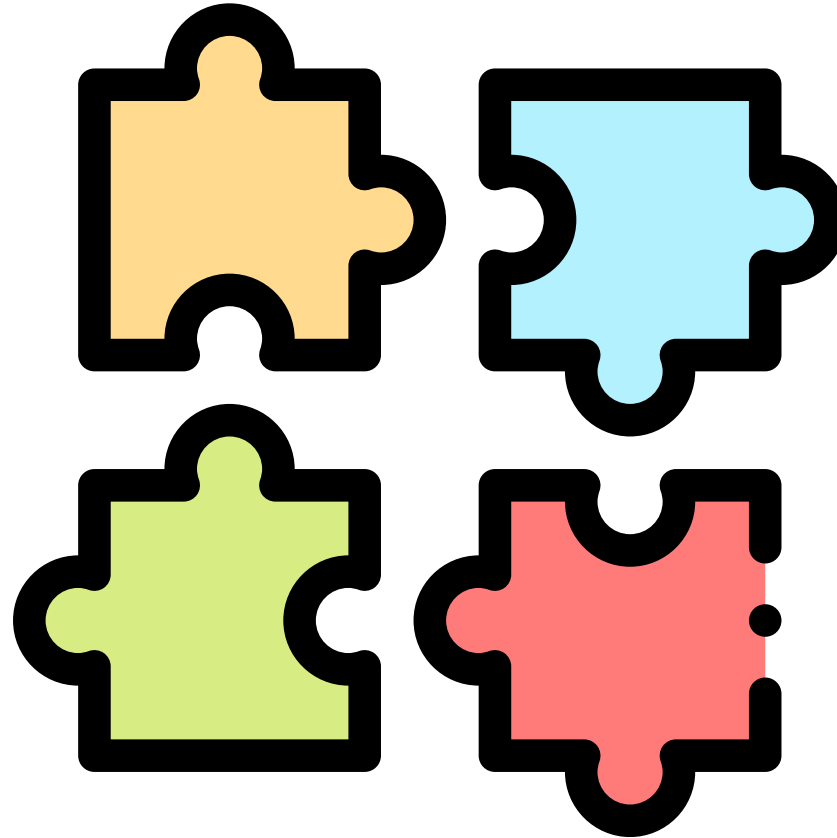


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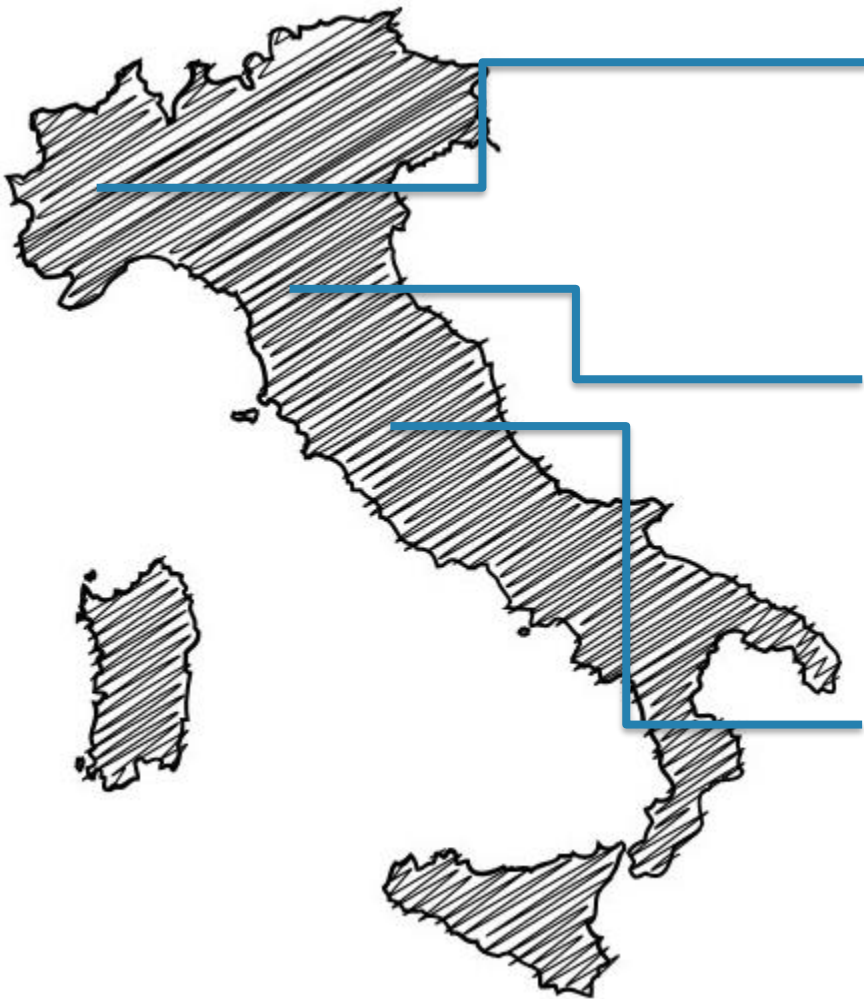


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# Group at a glance & Updates



# The Italian Hub of Luxury Fashion Engineering



**PATTERN**

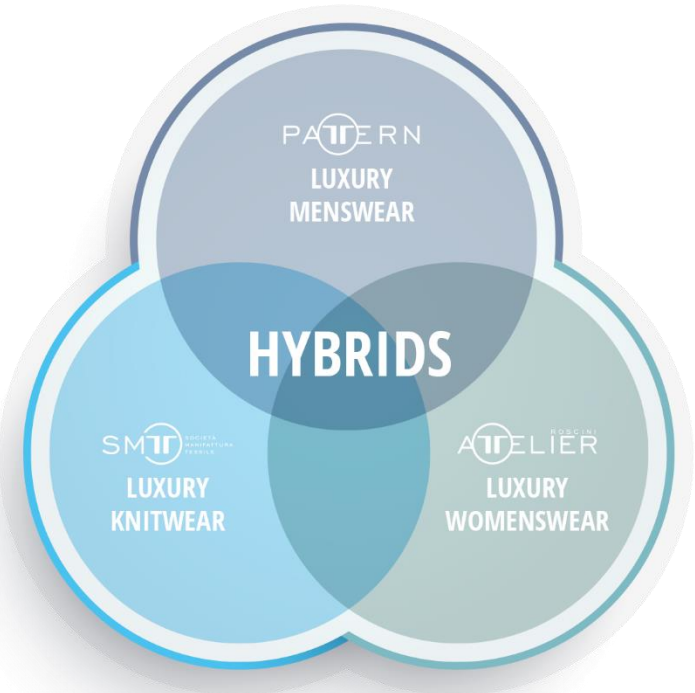
Torino, Piemonte  
Luxury menswear / outerwear,  
sportswear and tailoring

**SMTI** SOCIETÀ  
MANIFATTURA  
TESSILE

Reggio Emilia, Emilia Romagna  
Luxury knitwear

**ATELIER** ROSCINI

Spello, Umbria  
Luxury womenswear / soft fabrics  
and jersey, dresses and tailoring





# The Italian Hub of Luxury Fashion Engineering

## Pattern:

### Luxury Menswear Engineering

- **Casual and technical menswear, outerwear** specialist for men and women
- Focus on new **technologies applied to pattern-making**
- Attention to **Research & Development and innovation**
- A business model based on **sustainability**



## Roscini Atelier:

### Luxury Womenswear Engineering

- **Dresses and tailoring**, soft fabrics and jersey
- Flexibility and Reputation
- A solid focus on **craftsmanship and innovation**



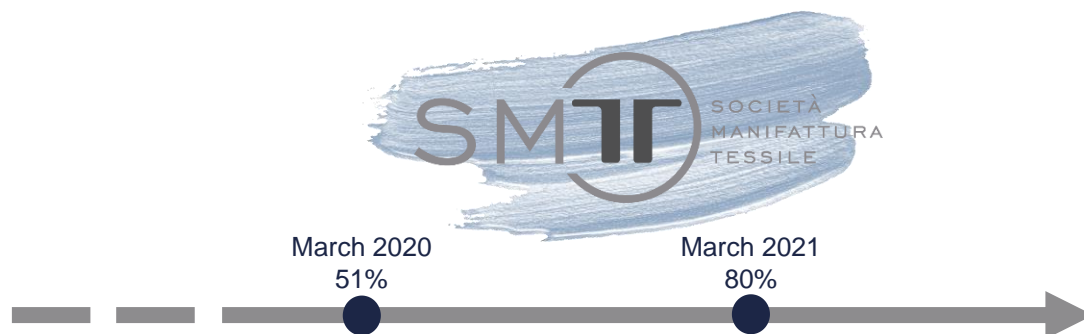
## S.M.T.:

### Luxury Knitwear

- Both **SHIMA SEIKI** and **STOLL** production technologies
- More than 100 weaving machines, 20 programmer technicians and a chain of external laboratories
- **Excellence, Quality**
- **Proactivity**
- A solid focus on **Research & Development**



## March 2021 – Purchased an additional 29% of S.M.T.



On **February 24, 2021**, signed of a binding framework agreement for the acquisition of an additional 29% of the share capital of S.M.T., thus reaching, upon closing of the transaction, 80% of the share capital.

### OPERATION DESCRIPTION

- Purchase by Pattern of a further 29% of the share capital of SMT, of which **19% directly** from Stefano Casini, the founder and CEO of S.M.T., and **10% from Camer** - a wholly-owned subsidiary of Stefano Casini, at a **total price of € 3.9 million**
- **34.48% of the total**, will be paid in kind, **through the allocation to Camer of newly issued ordinary shares of Pattern**, to be subscribed as part of a capital increase in kind to service the transaction reserved for Camer
- **€ 3.87**: the subscription price of the newly issued shares, calculated on the basis of the weighted average price of all stock market transactions of Pattern shares on AIM Italia in the six months prior to the date of signing the Investment Agreement

On **March 5, 2021**, the closing was finalized.





# FY 2020 Results



## PATTERN GROUP FY 2020 Highlights

**REVENUES**

**€ 53.9M**

€55.7M FY19

**EBITDA**

**€ 5.4M**

€5.9M FY19

**EBITDA MARGIN**

**10%**

10.7% FY19

**NET INCOME**

**€ 3.0M**

€3.8M FY19

**POSITIVE NFP**

**€ 8.8M**

€12.4M FY19

# FY 2020 Highlights: A focus on SMT



## REVENUES

**€ 19.0M**

€18.9M FY19

## EBITDA

**€ 2.8M**

€1.7M FY19

## EBITDA MARGIN

**14.7%**

9.2% FY19

## NET INCOME

**€ 1.5M**

€ 0.7M FY19

## POSITIVE NFP

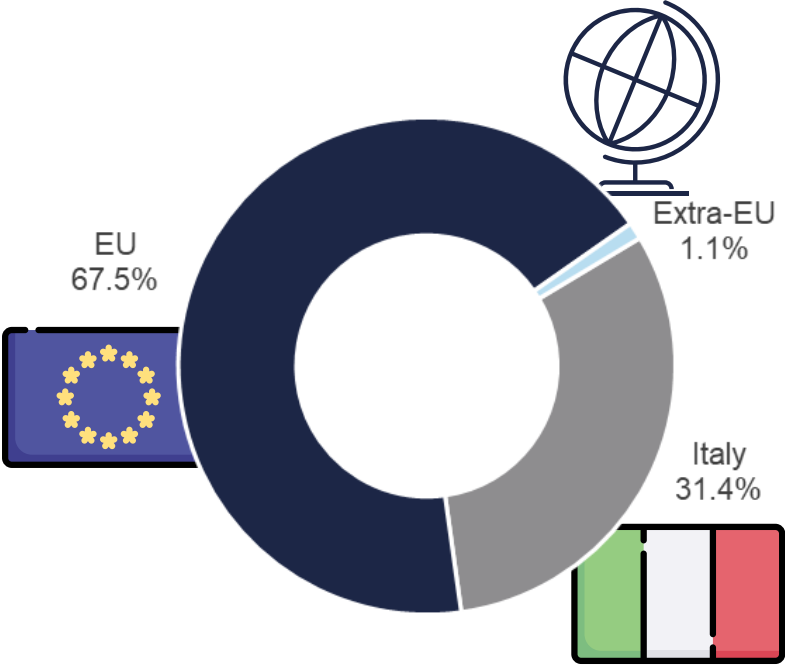
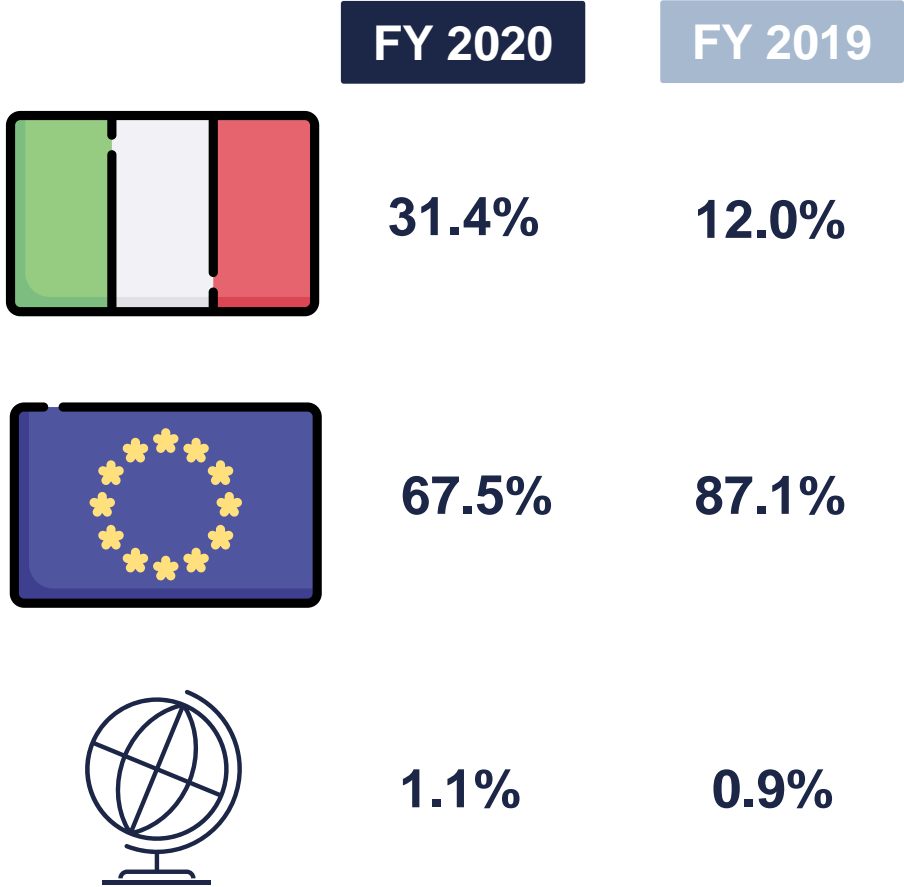
**€ 0.041M**

NEGATIVE  
€ -3.1M FY19

# FY 2020 Income Statement

(€ 000)	FY 2020	FY 2019
Sales revenues	52,584	55,603
Other revenues	1,279	135
<b>Total Revenues</b>	<b>53,864</b>	<b>55,738</b>
Increase in fixed assets for internal work	-	-
Change in inventories	156	(400)
<b>Value of production</b>	<b>54,020</b>	<b>55,338</b>
Raw materials	(15,514)	(16,462)
Cost of services	(19,049)	(22,980)
Leases and rentals	(1,470)	(572)
Personnel Expenses	(12,406)	(9,239)
Other operating expenses	(196)	(141)
<b>EBITDA</b>	<b>5,385</b>	<b>5,945</b>
<i>EBITDA margin</i>	10.0%	10.7%
D&A	(1,819)	(454)
<b>EBIT</b>	<b>3,565</b>	<b>5,491</b>
<i>EBIT margin</i>	6.6%	9.9%
Net financial income	(112)	(55)
Value adjustments to net financial assets	(2)	-
<b>EBT</b>	<b>3,452</b>	<b>5,436</b>
Taxes	(456)	(1,644)
<b>Net income</b>	<b>2,996</b>	<b>3,793</b>

# Revenues Breakdown



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 12% to 31.4%. **The internationalization rate of S.M.T. it is high**, but lower than that of Pattern. Overall, the foreign share of sales revenues remains very high, since it stands at 68.6%.



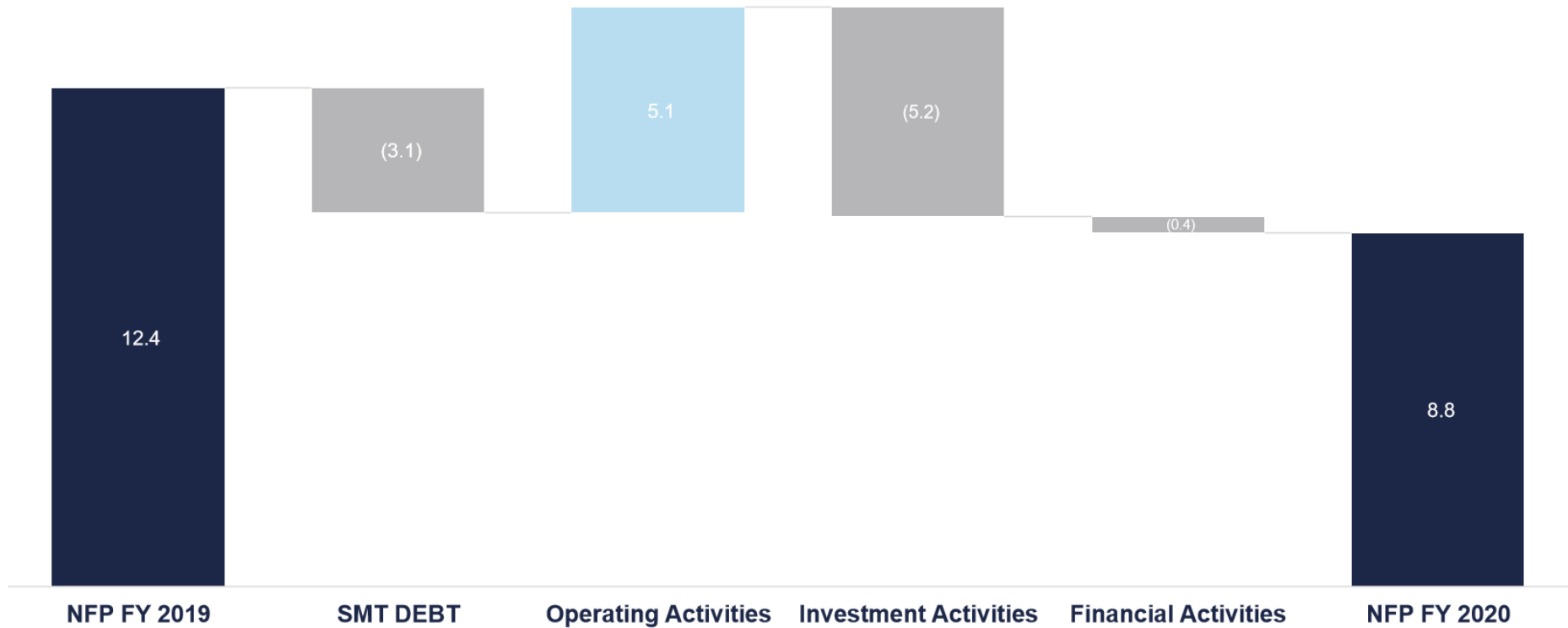
# FY 2020 Balance Sheet (Use and Sources)

(€ 000)	31-Dec-20	31-Dec-19
<b>Fixed Assets</b>	<b>10,849.8</b>	<b>3,589.3</b>
Warehouse	4,288.7	3,435.0
Trade Receivables	8,682.9	8,005.6
Other Receivables	2,059.5	1,332.0
Prepayments and accrued income	529.7	512.5
<b>Working Capital</b>	<b>15,560.7</b>	<b>13,285.0</b>
Trade Payables	(9,664.0)	(8,894.4)
Other Payables	(2,512.8)	(2,021.0)
Accrued expenses and deferred income	(155.1)	(22.5)
<b>Net Working Capital</b>	<b>3,228.8</b>	<b>2,347.0</b>
Funds	(1,923.3)	(928.1)
<b>Net Invested Capital</b>	<b>12,155.3</b>	<b>5,008.1</b>

(€ 000)	31-Dec-20	31-Dec-19
<b>Shareholders' Equity</b>	<b>20,931.5</b>	<b>17,393.7</b>
<b>Cash and Cash equivalents</b>	<b>(23,619.0)</b>	<b>(16,073.9)</b>
Short term bank debt	2,096.3	925.8
Medium term financial debt	12,746.6	2,762.5
<b>Bank Debt</b>	<b>14,842.8</b>	<b>3,688.3</b>
<b>Net Debt/(Cash)</b>	<b>(8,776.2)</b>	<b>(12,385.6)</b>
<b>Total Sources</b>	<b>12,155.3</b>	<b>5,008.1</b>

# NFP bridge

## NFP BRIDGE



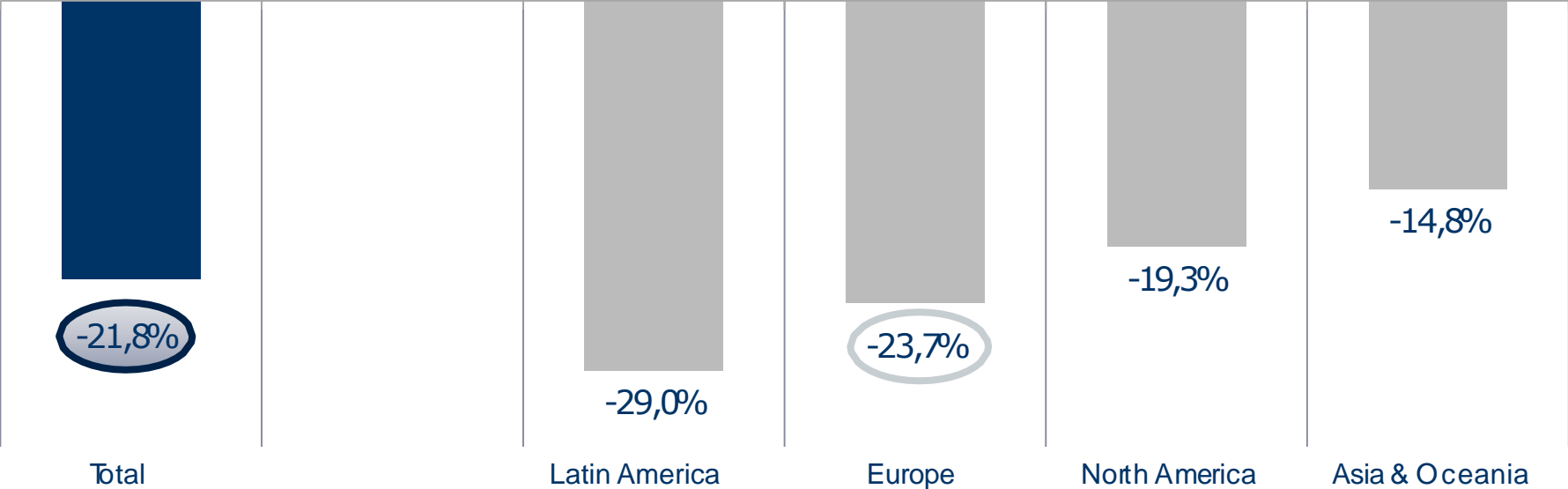
NFP as at 31 December 2020 shows a **clear improvement (+ 123%)** compared to the NFP as at 30/6/2020 which reported a positive figure of € 3.9 M

# The Luxury Fashion Market



# Fashion Industry in 2020 post COVID19

Change in turnover 9M 2020/2019 by destination region



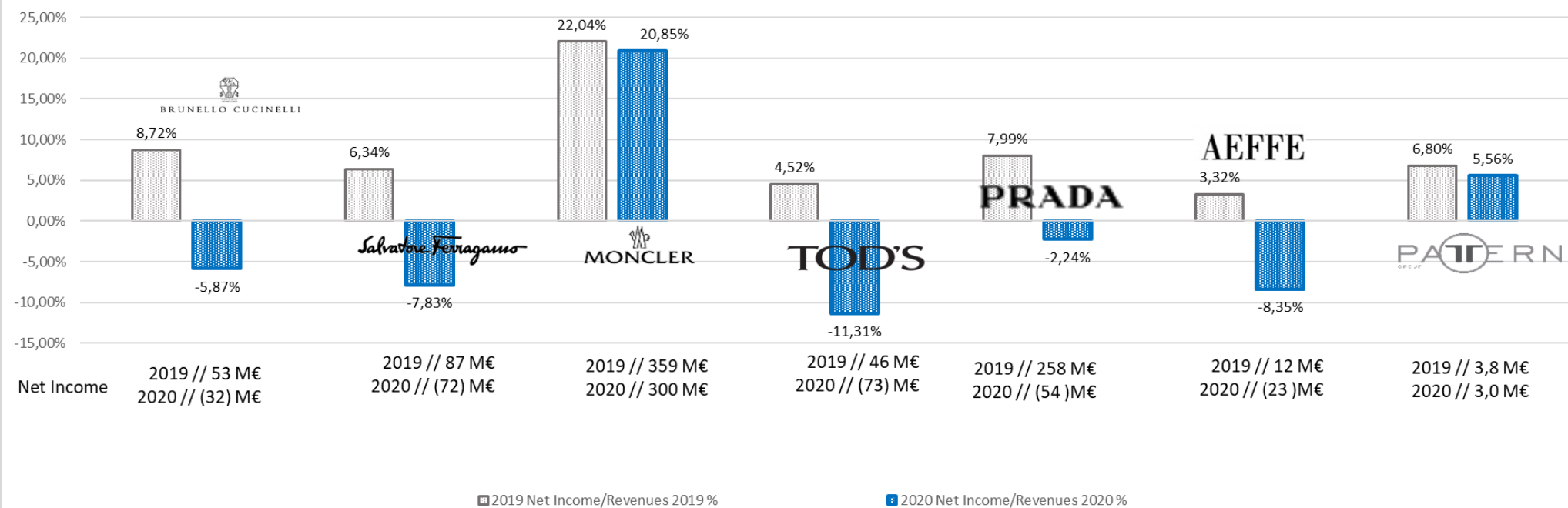
-4,3% industrial multinational fashion groups



-23,7% Japan  
-10,1% Rest of Asia

# Pattern outperforms the Italian luxury fashion industry

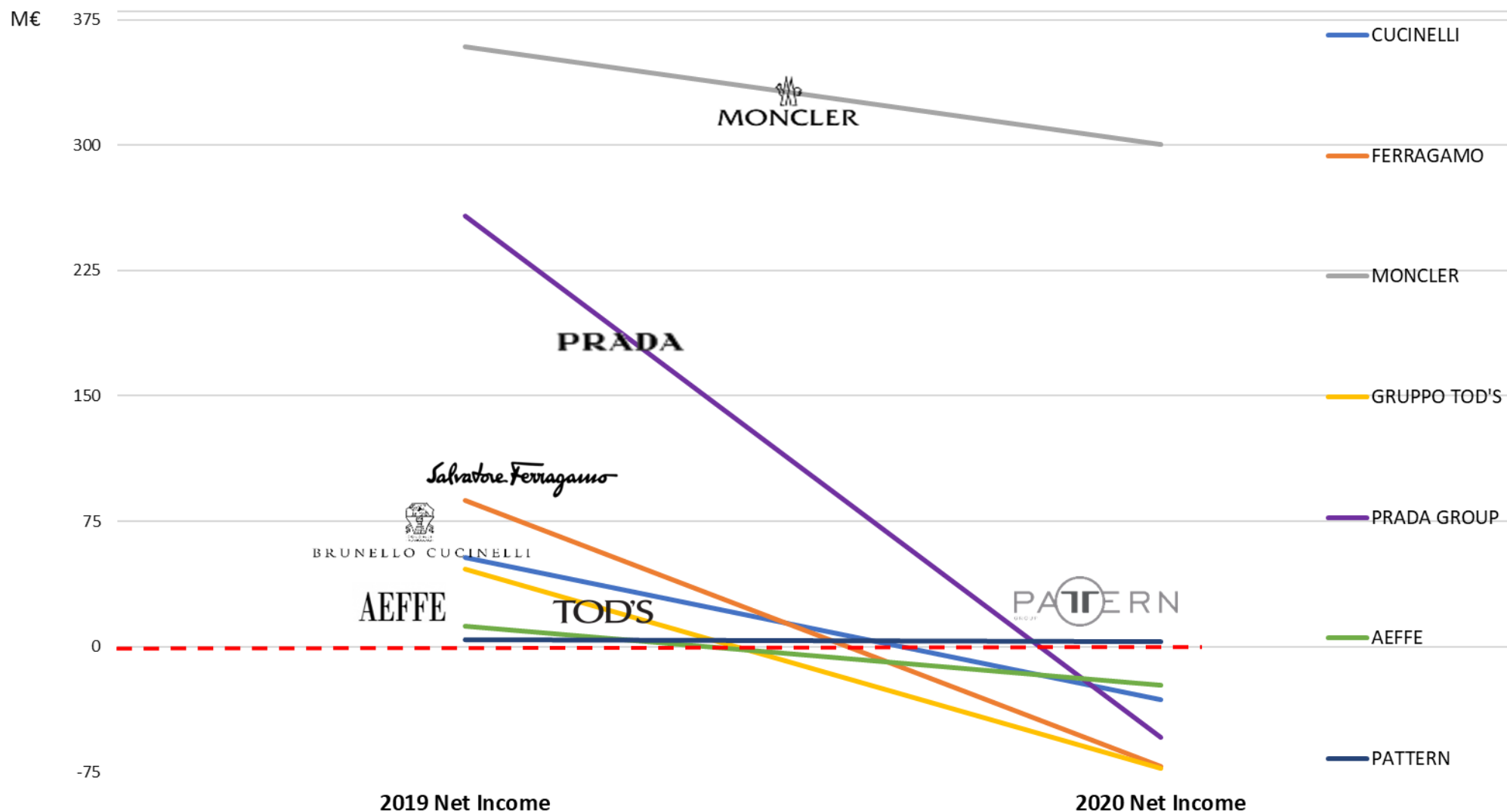
Listed Italian luxury fashion companies  
2019 VS 2020 Net Income/Revenues %





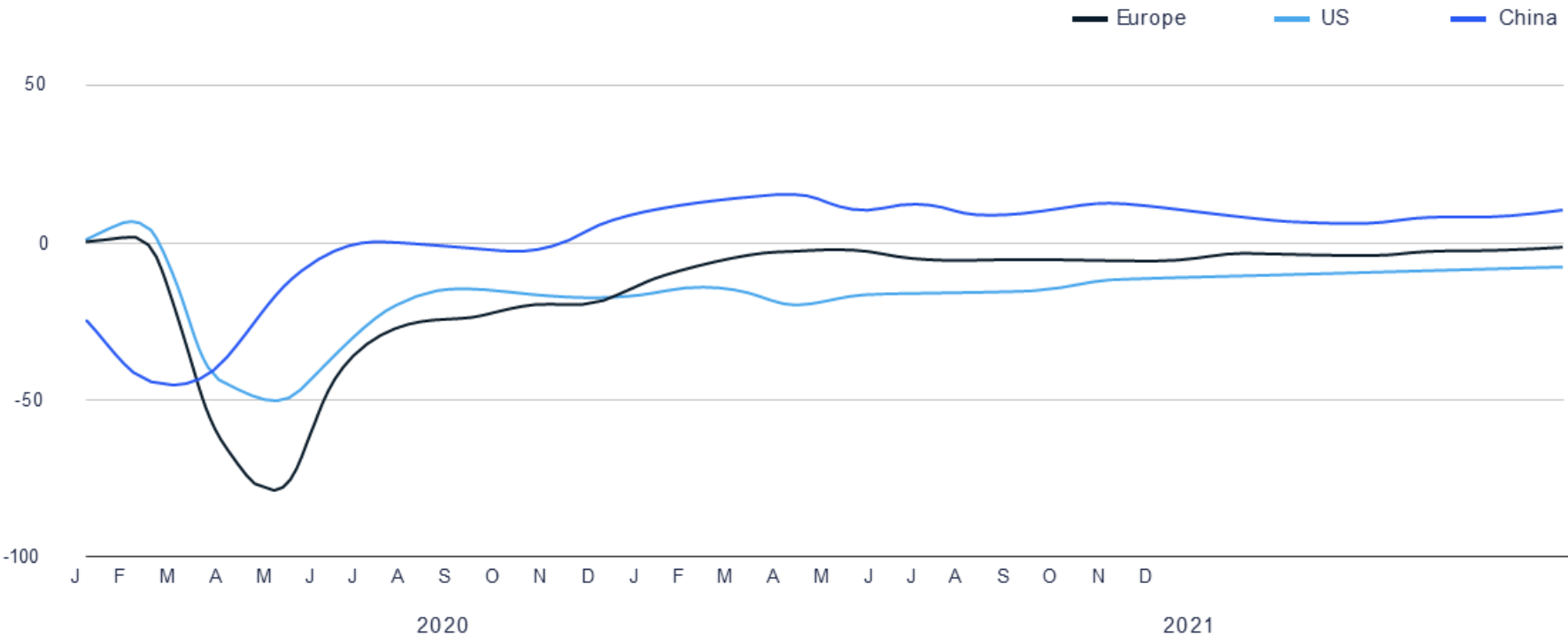
# Pattern outperforms the Italian luxury fashion industry

## Listed Italian Luxury fashion companies // 2019 VS 2020 Net Income



# Fashion Industry Recovery post COVID19

Fashion Sales in the earlier recovery scenario by McKinsey, compared to 2019, %



# What's up in our business?

## A positive competition: new entrant to the market

October 2020, born **Florence S.p.A**, luxury fashionwear production hub in Italy, competing with **Pattern Group**.

The holding, born thanks to the initiative of **Fondo Italiano d'Investimento** and private equity **Vam Investments**, aggregates **Giuntini S.p.A** of Peccioli (Pisa), luxury fashion outerwear specialist, with a turnover of €76.1 million in 2019 and € 9,7 million profit, **Ciemmecci Fashion srl** of Empoli (Florence), specialized in the production of leatherwear, €17.3 million turnover in 2018; and **Mely's Maglieria** di Arezzo, knitwear specialist, with a turnover of €15.5 million in 2019.

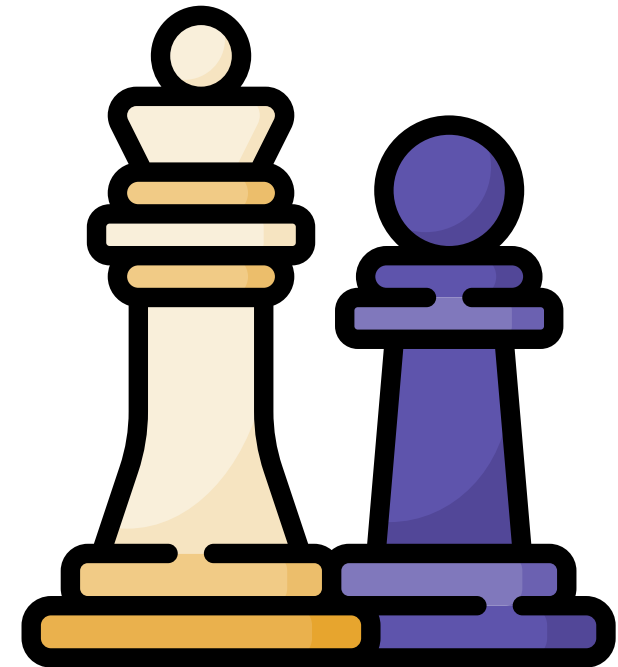
Next announced steps are the entering in the jersey fashionwear sector, then denim and bags businesses.

The consortium of investors, in which Italmobiliare also participates, will control 65% of the newly created holding Florence, which will own 100% of the three companies. The remaining 35% remains with the founding families, Giuntini, Capezzuoli, Maltinti, Ciampolini and Sanarelli, who have reinvested in the project

Turnover estimated at the end of the year of € 150 million and over 700 employees.

Strengths & Opportunities of Pattern:

- **Positive and winning strategy started in 2019**
- Competition creates a **reference benchmark** - always useful
- Florence is mainly a financial, not an **industrial, know-how-based pole**



# Group Strategy & Outlook



# Group Strategy

## Current competitive landscape

### Strategic Group:

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

### Knitwear

Thanks to S.M.T entering Pattern Group

300 €m

600 €m

300 €m

Made in Italy  
Luxury  
Fashion  
Manufacturing

1 €B



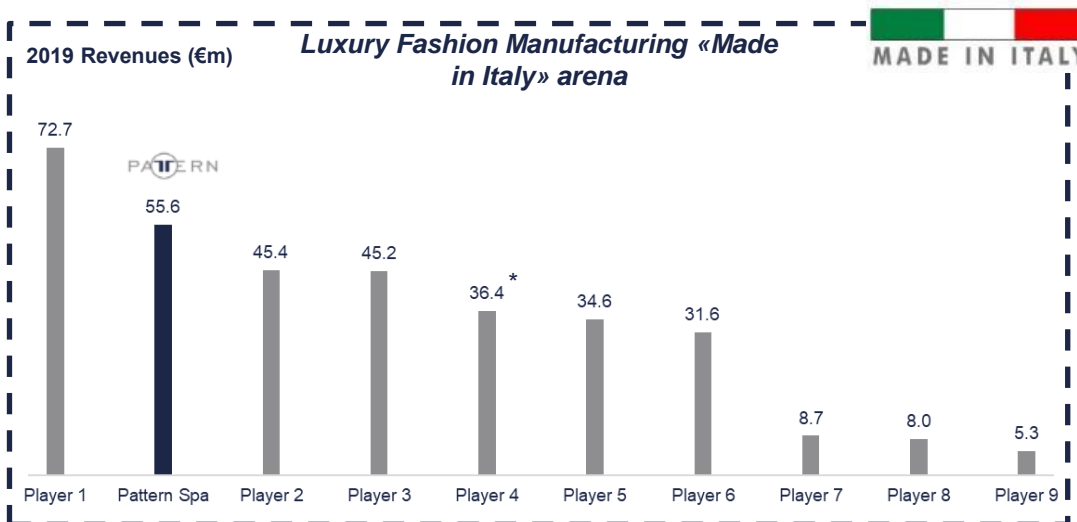
400 €m

Leather apparel  
& accessories

Portion of the market currently not served by Pattern

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

### Organic Growth



### External Growth



Knitwear



Leather



Kids?

Enlarging product portfolio by  
acquiring strong brands  
Widening of clients' basis

Full product portfolio  
coverage



# Outlook 2021

As for the economic trend, **the outlook for 2021 is still bleak**, with the market expected to suffer, as it did in 2020, with a **sluggish first half of the year** (the only exception being the Far East market) and a **second half in which probably the first signs of recovery** will emerge in Western countries too, thanks to the roll-out of vaccination campaigns.

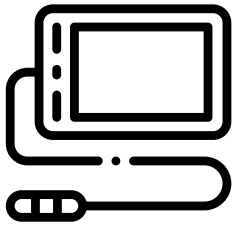
The Group is one season ahead of what is on sale in shops. For this reason, **productions and deliveries to customers are more affected by their expectations** for the following seasons than by current sales in shops. The above-mentioned positive expectations for the second half of the year and the restart of China have meant that **orders for next autumn-winter have picked up considerably** as far as Pattern is concerned and are growing further as far as S.M.T. is concerned.

In parallel with the internal management of the Group's activities, the management continues to screen external growth opportunities for the development of the "**Italian Hub of Luxury Fashion Engineering**". In this regard, it is believed that the economic crisis affecting the country and Western economies in general has not only made the **search for partnerships** more pressing in all sectors in order to better face the crisis, but it has also highlighted the need to **accelerate the consolidation process of SMEs** that was already being discussed before Covid. This is the issue of the increase in the size of Italian companies, which is not always adequate to face the competition and demands of international markets.



## Pattern: Innovation



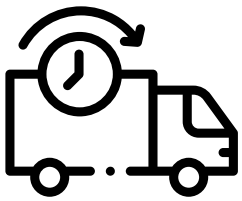


## 3D Virtual Prototyping

Today 3D prototyping represents one of the most important company's strategic investments with a dedicated Digital Team.

Pattern uses the most advanced fashion prototyping software program which allows to bring to life virtual models by **replicating 2D CAD patterns into a 3D platform**.





## New Digital Warehouse 4.0

Completed in autumn 2020, the new warehouse is an **innovative system state-of-the-art** in the logistic field.

A cutting-edge warehouse, 100% digitalized, where, thanks to **RFID technology**, every single garment is unequivocally identified and traced.



## Pattern: Sustainability





# ESG RATING 2020

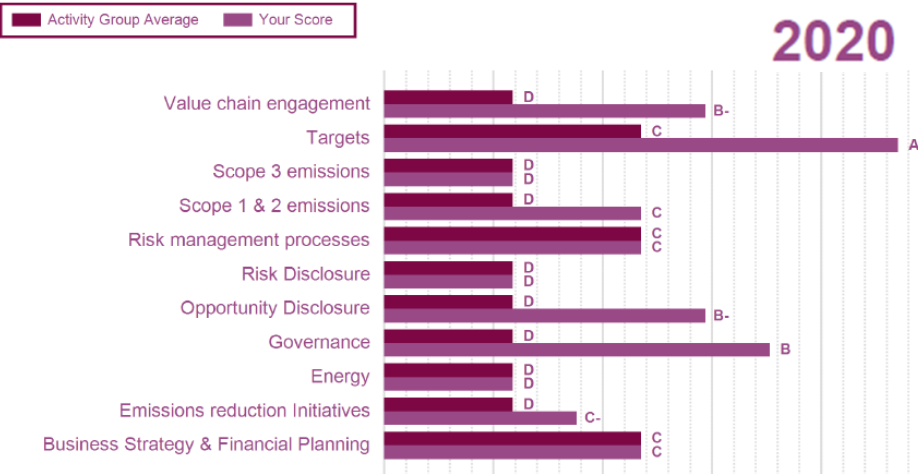
## PATTERN OVERPERFORMS THE MARKET

B-

Pattern confirms its participation to the **Climate Change Reporting** managed by the international organization CDP and achieves a **2020 ESG Rating, referring to the year 2019, of level B-**.

An exceptional score, **almost unique in the fashion world** - especially in Italy - higher than the European regional average of C, and higher than the global "Textile&Fabric Goods" global sector average of D.

### CATEGORY SCORES BENCHMARKING



# PATTERN ACHIEVES A PLACE ON THE

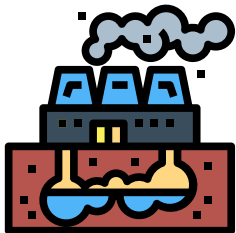
## 2020 CDP SUPPLIER ENGAGEMENT LEADERBOARD

Pattern joins the other 400 international companies (7% of top companies) nominated into the CDP "2020 Supplier Engagement Leaderboard", companies that are annually assessed with total transparency by CDP on the Supplier Engagement Rating (SER) .



2020

CDP is recognized as the global standard of environmental reporting. The British NGO has a strong reputation and receives its mandate from a pool of institutional investors. The market demand for corporate environmental transparency is louder than ever: 515 investors with US\$106 trillion in assets, and 150+ large purchasers with US\$4 trillion in buying power requested thousands of companies to disclose through CDP in 2020. They use CDP data, including scores, to inform their investment and procurement strategies.



## GEOHERMAL PLANT

140 KW geothermal plant projected to meet the energy needs required for heating and cooling the New Digital Warehouse and part of the existing laboratory



solar**edge**



Dashboard



Layout

Potenza attuale

25,06 kW

Energia odierna

34,78 kWh

Energia mensile

5,45 MWh

Energia totale

24,47 MWh

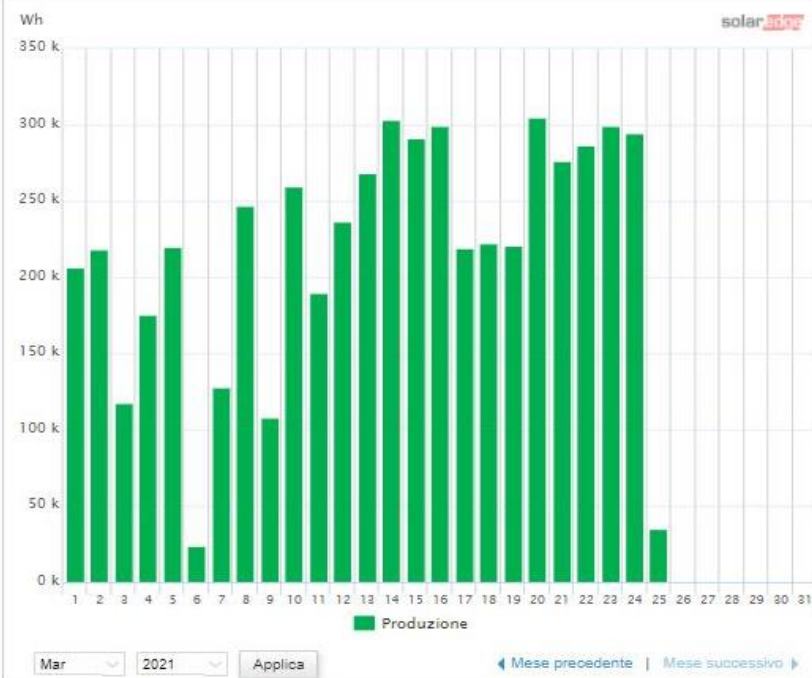
Potenza ed energia

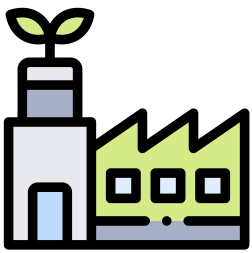


Giorno Settimana **Mese** Periodo di Fatturazione Anno

01/03/2021 - 31/03/2021

Produzione del Sistema: **5,45 MWh**

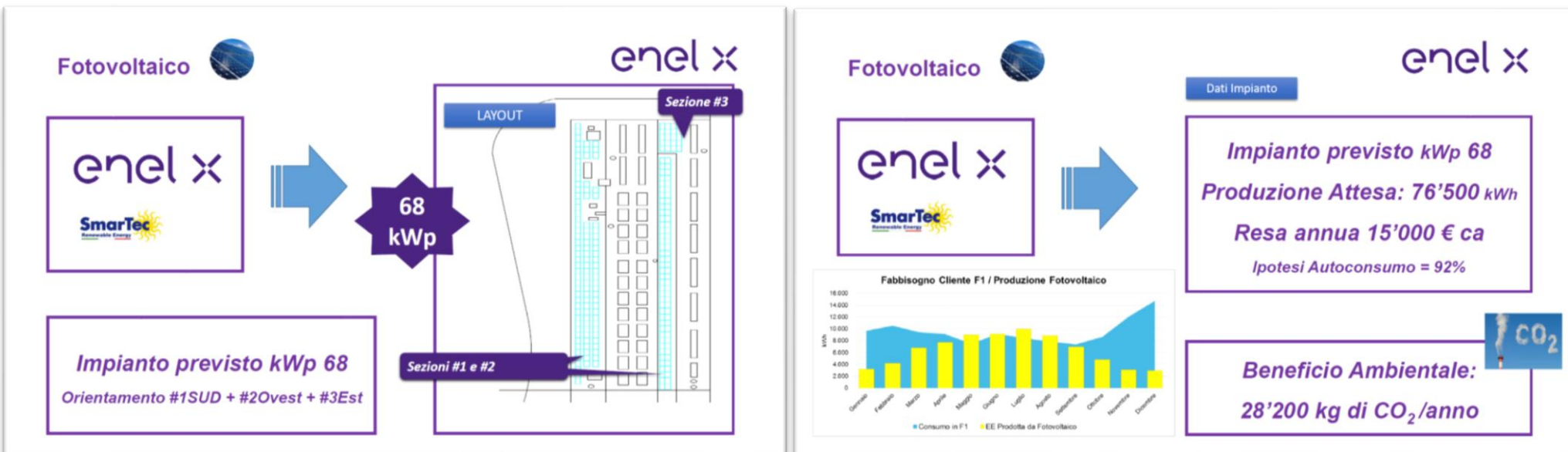




## PHOTOVOLTAIC PLANT

In May 2020 Pattern accomplished the installation of the photovoltaic plant, now 100% operating

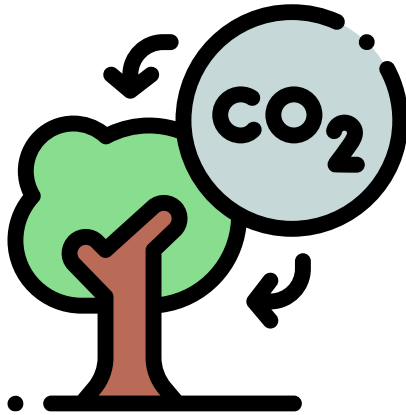
The plant makes the company almost completely self-sufficient, fully covering energy needs in the warmer months. With the achievement of this goal, **Pattern avoids 28 tons CO2 emissions every year** and continues the path to become **totally sustainable and 0 emissions by 2023**.



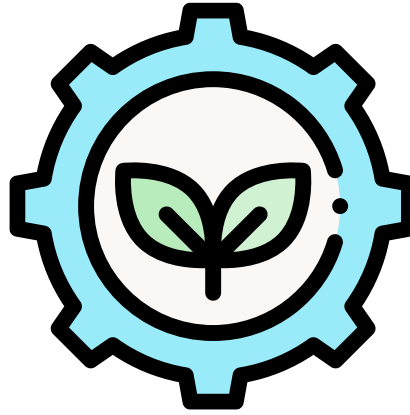
# FROM RED TO GREEN CARPET

“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.

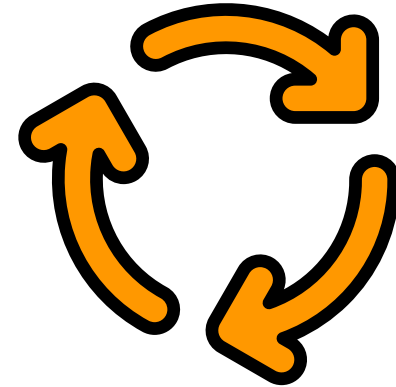
Pattern has identified three main goals to achieve:



**BEING CARBON  
NEUTRAL**



**ECONOMIC &  
SOCIAL  
SUSTAINABILITY**



**CIRCULAR  
ECONOMY &  
REVALUE WASTE**

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 U.N. invitation on 2030 Agenda for Sustainable Development



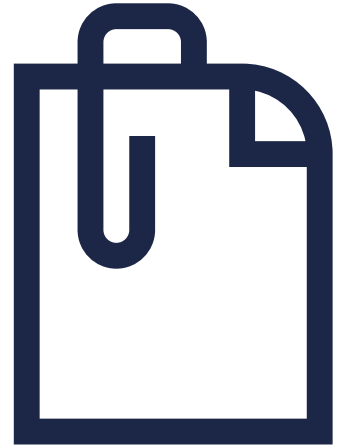
## Pattern adheres to the ONU's "Fashion Industry Charter for Climate Action"

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**.

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.

Global Climate Action  
United Nations Climate Change

# Appendix

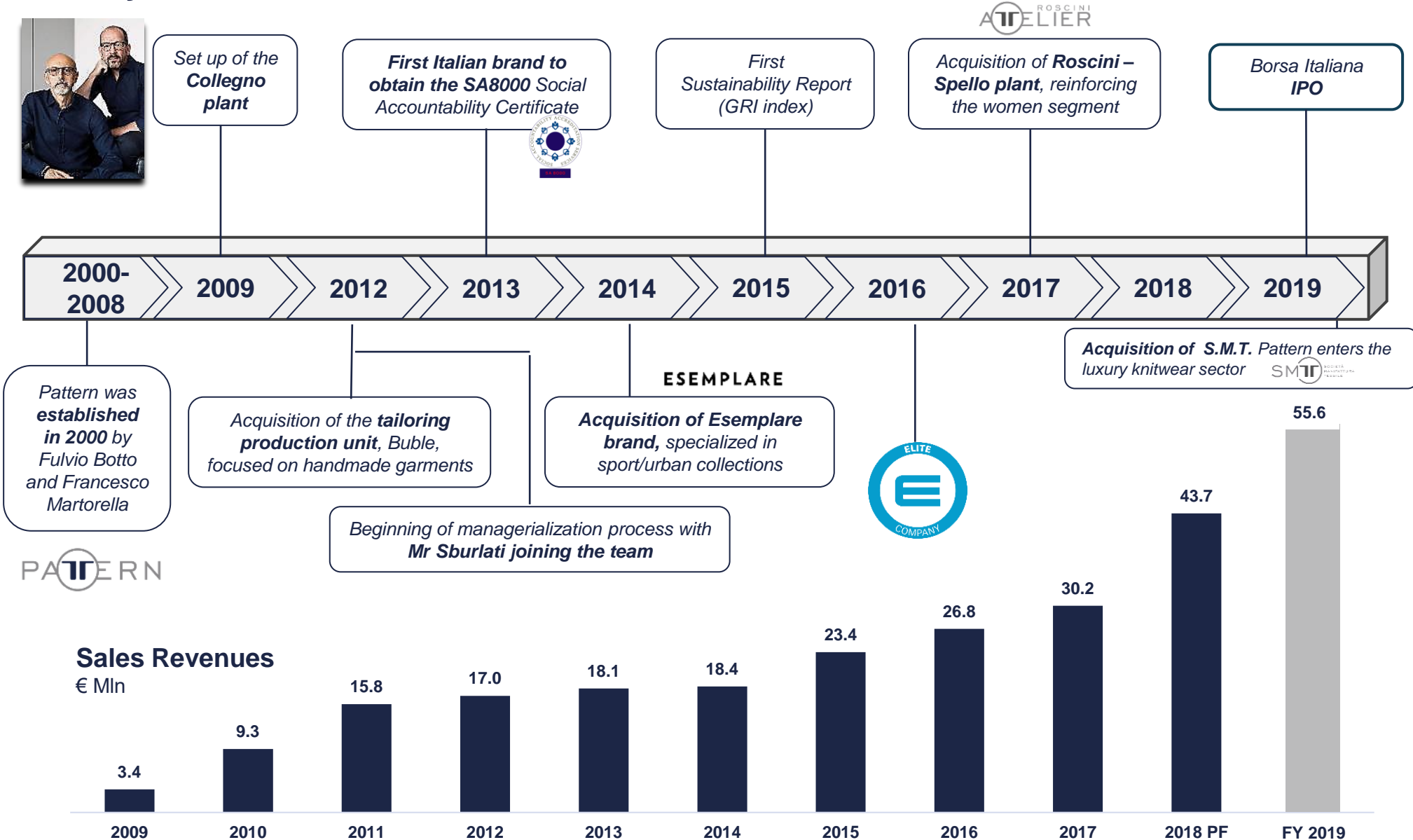


# 1. Pattern overview





# History of Continuous Growth




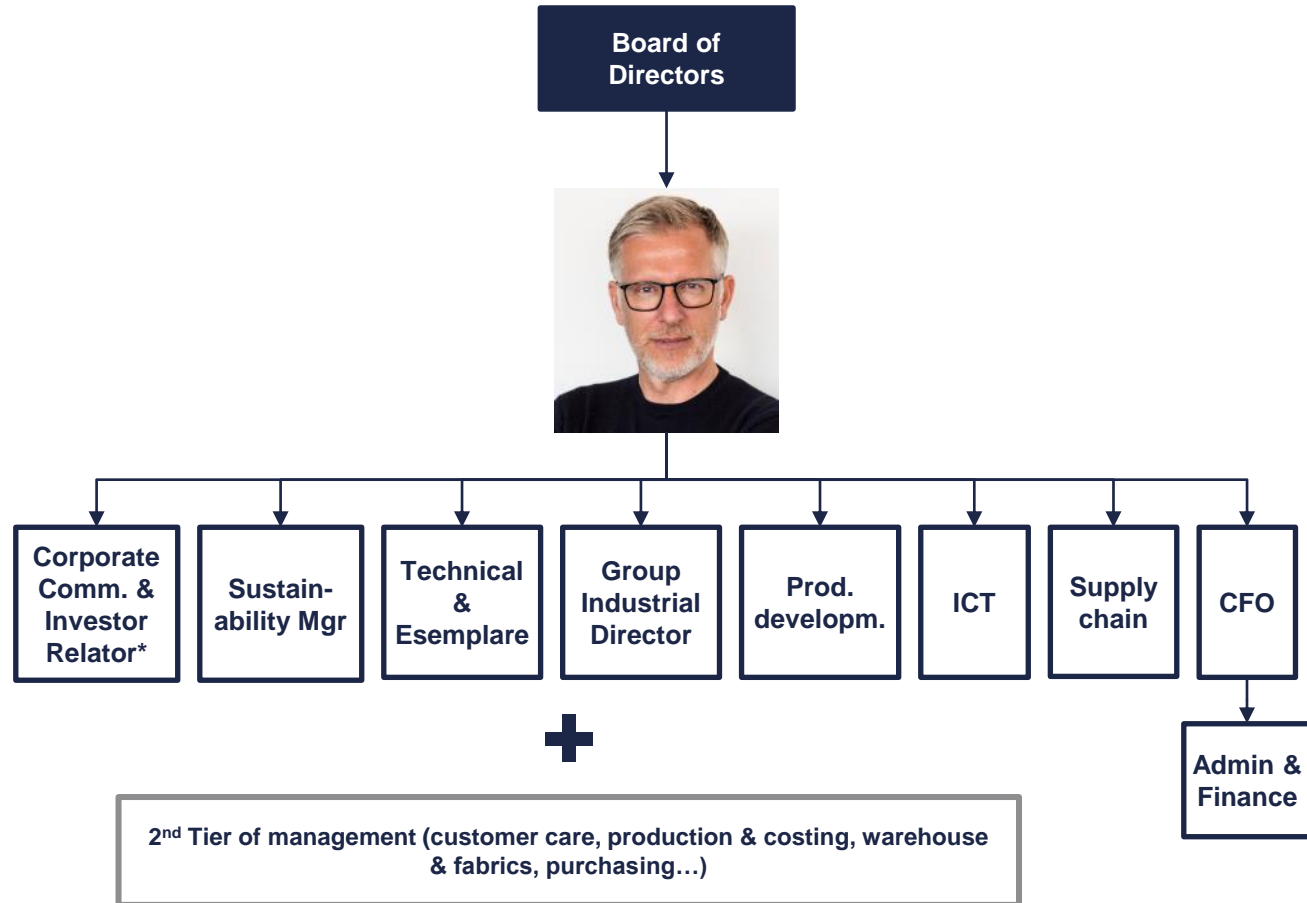


# HR - Highly Experienced and Committed Management Team



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

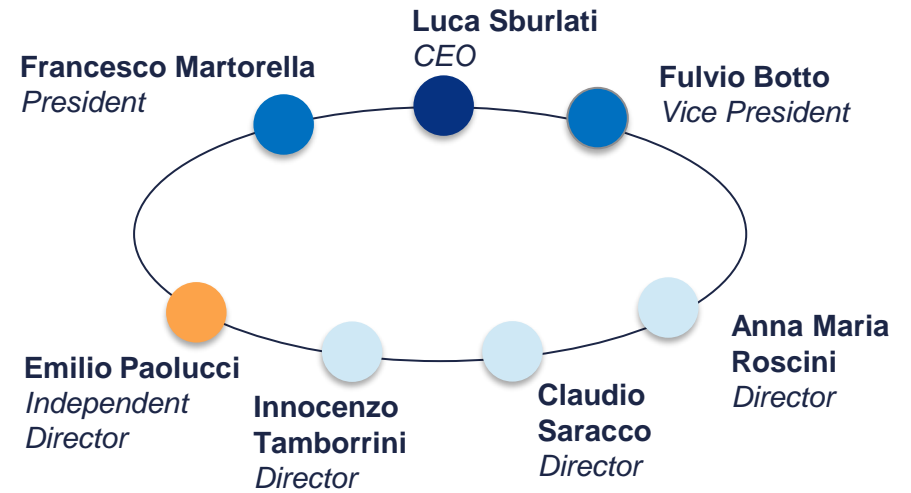


**Sole player, in its competitive arena, to have adopted a modern management structure as a key competitive advantage**

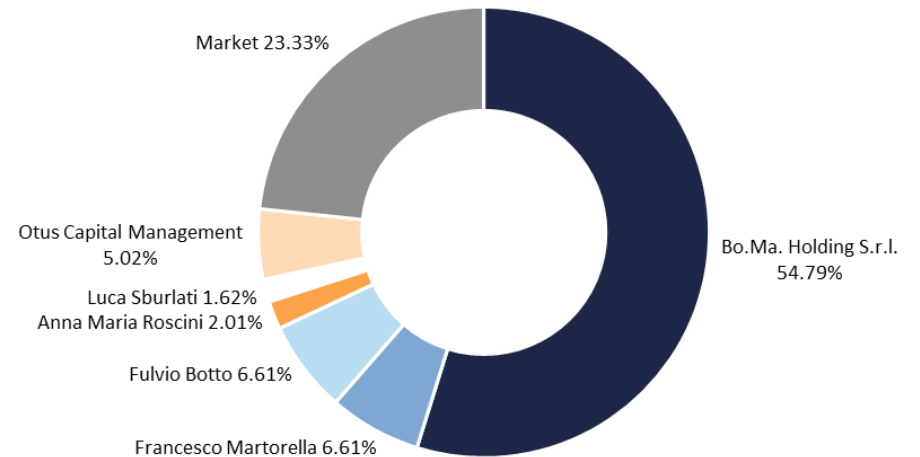
# Corporate Governance



## Board of Directors






## Shareholder Structure



## The Ordinary and Extraordinary Shareholders' Meeting:

On 4<sup>th</sup> December 2020 was met the Shareholders' Meeting in ordinary and extraordinary sessions and approved:

-  The **distribution of a dividend**, gross of withholding tax, of € 0.05 per share, for a total of € 685,769.20;
-  The Shareholders' Meeting resolved on the **authorization to purchase and sell** treasury shares in complete compliance with European and Italian regulations in force and accepted market practice over time, up to a maximum of 10% of the share capital and for 18 months from the date of the shareholders' resolution. The authorization to sell the treasury shares is open ended;
-  Approved the **share capital increase** in one or more tranches, up to a maximum of € 15 million, including the share premium, to be undertaken by 31 December 2022, through contributions in kind, with the exclusion of option rights.

# 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.

# December 2020 - Pattern wins the "Premio dei Premi" 2020 award Prize is awarded by the President of the Italian Republic, Sergio Mattarella



Pattern is selected, amongst the winning companies of the XI Edition of “Imprese x Innovazione” award - organized by Confindustria. This prestigious recognition is awarded by the President of the Italian Republic, Sergio Mattarella, and established on behalf of the President of the Italian Republic within the Fondazione Nazionale per l’Innovazione Tecnologica COTEC (National Foundation of Technological Innovation).

The aim is to enhance the **best innovative and creative skills and to support the value of R&D and innovation** in every form and intensity.

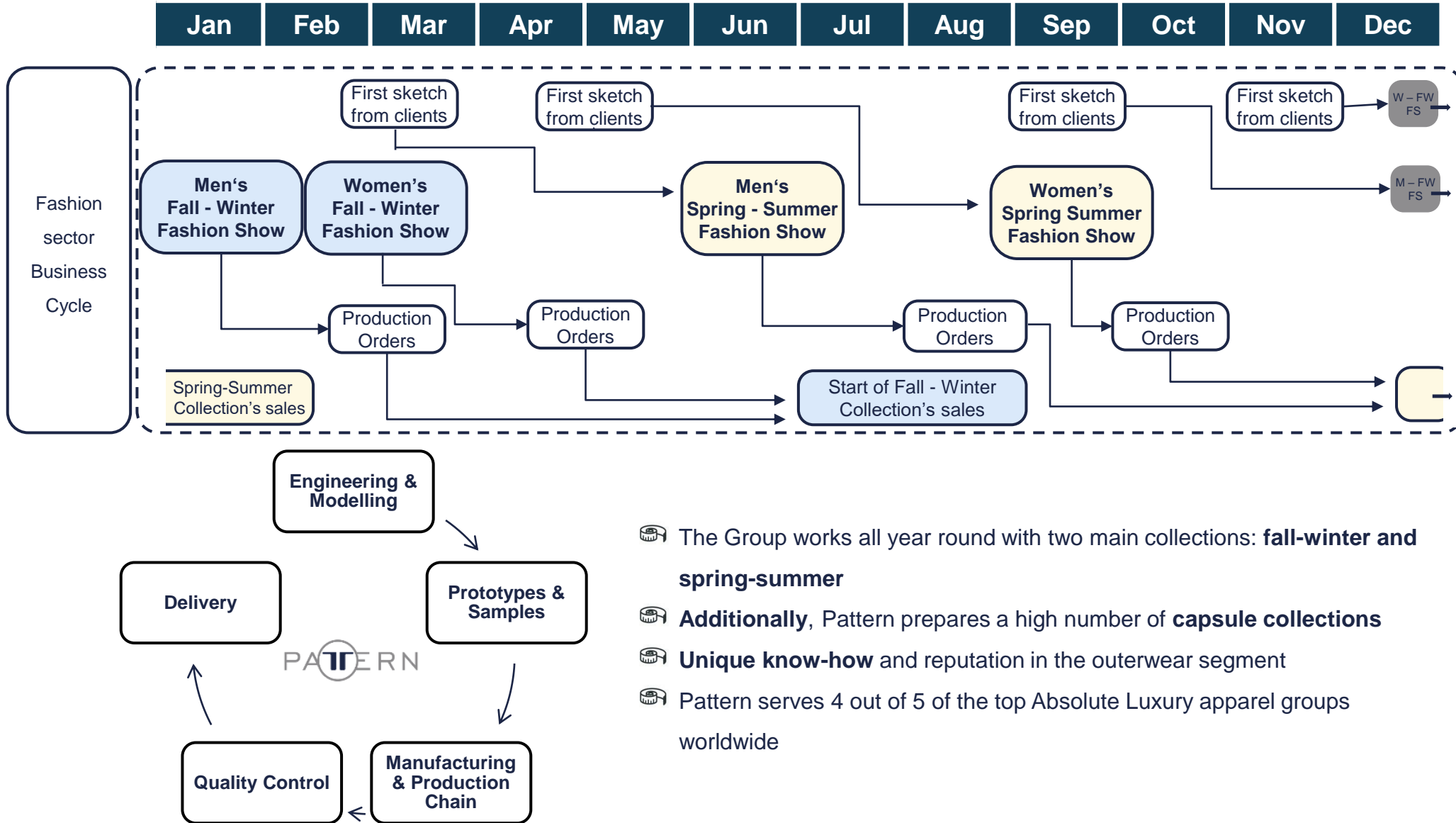
Francesco Martorella - Founder & President of Pattern - receives the award from the President of the Italian Republic in the presence of Minister for Public Administration, Fabiana Dadone, the Minister for Technological Innovation and Digitization, Paola Pisano and the President of COTEC Foundation, Luigi Nicolais:

*"For the systematic research for a **balanced combination of sartorial craftsmanship and technological innovation** and for the development of an innovative strategy to **achieve sustainability and zero impact** on the environment".*

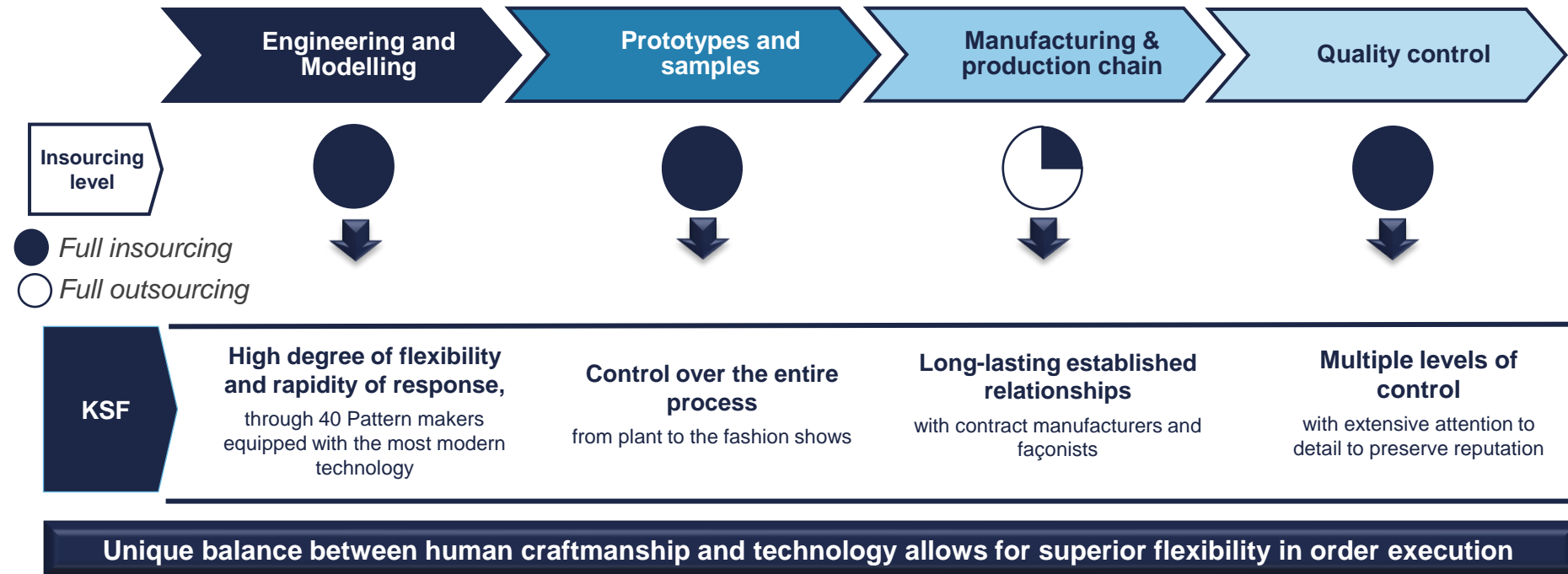
## 2. Business and Values



# How the fashion sector works



# 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

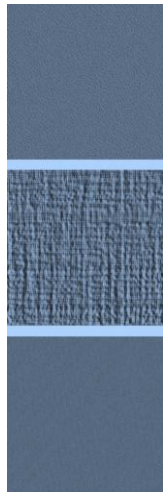
***Pattern operates in a strategic stage of the process, the "Formula 1"***



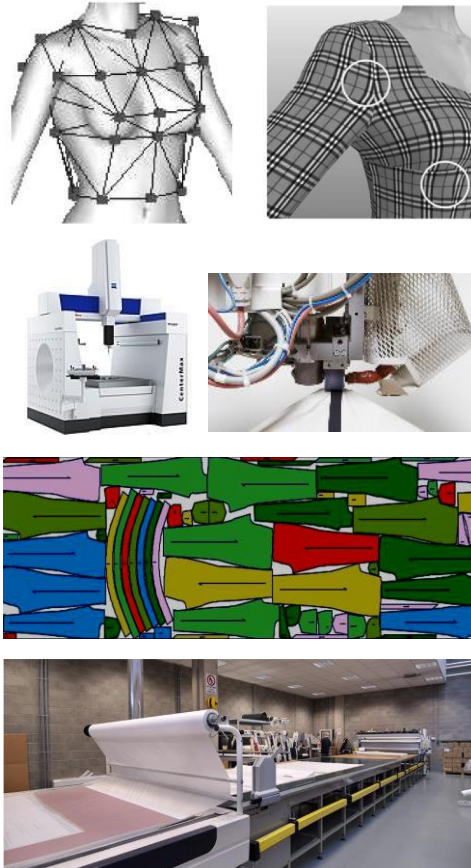
# Pattern is fully integrated with Italy's Best Suppliers and *Façonists*

## 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

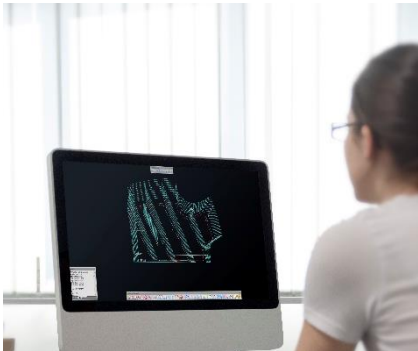
 Full control over the value chain by dictating own standards

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



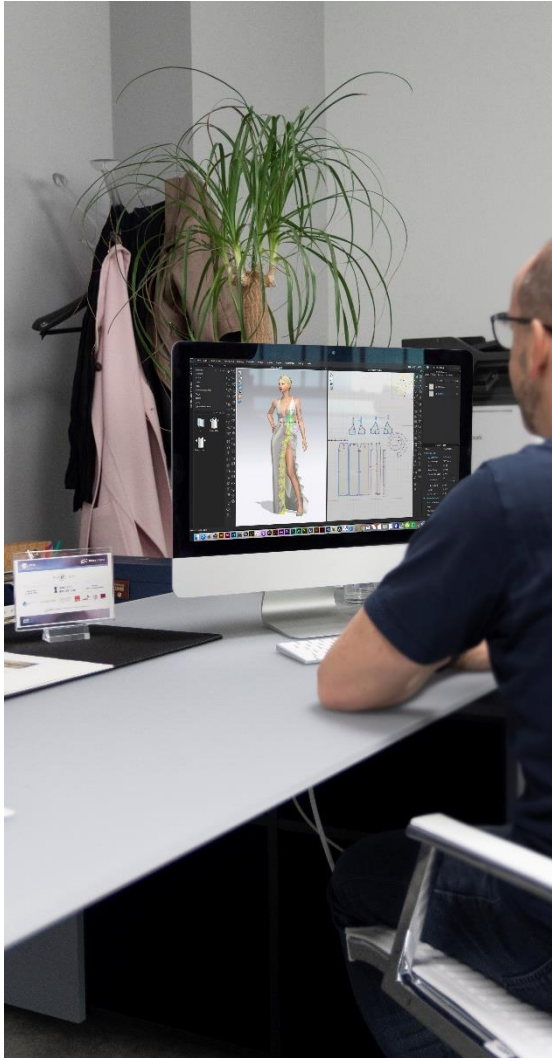
*Quality assurance*

## Sustainability



*Circular economy*

# Technology and R&D



## Technology

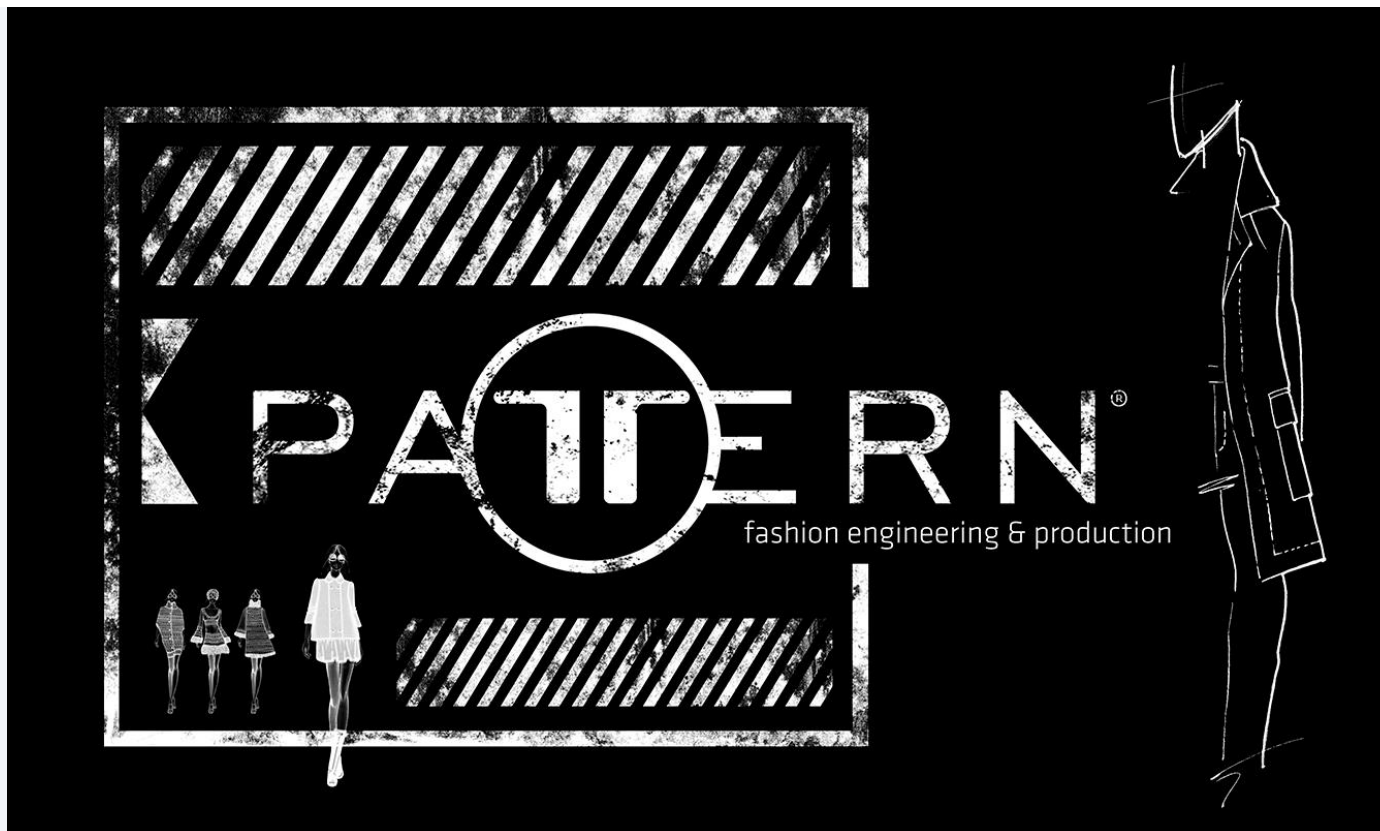
- 🔧 For **prototyping**, Pattern has been investing for the last 8 years in the **latest CAD technologies**
- 🔧 **Introduction of a more advanced plotting machine, up to date with the latest machinery (heat-sealing, ultrasound)**
- 🔧 3D CAD, advanced PDM and breakthrough production technologies allow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





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