

Italian Stock Market Opportunities

Paris, 30 January 2020

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Today's speakers

**Luca
Sburlati**

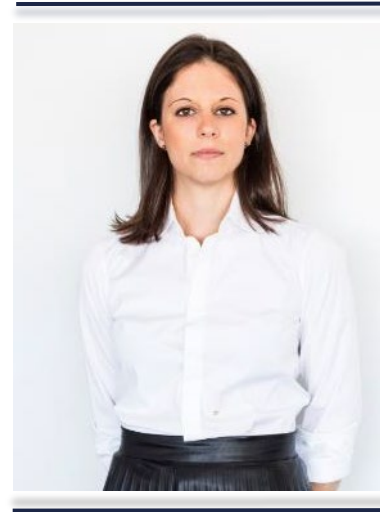


CEO

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



**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



Group Overview





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



Pattern - Torino

Employees²: ca. 106



Roscini Atelier - Spello

Employees²: ca. 54









S.M.T. – Reggio Emilia

Employees²: ca. 110

Pattern S.p.A is an Italian company among 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 for men and women.

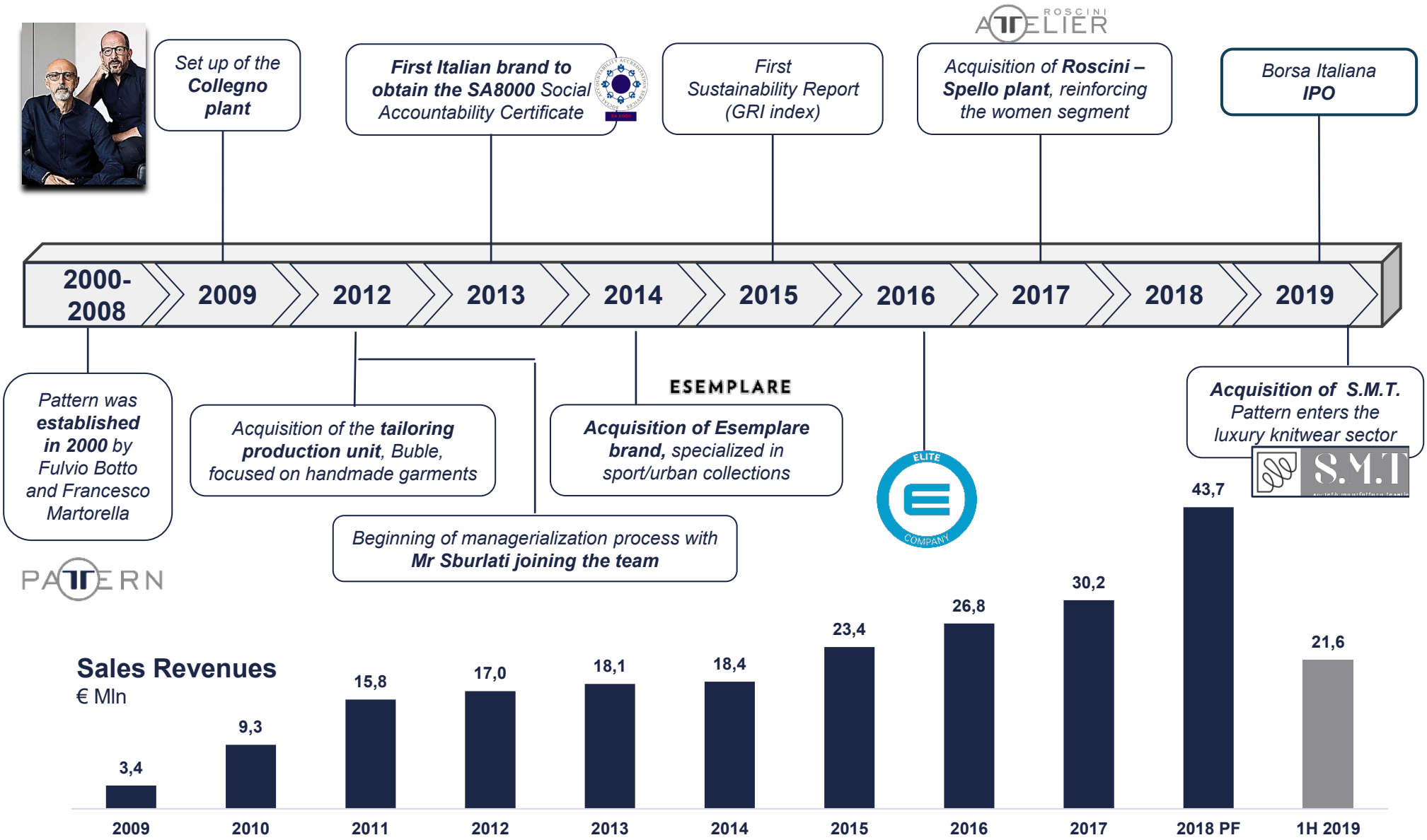
Pattern is characterized by:

-  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

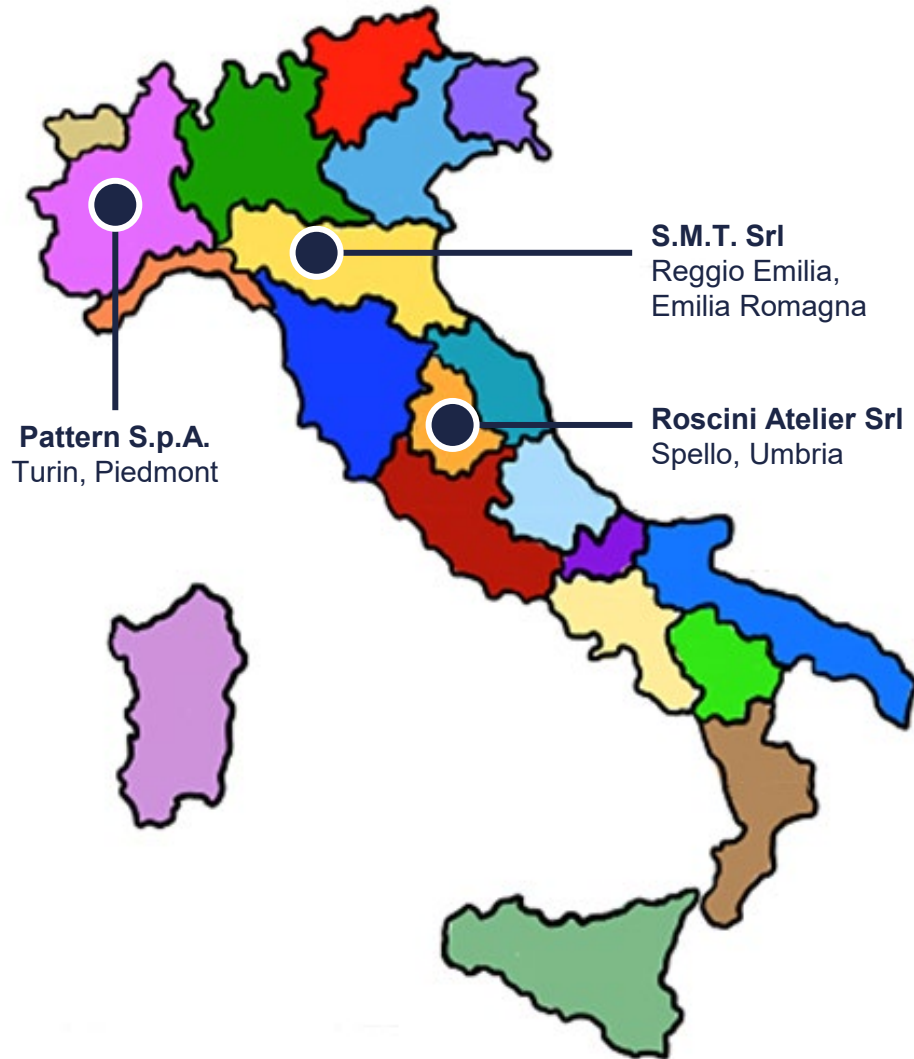
Client Loyalty 2018 Pattern S.p.A.

<i>Period</i>	<i>Share¹</i>
<3 Years	7%
3-10 Years	12%
>10 Years	81%

History of Continuous Growth



The Italian Hub of Luxury Fashion Engineering



“ The entry of the S.M.T. knitwear factory within the Pattern Group is a **fundamental step**, after the listing, towards our goal: **to create the Italian hub of luxury fashion engineering**. In choosing the Emilia-Romagna region, as well as the previous acquisition of Roscini Atelier in Umbria, the company aims to enhance the **different entrepreneurial excellences and extraordinary skills of the Italian territory**. It was above all fundamental that we meet people who share our corporate culture and our values related to technology and sustainability. Stefano Casini from S.M.T. represents what we believe in. This company is based on the values of **technological innovation combined with tradition and craftsmanship**, which are then declined in the engineering and production of luxury knitwear for the most important fashion houses. These are unique skills to be exploited, skills on which our country must continue to invest. ”

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

Società Manifattura Tessile (S.M.T.)



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** as well as to create a **transversal school of trade**. This will bridge the training gap existing today for the creation of future profiles in the engineering, modeling, and sartorial fields.

OPERATION DESCRIPTION

- Acquisition of 51% of SMT's share capital by Pattern (Fulvio Botto and Francesco Martorella) 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.)

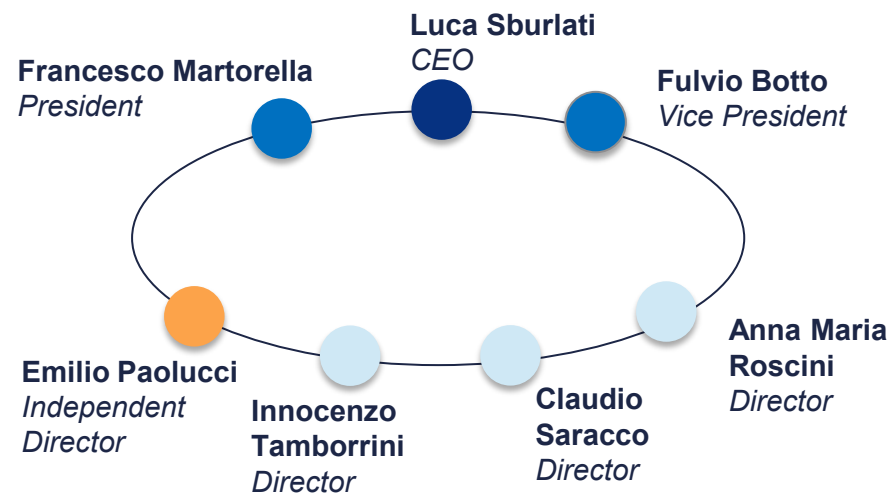
S.M.T. srl, a historical company of Correggio (Reggio-Emilia) **specialized in prototyping and production of luxury knitwear**, has grown over the years with a keen eye on **research and development** and attention to the **human capital well-being**, two values that have become strategic for the business. Working with the most important international luxury brands today, SMT has a workforce of over 110 employees, including a team of over 20 programmers dedicated to the development of new customer collections.

- 2019 Revenues expected to exceed €17 million (€11.3 million FY 2018)
- 2019 Expected Adjusted EBITDA margin at 14% (8.8% reported FY 2018)
- Negative forecasted NFP 2019 of around € 3 million (negative NFP of € 3.5 million FY 2018)

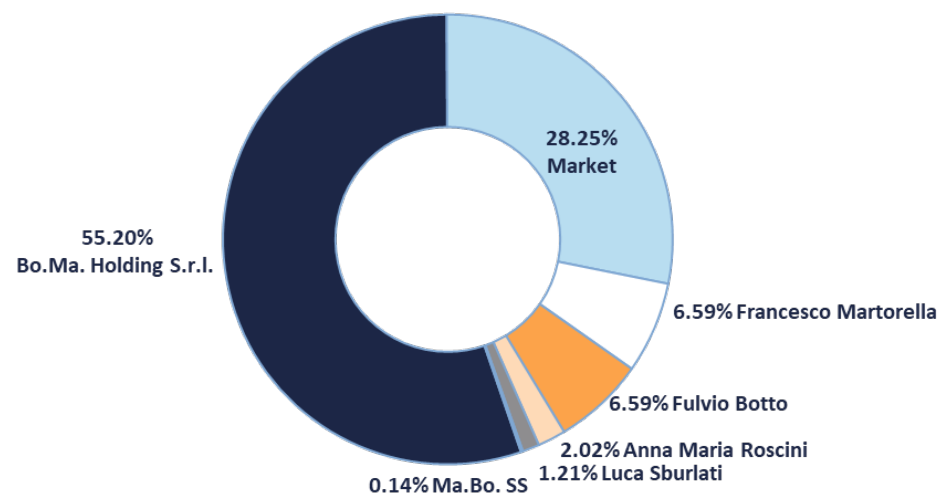
Corporate Governance



Board of Directors



Shareholder Structure



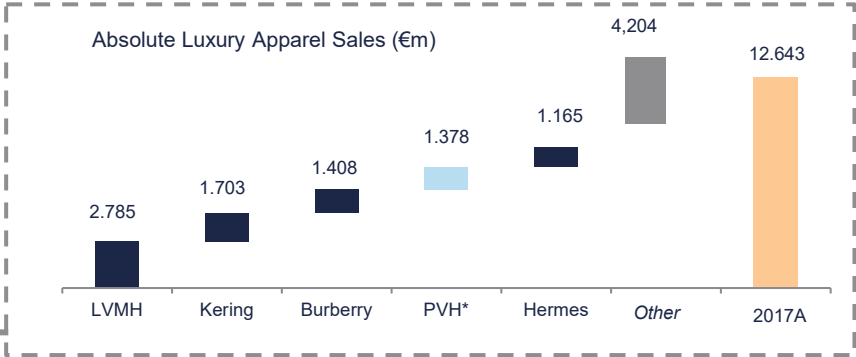
Share Details

Share Price (January 24, 2020)	€ 4.98
Market Cap (January 24, 2020)	€ 67.7 M
Market	AIM Italia
Ticker	PTR.MI
Performance from IPO	+ 53.1%

Market



Attractive Market Trends



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



Current competitive landscape



“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"*



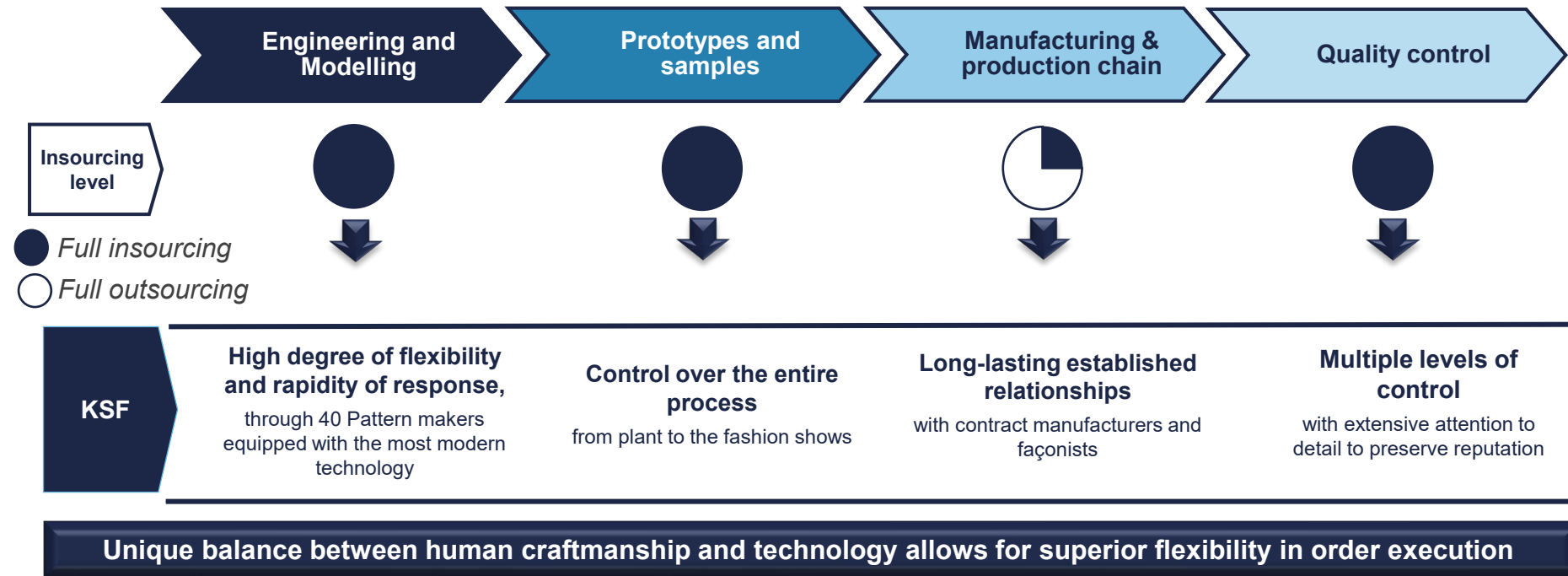
China represents a key driver to the luxury fashion industry, therefore a positive country outlook will indirectly benefit Pattern's industry segment

“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

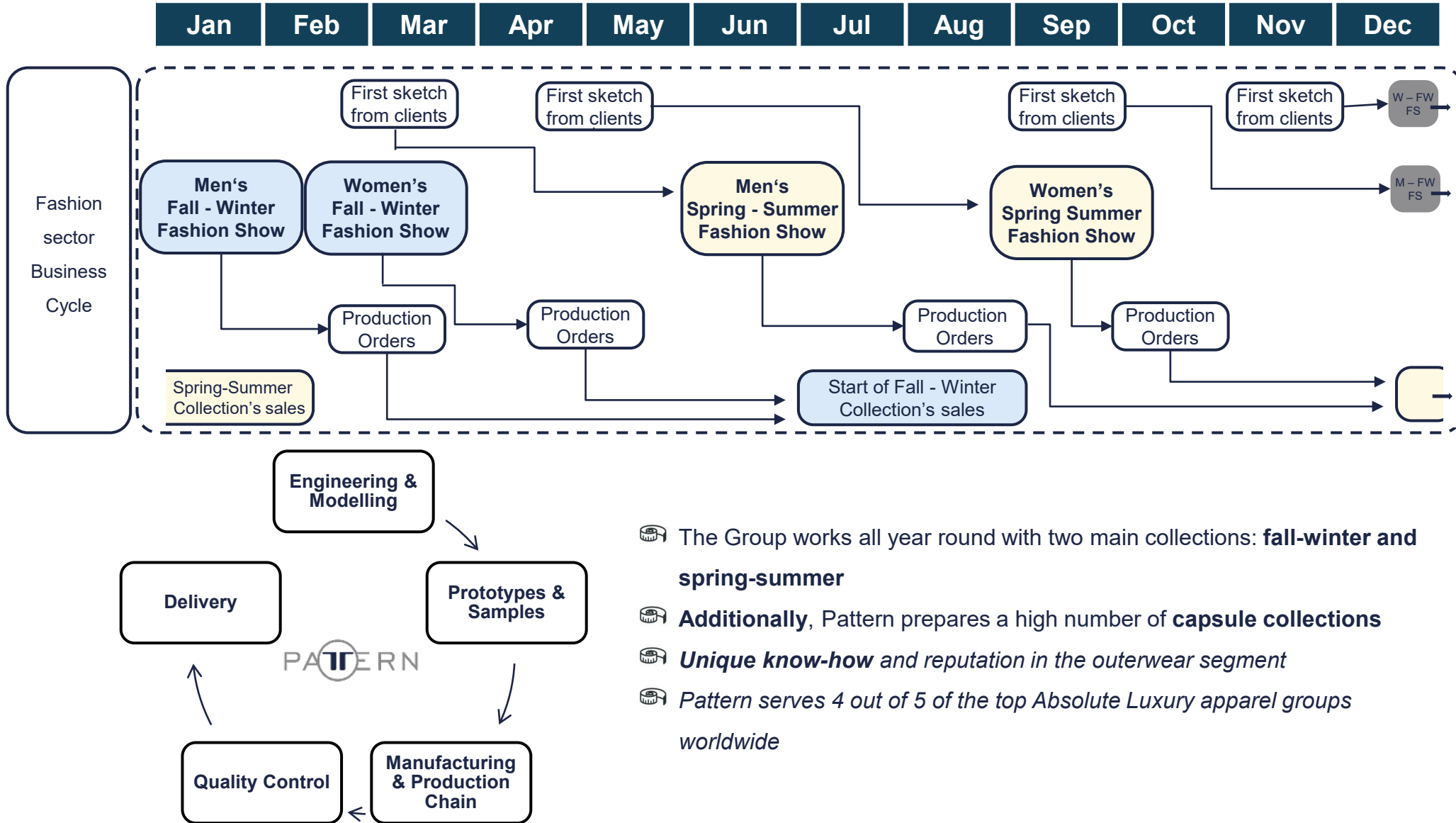


Competitive Advantages

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



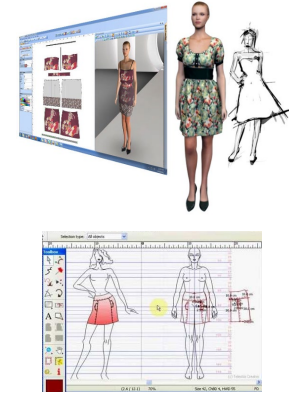
Circular economy

Technology and R&D



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

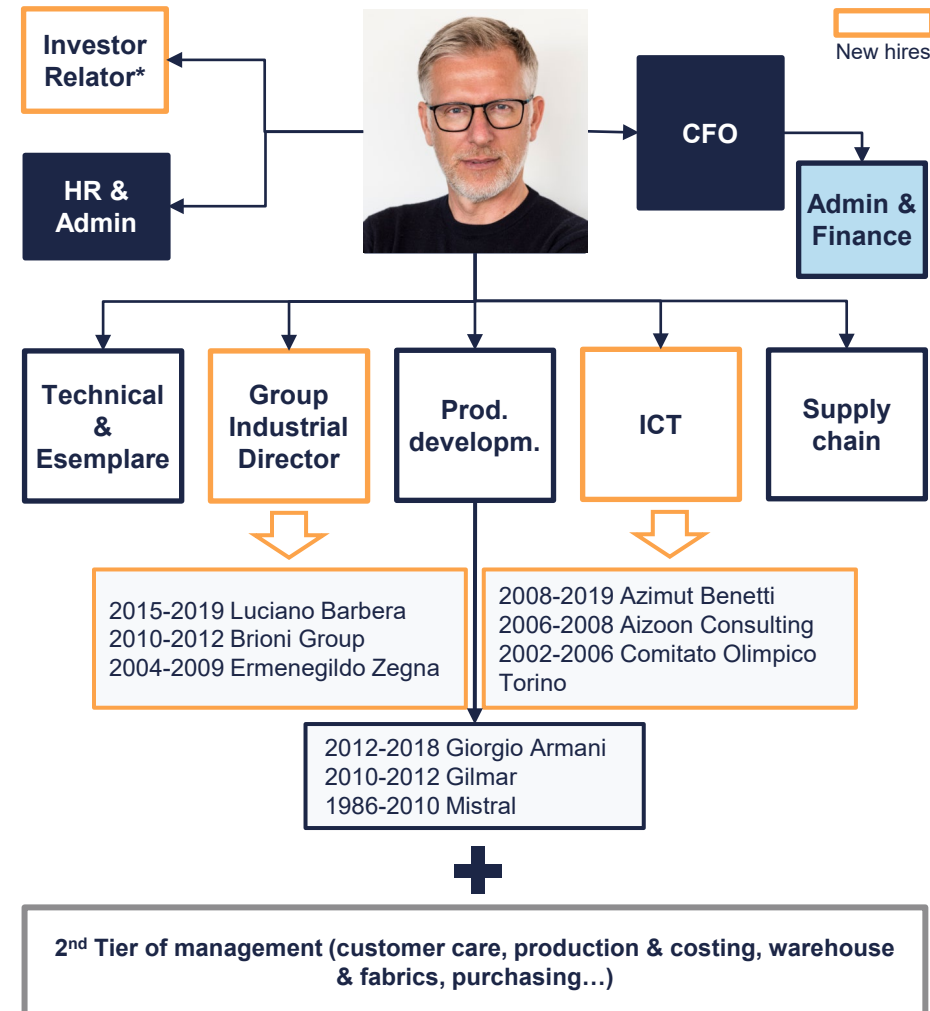


HR - Highly Experienced and Committed Management Team



F. Botto and F. Martorella, founders and owners, 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

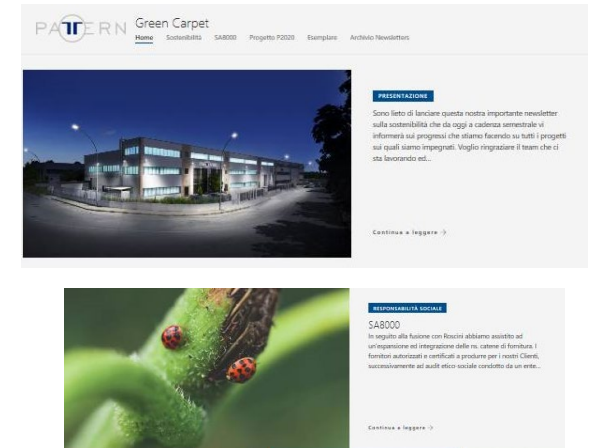
Pattern meets the U.N. challenges with «From Red to Green Carpet» five-years plan



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



Pattern launched the “From Red to Green Carpet” intranet site

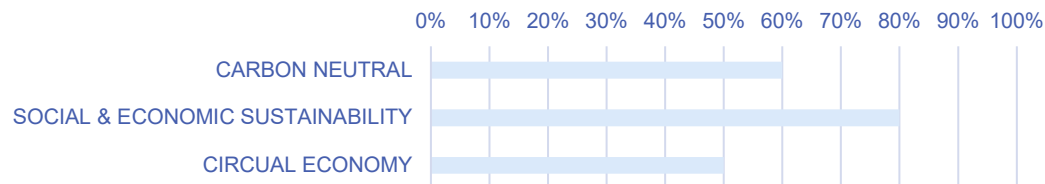


- 📞 On 19 July 2019 Pattern officially joined the UNFCCC Fashion for Global Climate Action initiative as a signatory of the Fashion Industry Charter for Climate Action. The objective of the initiative is to support the fashion industry in identifying the possible actions to be taken to achieve climate 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.
- 📞 Pattern launched the “From Red to Green Carpet” intranet site containing all info on its projects and activities dedicated to Pattern’s sustainability. The site includes a newsletter and the possibility to learn more about a particular topic through links to news, multimedia elements, and more.

“From Red to Green Carpet” – 5-year Plan



- 👂 The UN's SDGs as a starting point
- 👂 4 goals chosen as the basis for developing the plan
- 👂 3 Main Goals:
 - 👂 Carbon Neutrality
 - 👂 Improve social and economic sustainability
 - 👂 Implement the principles of the Circular Economy



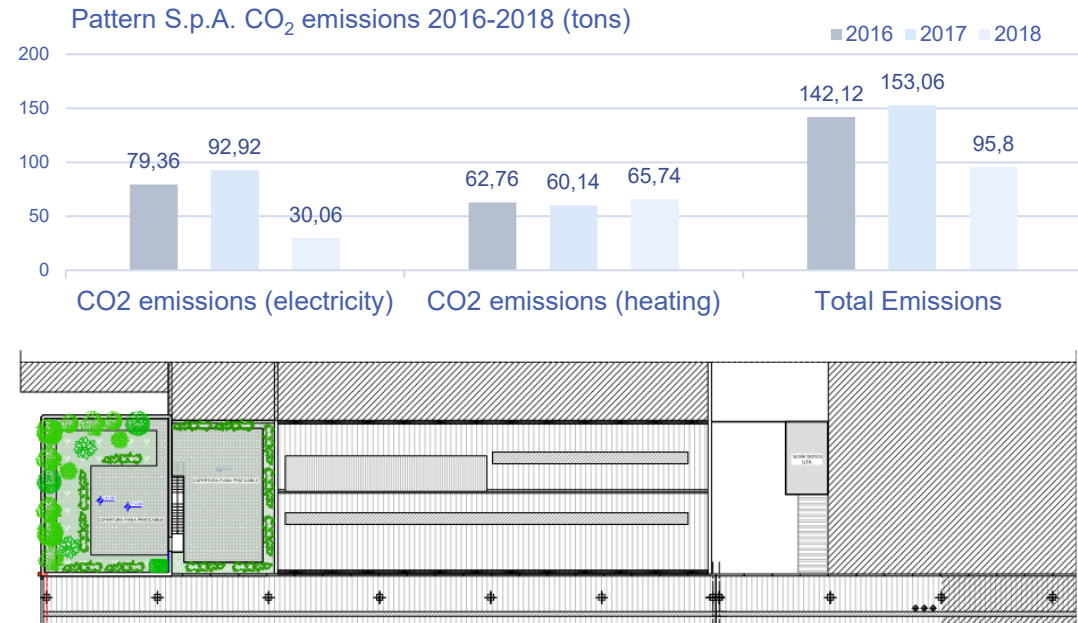
Fashion Industry Charter for Climate Action - UNFCCC's Fashion for Global Climate Action - what is it?

- 👂 During 2018, the major fashion players worked together under the supervision of the UN and thus launched The Fashion Industry Charter for Climate Action, whose objective is to reach zero emissions by 2050 and to define issues such as selection of ecological and sustainable materials, low-carbon transport, exploration of circular business models.

👂 First Italian company to have joined

Pattern Emissions Update

- 68 kW **photovoltaic** - May 2020
- We expect savings of **28 tons of CO2** per year
- The plant will be built for complete **self-consumption**
- Installation of the first car charging station
- New warehouse powered by certified green energy and **geothermal plant**
- Savings of **25 tons of CO2** per year for heating and cooling of the new warehouse and part of the existing plant
- Collaboration started with Green Line Srl for the recycling and regeneration of fabric scraps
- Water dispenser installed
- The windows have been changed to improve thermal and light insulation
- Circular Economy:
 - Scheduled report on the energy part with Enel X
 - Assessment carried out with the ISP Innovation Center
 - Result: 0.58 / 1



enel x

 **GEO NOVIS**
Energia Geotermica

 **INTESA SANPAOLO**
INNOVATION CENTER

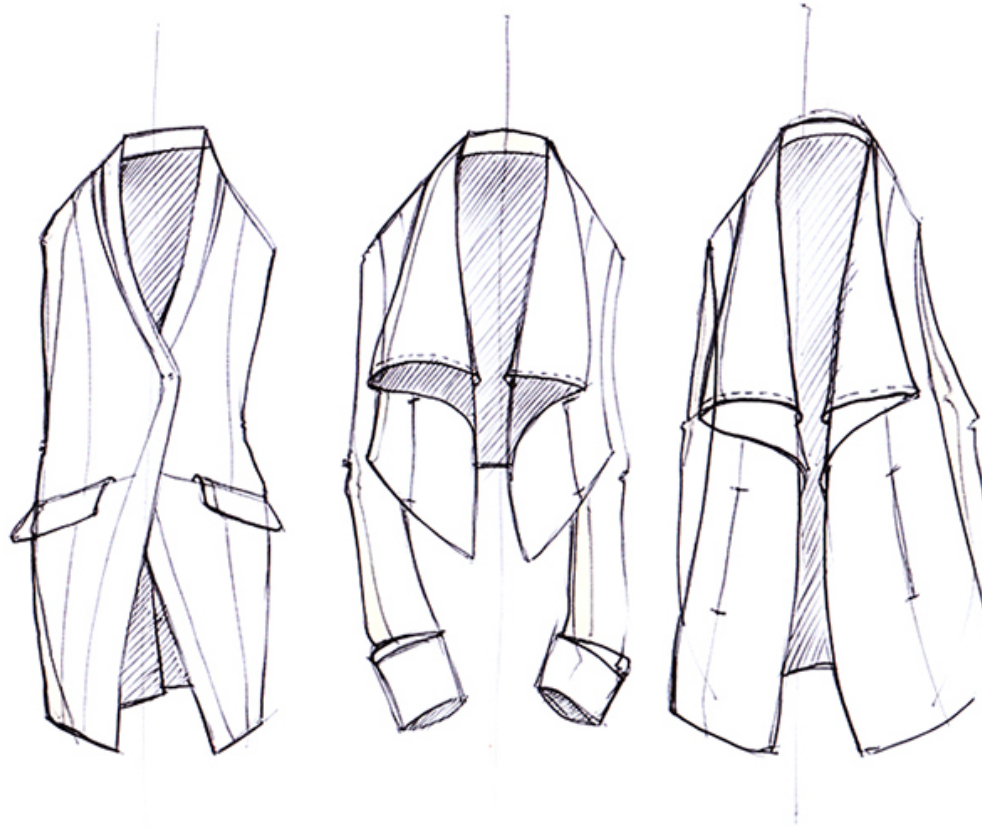
Certifications, Initiatives, and Projects

-  **ESG rating** with CDP
-  Result: official result feedback scheduled by January 2020
-  **First Italian company** to have signed the Fashion Industry Charter for Climate Action - UNFCCC's Fashion for Global Climate Action
-  Working Group 1: reducing GHG emissions
-  The GRS certification for Esemplare is in progress
-  The PEF (Product Environmental Footprint) is being evaluated
-  New 2019 Sustainability Report in line with the new GRI Standards



THREE CORE PRIORITIES FOR IMMEDIATE IMPEMETATION		KEY ACTIONS FOR FUNDAMELTAL CHANGE	
ZERO EMISSIONS - CARBON NEUTRAL	Use of clean energy and better energy efficiency	CLEAN AND RENEWABLE ENERGY	Use of solar energy or geothermal energy to reduce emissions
ECONOMIC AND SOCIAL SUSTAINABILITY	Better working conditions and control on the materials used	SUSTAINABILITY OF THE WHOLE PRODUCTION CYCLE	Promote quality work on an ethical, economic and environmental level throughout the supply chain
CIRCULAR ECONOMY & REVALUE WASTE	Create and use products with low environmental impact	CIRCULAR ECONOMY AND ENERGY EFFICIENCY	Reduce waste of any kind and promote the reuse of materials and redesign the product
		TECHNOLOGY	Investing in new technologies to lower the environmental impact

Group Strategy



M&A as a Key Lever to Acquire New Business

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

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**
- ☐ One target has been **achieved** with the **entry of S.M.T.**

Knitwear

Leather
apparel

Leather
accessories

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

Full product portfolio
coverage

Higher margins from synergies:

- ☐ Gross margin
- ☐ Commercial costs sharing
- ☐ Fixed costs absorption

Extend existing expertise to new deep-pocketed clients



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%)¹

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

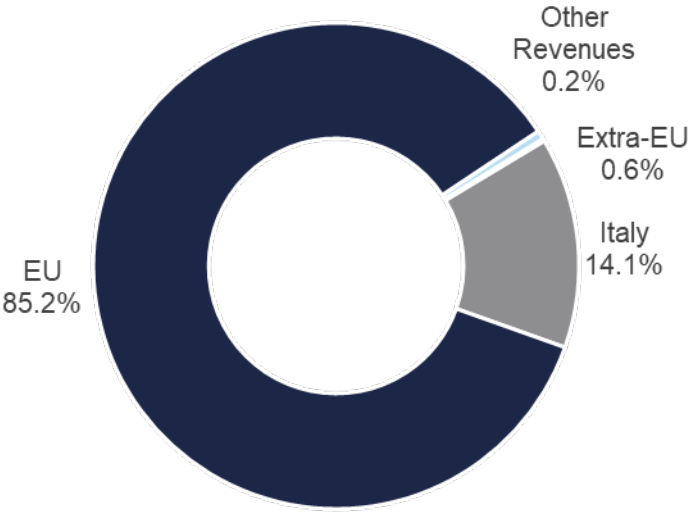
H1 2019 Income Statement

(€ 000)	H1 2019	H1 2018 Pro-forma	%
Sales revenues	21,520	18,322	17%
Other revenues	33	124	-73%
Total Revenues	21,554	18,446	17%
Change in inventories	3,566	2,816	27%
Value of production	25,119	21,262	18%
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%
EBITDA	2,038	1,690	21%
<i>EBITDA margin</i>	<i>9.5%</i>	<i>9.2%</i>	
D&A	(215)	(214)	1%
EBIT	1,823	1,476	23%
<i>EBIT margin</i>	<i>8.5%</i>	<i>8.0%</i>	
Net financial income	(37)	(13)	190%
EBT	1,785	1,464	22%
Taxes	(544)	(401)	36%
Net income	1,241	1,062	17%
<i>Net income margin</i>	<i>5.8%</i>	<i>5.8%</i>	

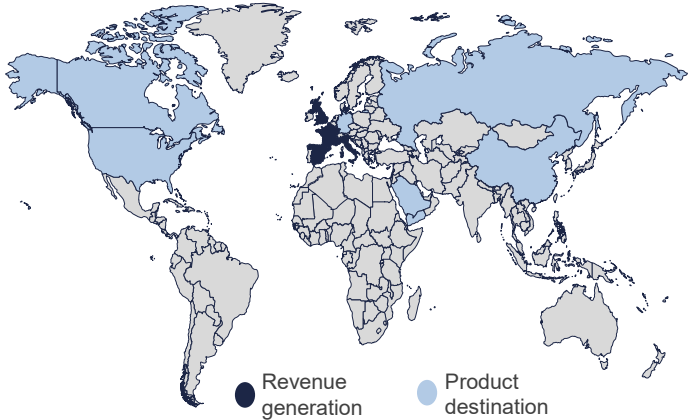
- **Revenues** at 30 June 2019 amount to € 21.6 million compared to € 18.4 million at 30 June 2018, showing an increase of around 17%. The value of production also rose from € 21.3 million to € 25.1 million at 30 June 2019, with an increase of around 18%.
- **EBITDA**, amounted to € 2.0 million compared 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 Pro-forma	%
Italy	3,029	4,332	-30%
EU	18,366	13,725	34%
Extra-EU	125	265	-53%
Other Revenues	33	124	-73%
Total	21,554	18,446	17%



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)

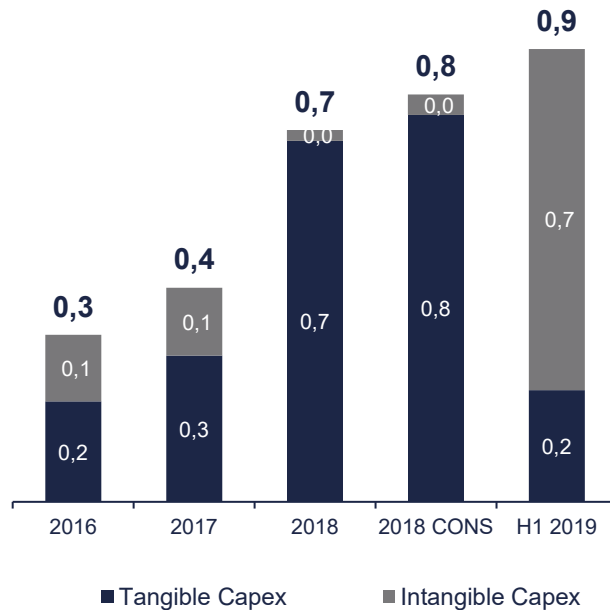
(€ 000)	30-Jun-19	31-Dec-18
Fixed Assets	2,767	1,808
Warehouse	8,685	3,278
Trade Receivables	6,360	3,861
Other Receivables	660	1,191
Prepayments and accrued income	532	270
Working Capital	16,237	8,600
Trade Payables	(12,746)	(4,413)
Other Payables	(3,157)	(2,157)
Accrued expenses and deferred income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

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

- 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.

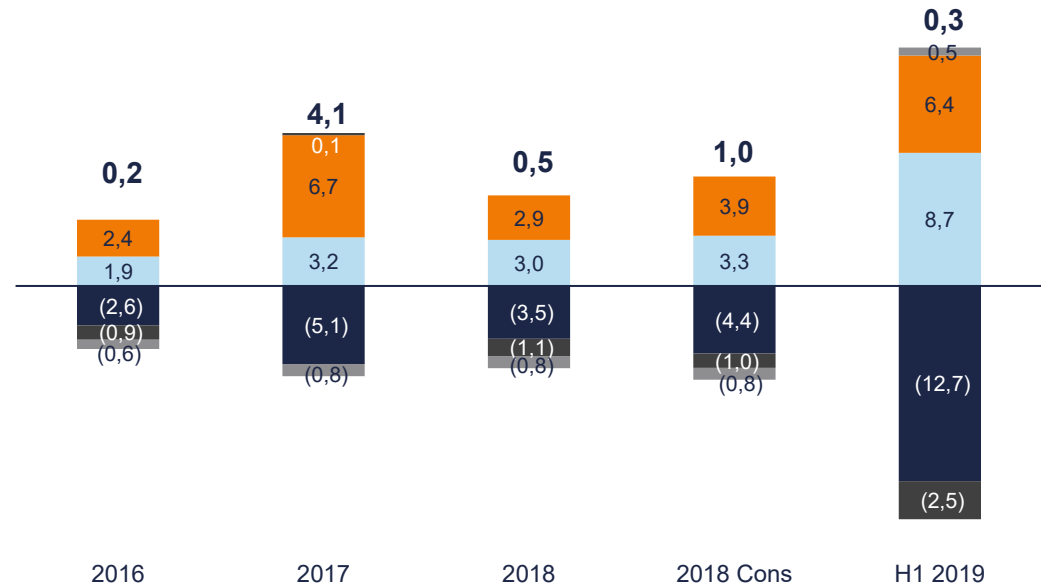
Asset-light Business Model

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



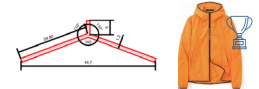
2

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



Recent Investor Events

-  **Lifestyle Day** – September 3, 2019
Borsa Italiana, Milan
-  **1H 2019 Results** – September 25, 2019
Milan
-  **AIM Italia Conference** – October 21, 2019
Borsa Italiana, London
-  **Investor Day** – December 10, 2019
Pattern headquarters, Turin
-  **Italian Stock Market Opportunities** – January 30, 2020
Banca IMI, Paris



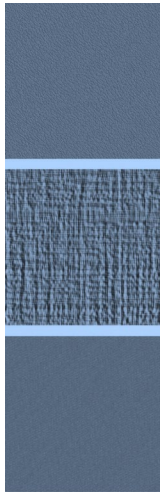
Appendix



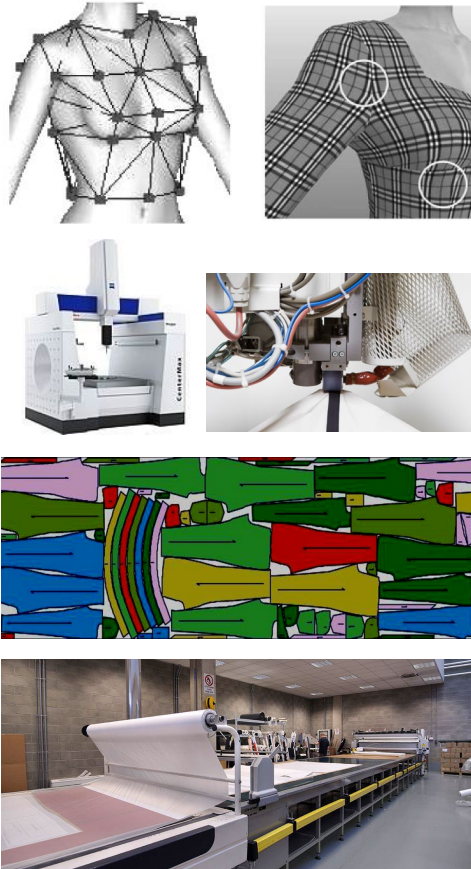
Pattern is fully integrated with Italy's Best Suppliers and *Façonists*

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*

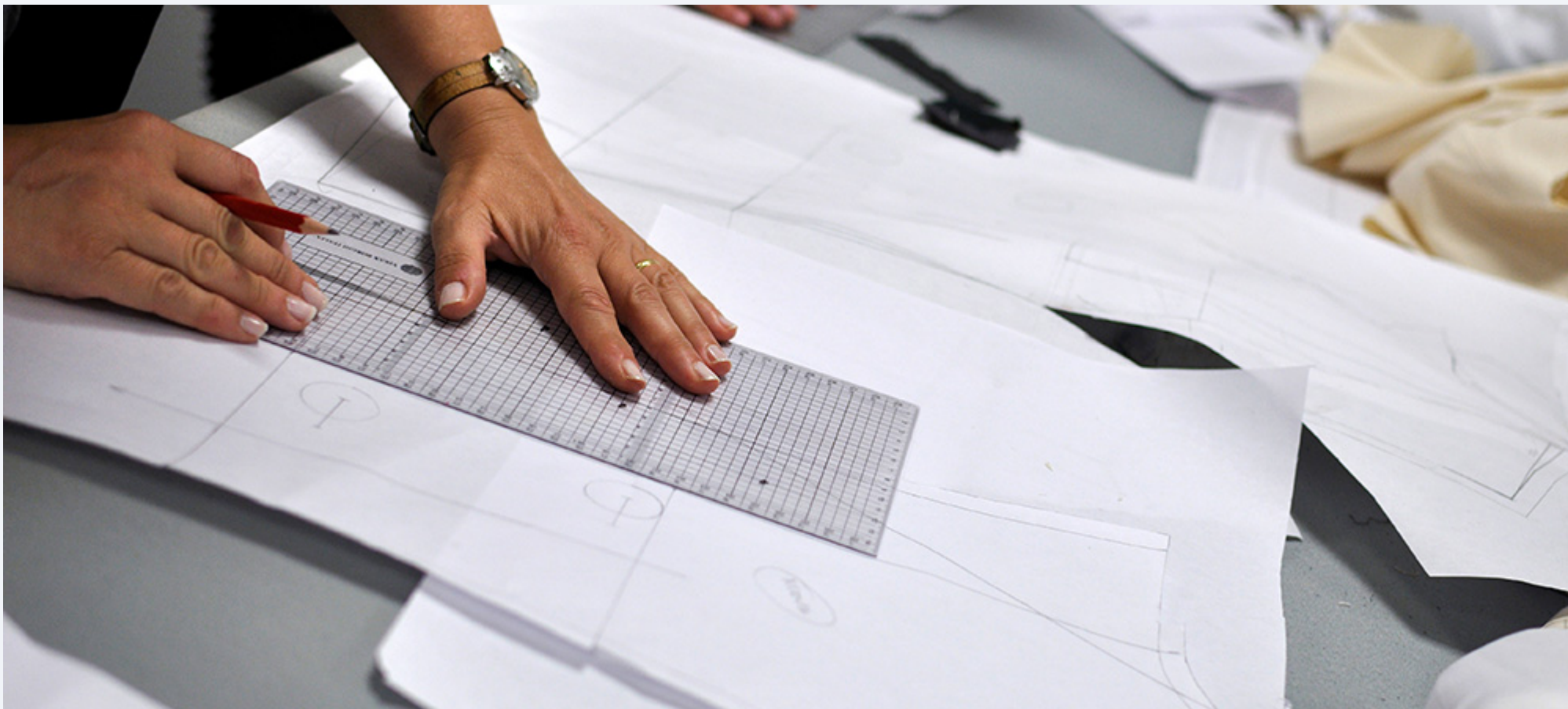


 High fragmentation of minor suppliers

 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



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