

# PATTERN

**Lifestyle Day**

Milan, September 3, 2019

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A

## Group Overview



The background image is a fashion show runway set in a hospital. A mannequin with long blonde hair, wearing a long brown plaid coat over a light blue shirt and a patterned vest, stands prominently in the center. The runway is a light blue floor with a red stripe. In the background, a large audience of people is seated, watching the show. The ceiling is white with large, modern surgical lights. To the left, there is a large green surgical drape and a red stand. The overall atmosphere is a blend of medical and fashion.

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 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

'16-'18PF Revenues CAGR

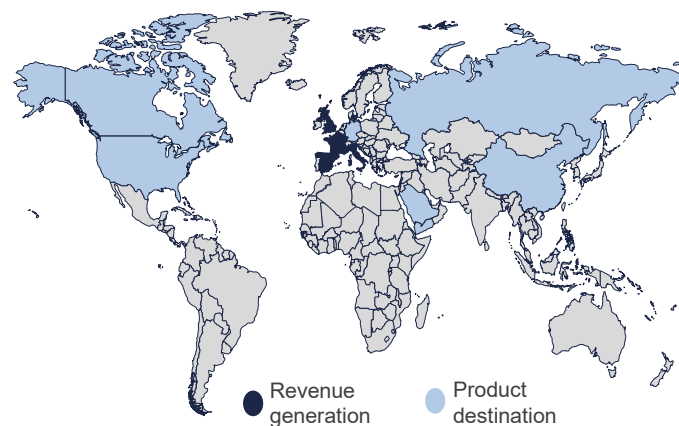
**29.3%**

2018 Key financials	€m	% VoP
VoP	44.3	-
EBITDA	5.4	12.1%
EBIT	5.0	11.3%
Net Income	3.5	8.1%
Net Debt / (Cash)	(4.0)	-
Net Invested Capital	2.7	-

PATTERN	€m
VoP	38.5
EBITDA	4.8

ATELIER ROCCINI	€m
VoP	7.1
EBITDA	0.5

Geographic footprint



Client Loyalty	2018 Pattern S.p.A.
Period	Share*
<3 Years	7%
3-10 Years	12%
>10 Years	81%

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

# History of Continuous Growth

VoP

FTEs<sup>(1)</sup>

PATTERN

Pattern was established in 2000 by Fulvio Botto and Francesco Martorella



Set up of the Collegno plant



Beginning of managerialization process with Mr Sburlati joining the team

Acquisition of the tailoring production unit, Buble, focused on handmade garments

First Italian brand to obtain the SA8000 Social Accountability Certificate



Acquisition of Esemplare brand, specialized in sport/urban collections

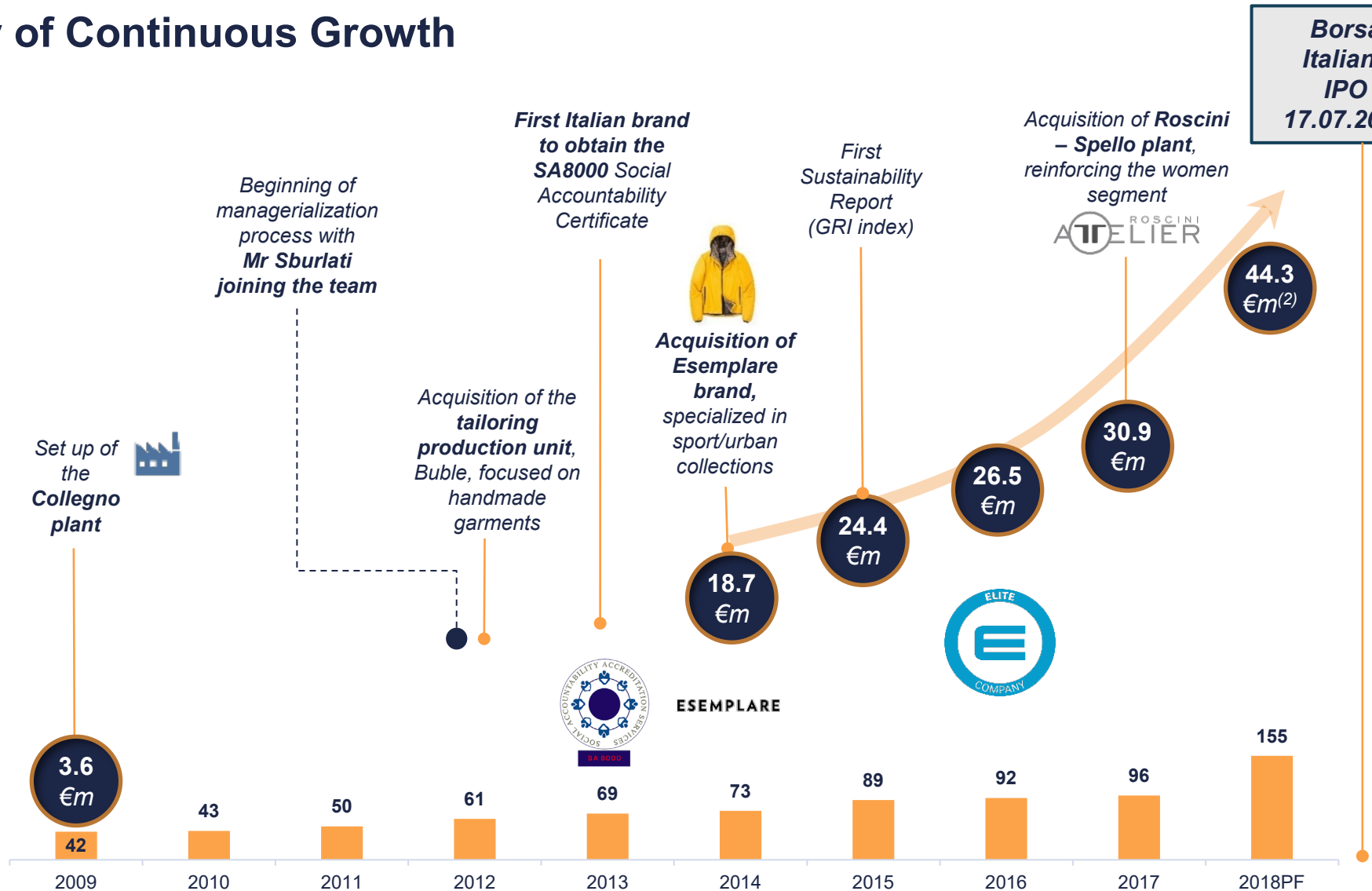


First Sustainability Report (GRI index)

Acquisition of Roscini – Spello plant, reinforcing the women segment



Borsa Italiana IPO 17.07.2019



Reference partner of Absolute Luxury maisons, with a proven business model guaranteeing an enduring success

# Corporate Governance

## Board of Directors



**Francesco Martorella**  
*President*



**Fulvio Botto**  
*Vice President*



**Luca Sburlati**  
*CEO*



**Anna Maria Roscini**  
*Director*



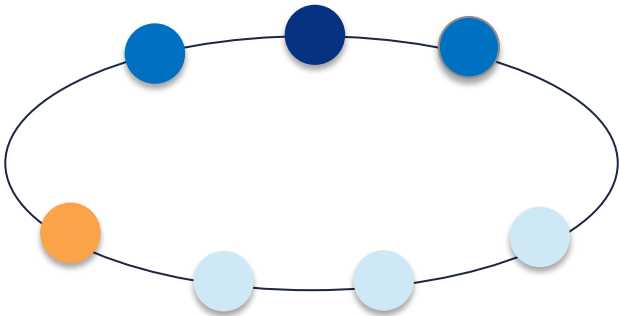
**Claudio Saracco**  
*Director*



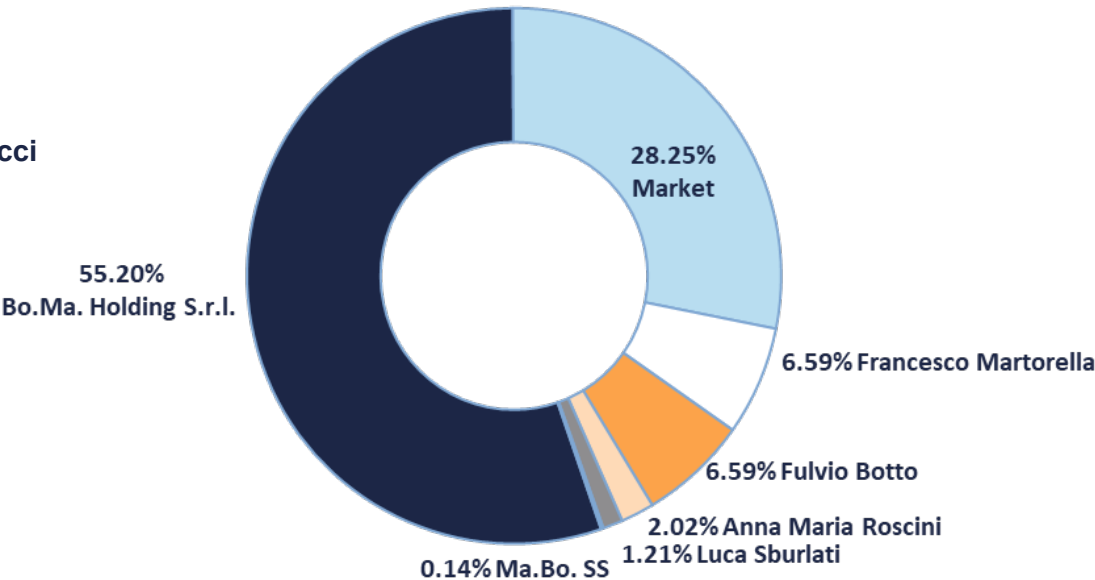
**Emilio Paolucci**  
*Independent Director*



**Innocenzo Tamborrini**  
*Director*



## Shareholder Structure



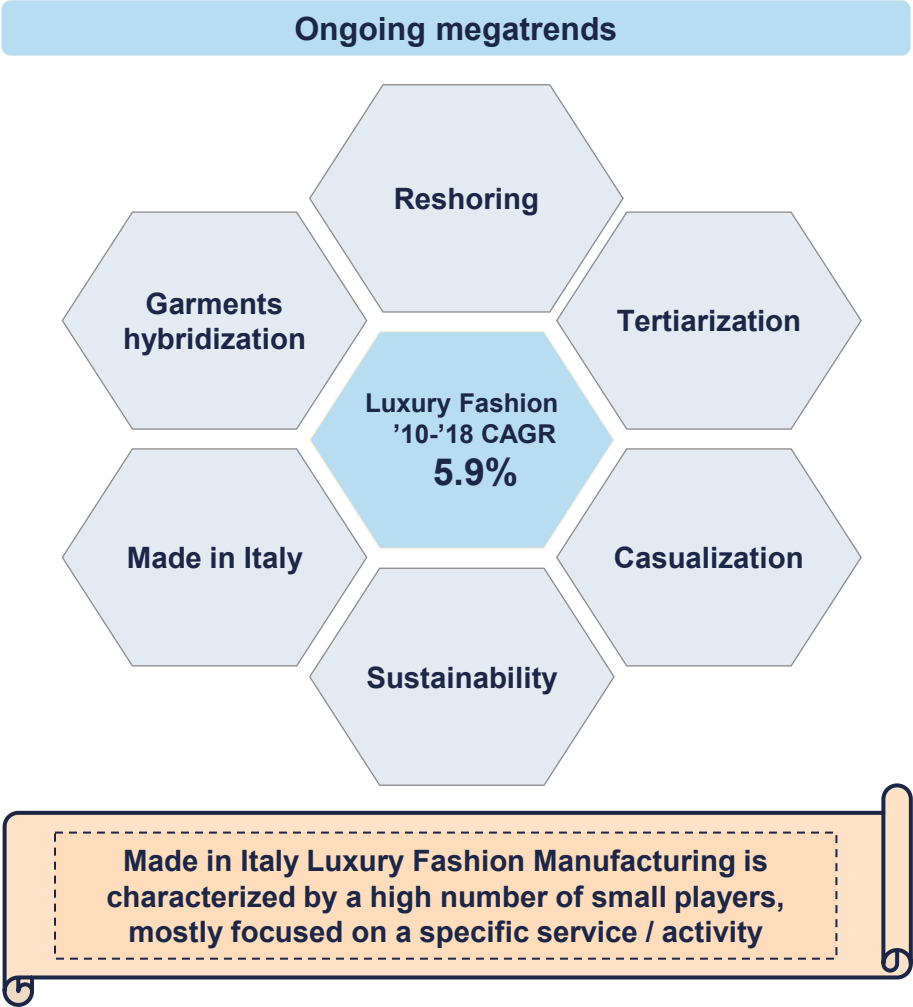
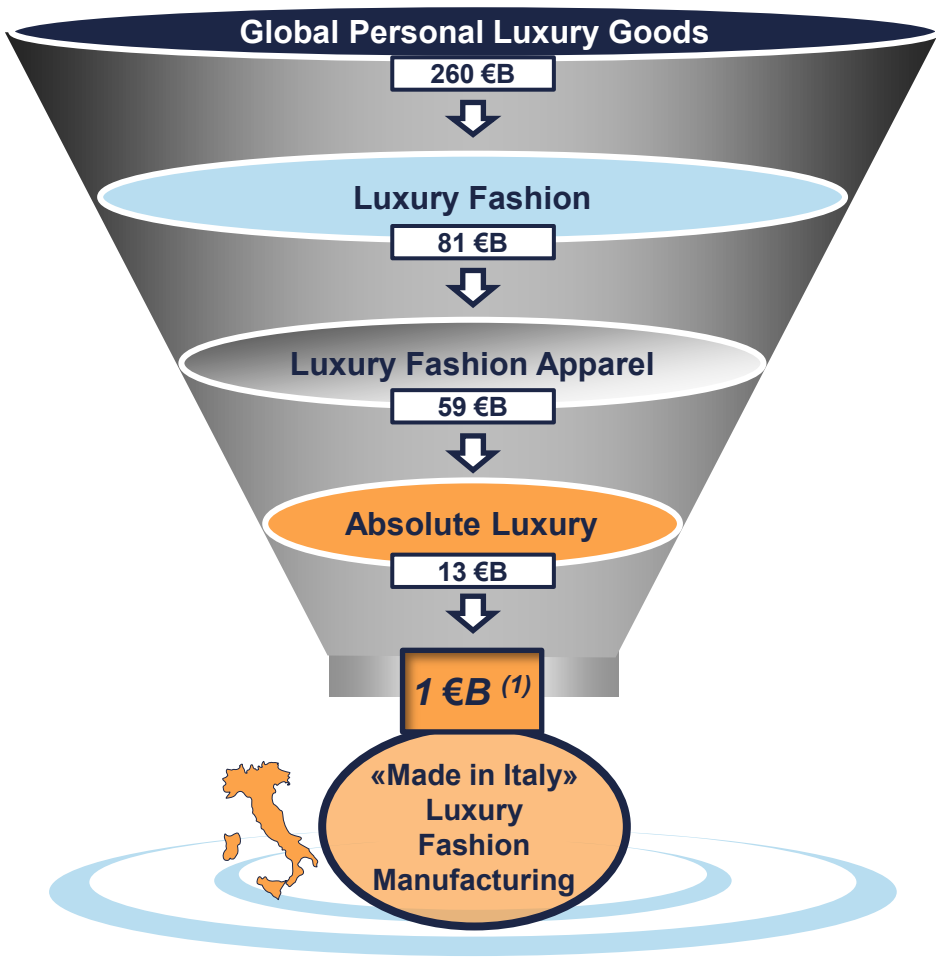


# Market





# Attractive Market Trends



Pattern competes in the “Formula 1” of Absolute Luxury brands; best positioned to capitalize on ongoing market mega-trends



# Business and Process



# Pattern strong positioning

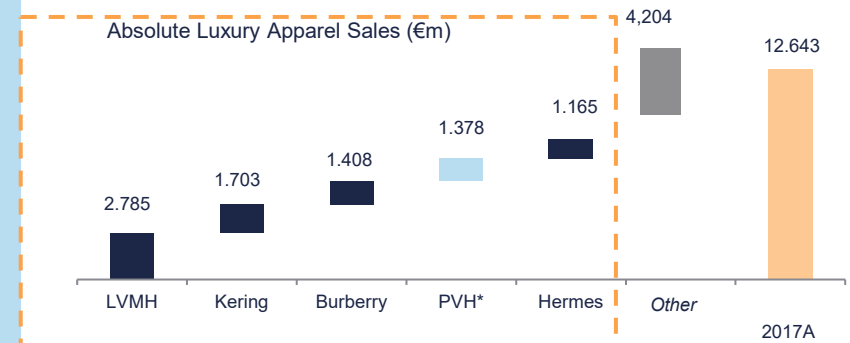
**Pattern operates in a strategic stage of the process, the “Formula 1”**

*managing internally the key phases of designing, engineering, grading and prototyping*

**Pattern is positioned on the high value-added segment**

**Unique know-how and reputation in the outerwear segment**

**Pattern serves 4 out of 5 of the top Absolute Luxury apparel groups worldwide**



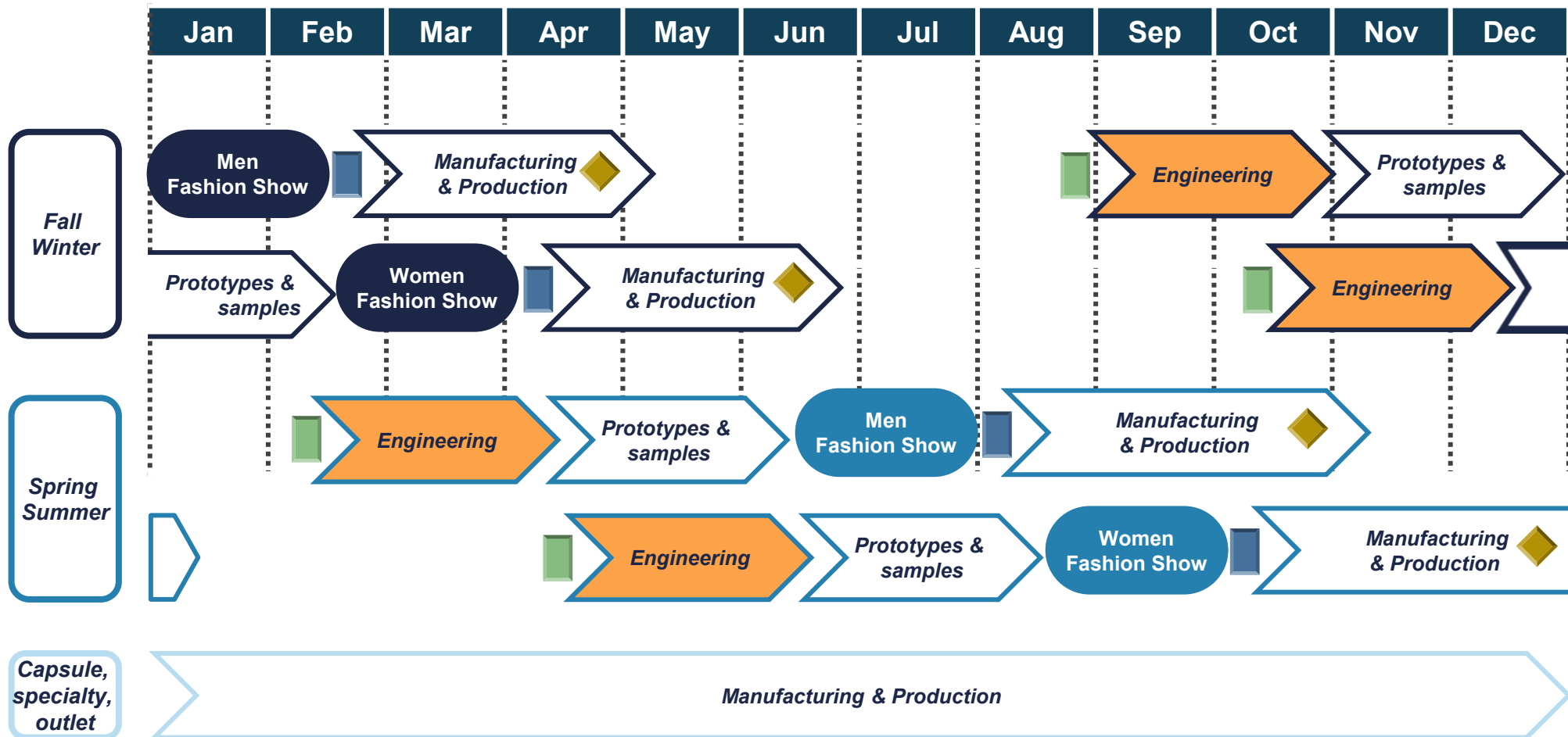
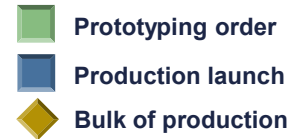
**Opportunity to scale-up the business model in other high value-added segments (e.g. knitwear, accessories)**

**Pattern is one of the largest independent players able to offer mission-critical services to top-end luxury fashion maisons**

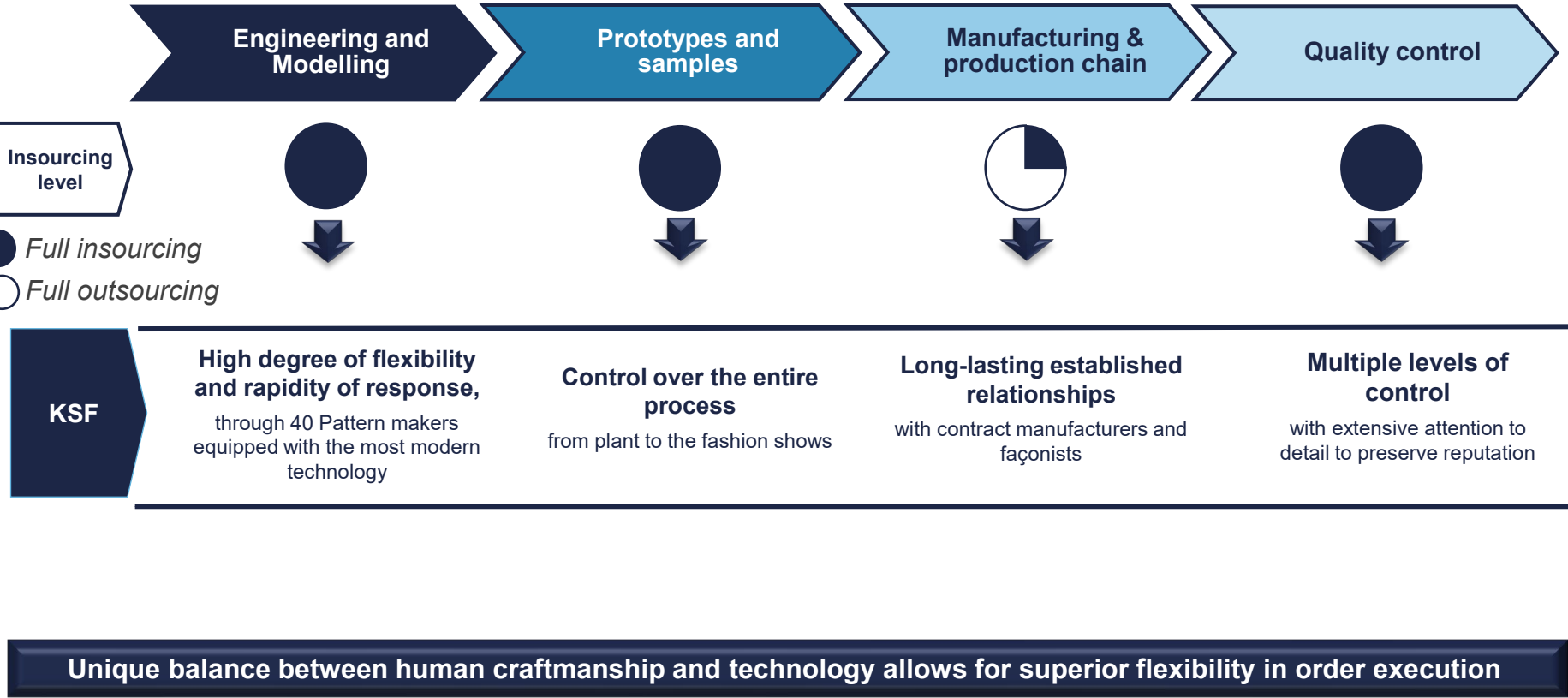
# How the fashion sector works

 The Group works all year round with two main collections: **fall-winter** and **spring-summer**

 **Additionally**, Pattern prepares a high number of **capsule collections**



# Pattern's business model





# Pattern's Key Business Values



## Quality

Highest quality through technology, human resources and control of the supply chain

## Flexibility

Flexible organizational structure with vertical integration



## Speed

Superior time-to-market, thanks to newest technologies and proven procedures

## Reputation

20 years heritage of a fine-tuned business model for the luxury apparel industry

# 1 Technology and Innovation

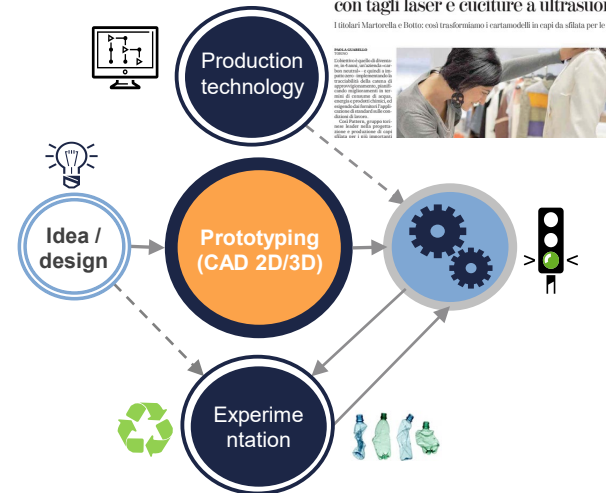
In Cina i capi hi-tech di Pattern

Il Sole 24 ORE  
23 luglio 2019 - Cronologia articolo

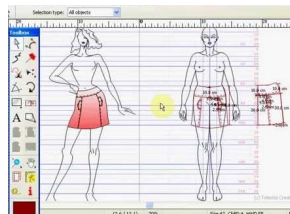


## R&D focus

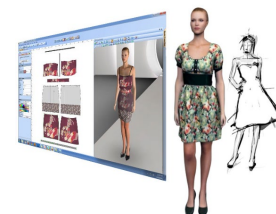
Prototyping technology  
Production technology  
Circular economy



CAD 2D



CAD 3D



## New R&D frontier

Technology and innovation moving in the direction of **RFID blockchain technologies which enable supply chain audit-trail**

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)



**Flexibility in experimentation**




**3D CAD, advanced PDM and breakthrough production technologies allow for flexibility and superior response to clients**

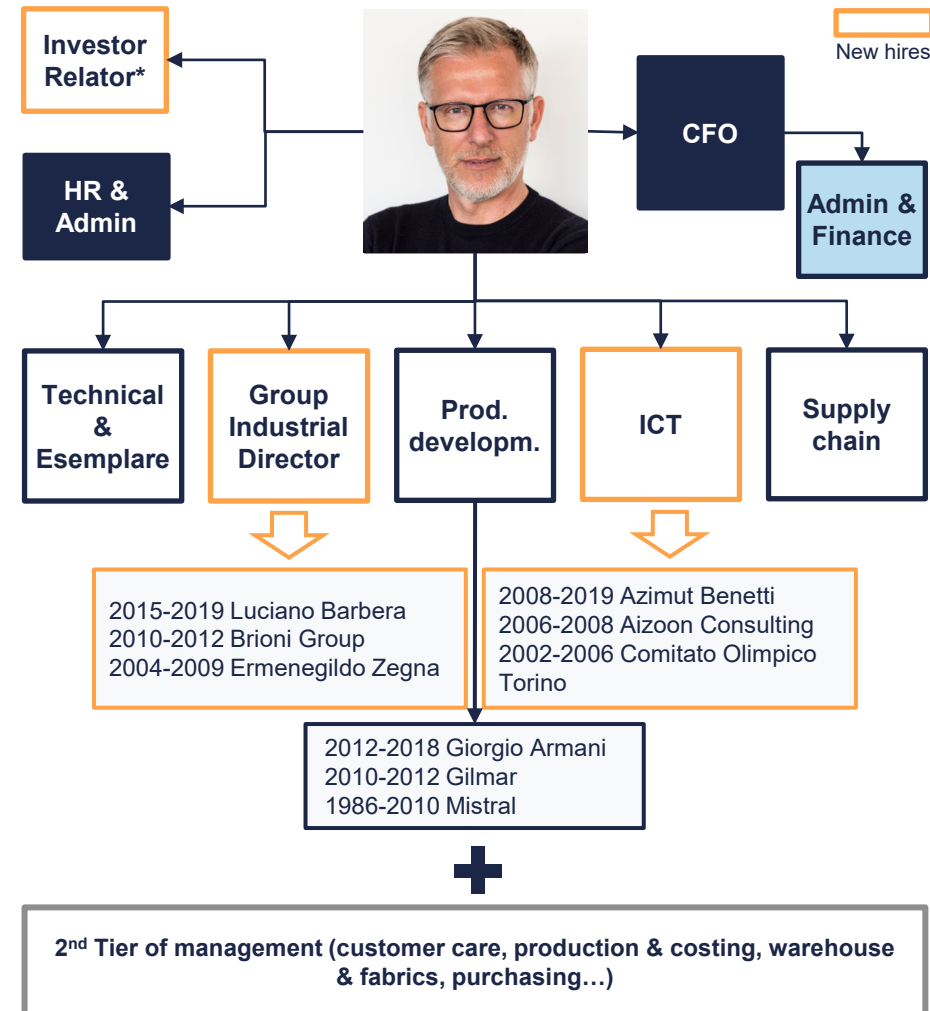
# HR - Highly Experienced and Committed Management Team



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

-  **Top-level management team** and advanced organizational structure
-  Team **fully equipped for the IPO** and future targets
-  **Negligible key personnel turnover levels**





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

# 3 Sustainability and Innovation

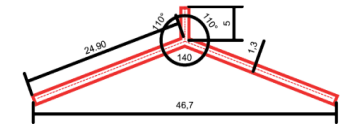
Experimentation on new fabric technologies and a recognized signature of eco-sustainability

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



**ESEMPLARE**



-  The “**reversed Y**” construction, with modern design and maximum comfort
-  **Fabrics** are the result of years of research, carried out in the company’s laboratories
-  **Circular Economy** by utilizing thermore ecodown using 100% recycled fiber

Continuous experimentation and process improvement to stay always ahead of market trends

**A** **Luxury casualization,**  
millennials driving the change

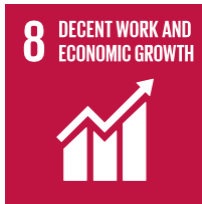


**B** **Best-in-class sustainability,**  
becoming a “must have” requirement



## Sustainability and Special Projects

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



July 2019 – Pattern is the **first italian company** to sign the **Fashion Climate Action Charter of U.N.**

# Global Climate Action

United Nations Climate Change



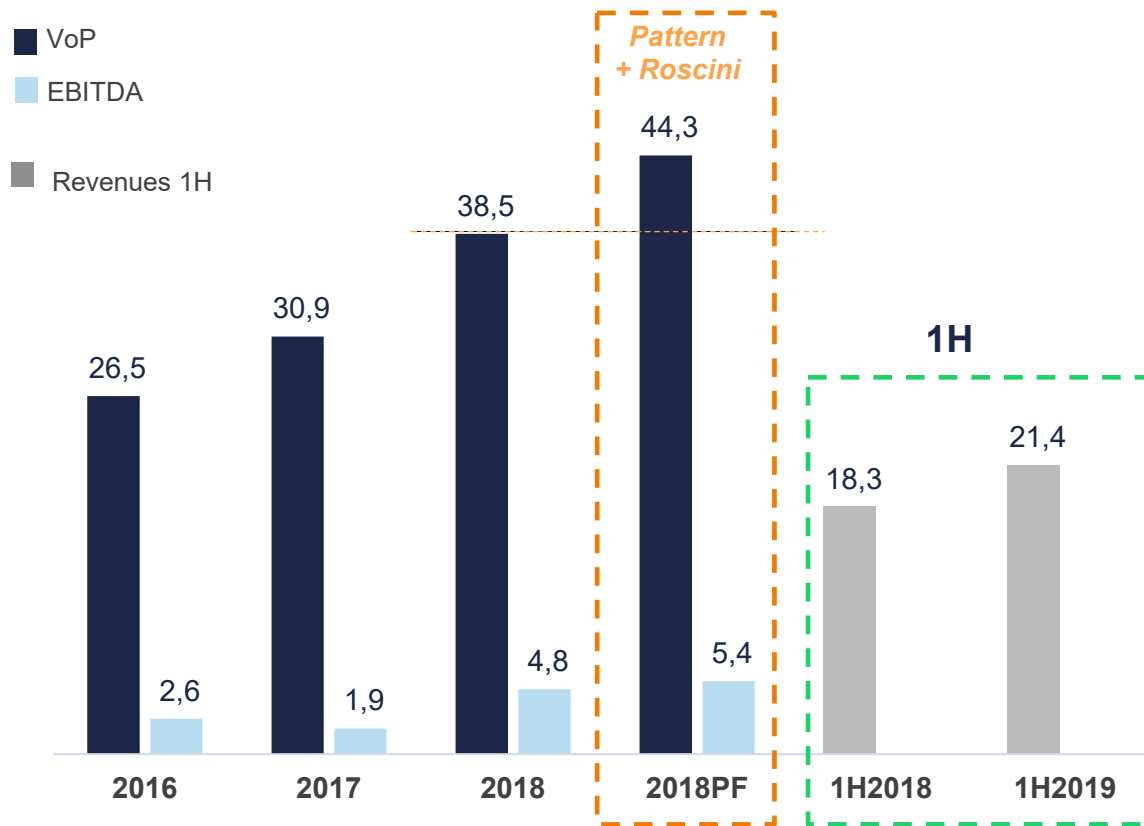




# Financial Overview



# Outstanding Growth



**Organic Growth**

Revenue CAGR 2014-2018

**+20.1%**

*Mainly driven by increasing share of wallet with top-end "Big Luxury" maisons*



**M&A**

Revenue CAGR 2014-2018


**+24.2%**

**ATELIER ROSCINI**

*Extend know-how in Women*

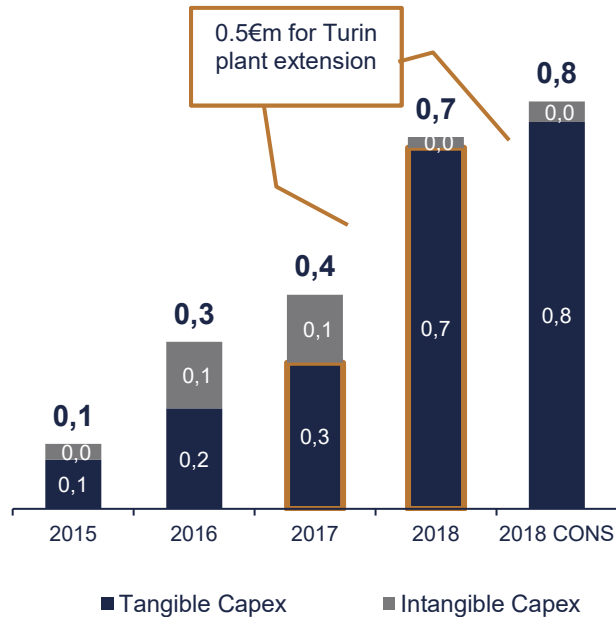
*Access to new business and top clients*

YoY%	8.6%	16.6%	24.7%	43.4%	16.8%
			Organic	Organic + Roscini	Organic
EBITDA%	9.9%	6.1%	12.5%	12.1%	

 From 2018, a revised mark-up calculation methodology has been improved

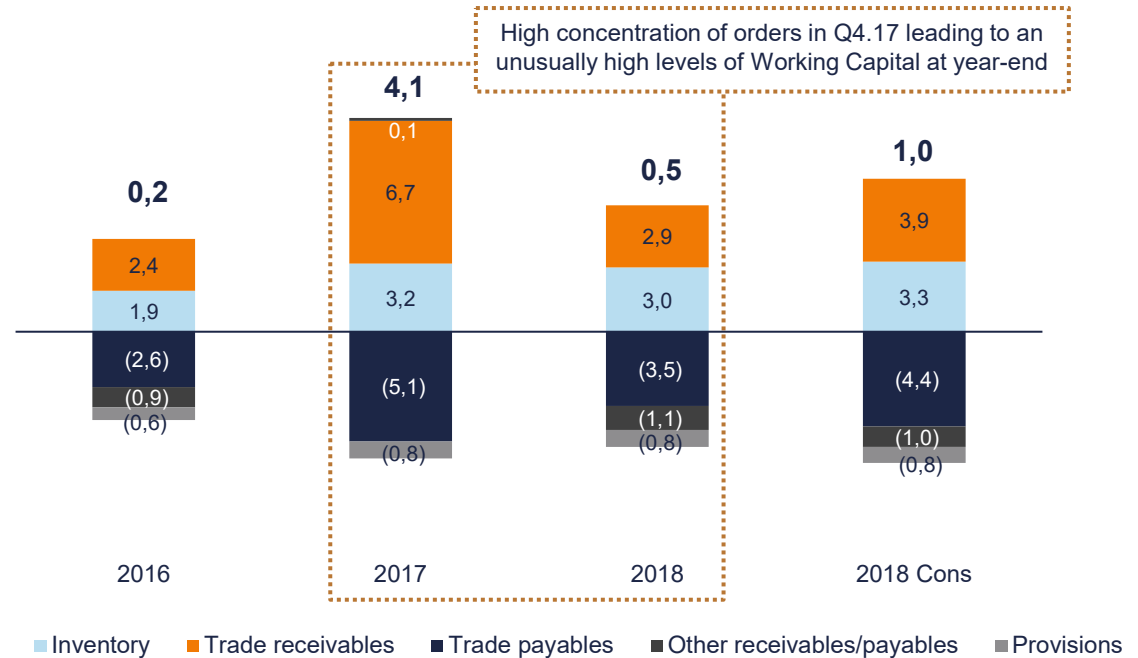
# Asset-light Business Model

## 2016-2018 Capex trend



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

## 2016-2018 Working Capital trend



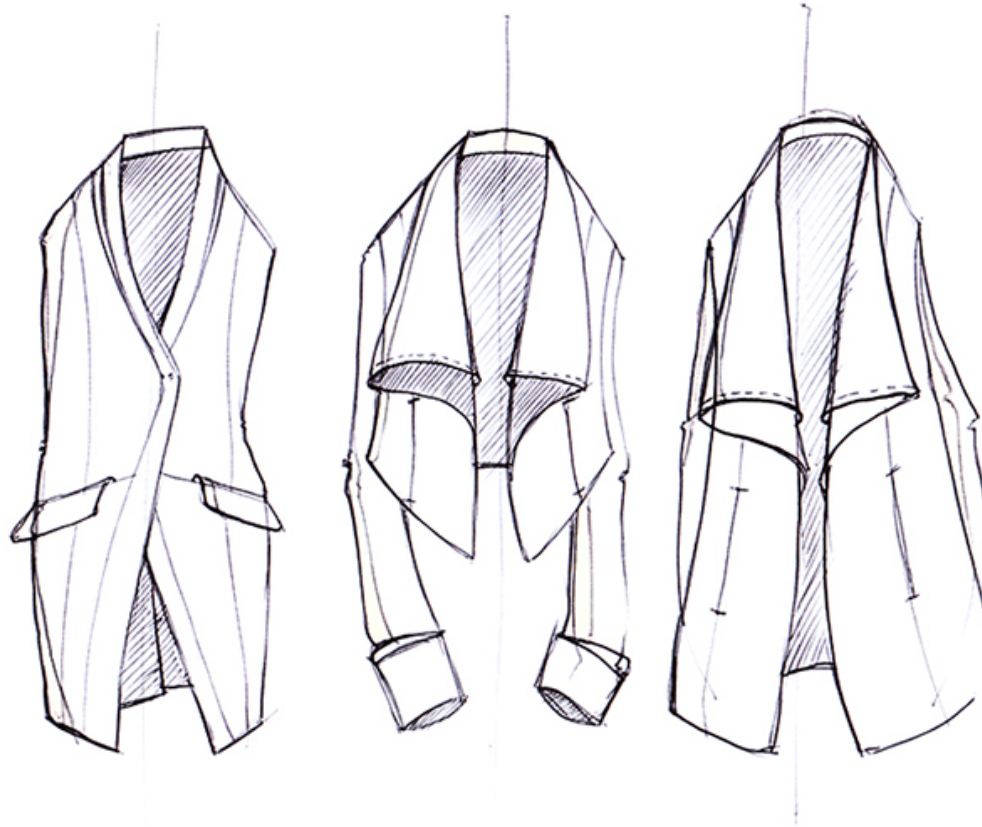
DOI	26	38	28	27
DSO	32	79	27	32
DPO	48	77	44	51

Favorable contractual conditions with clients and suppliers

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



# Group Strategy



# Beyond our Current Landscape



300 €m

## Current competitive landscape

**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

## M&A opportunity:

knitwear and accessories segments currently not covered by Pattern

Clear opportunity for growth, consolidation and product diversification



# 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**

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

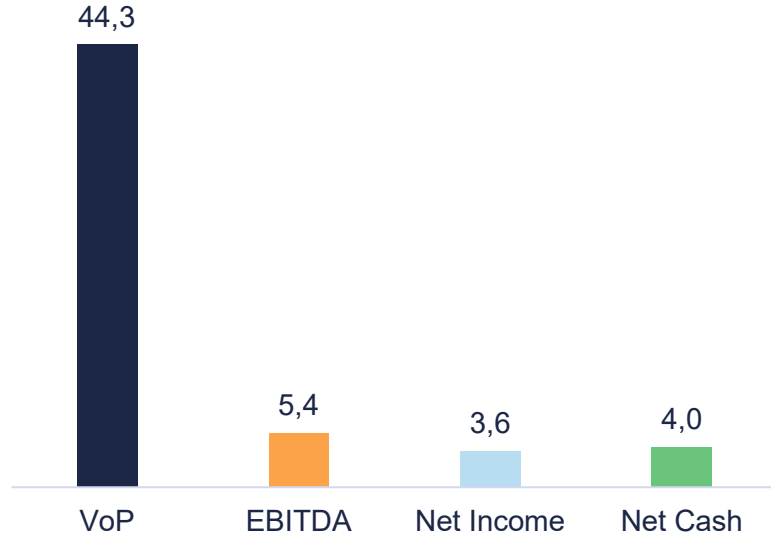
**Extend existing expertise** to new deep-pocketed clients



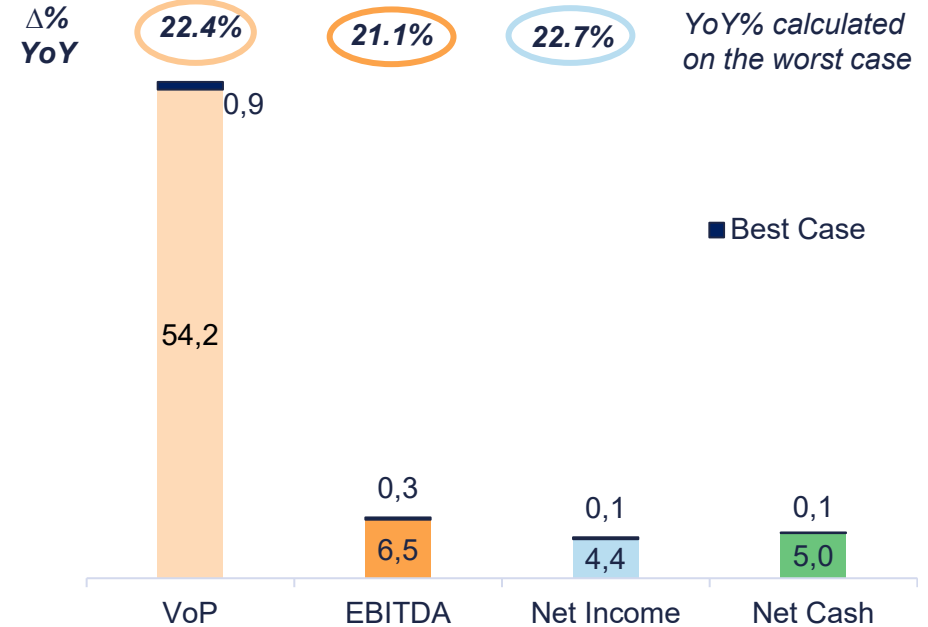
**Creating a national champion covering every segment of Made in Italy Absolute Luxury engineering**

# Target 2019

2018PF



2019B



Outstanding growth trend confirmed for the foreseeable future

Growing and solid underlying market with deep-pocketed clients

Way ahead of competitors in reading and riding market macro-trends

# Investment Highlights

1

Attractive market trend and strong positioning



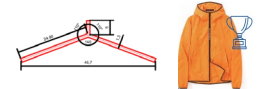
2

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



## 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

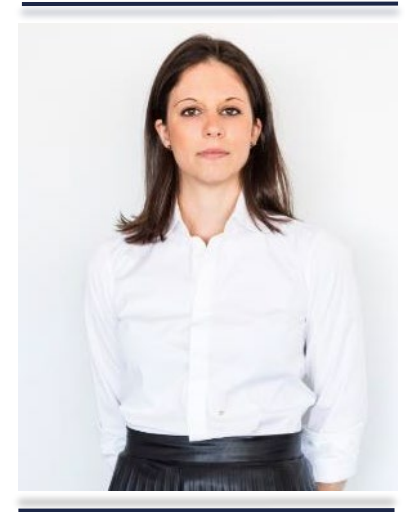


### CFO

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



## Sara De Benedetti



### Investor Relator

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





# “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"*



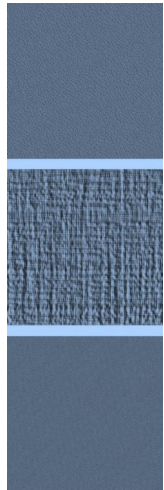
*China represents a key driver to the luxury fashion industry, therefore a positive country outlook will indirectly benefits Pattern's industry segment*

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

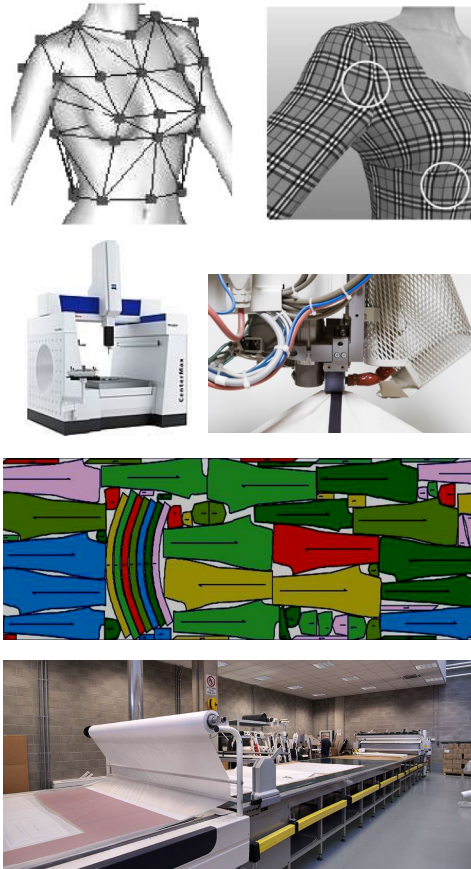
# Pattern is fully integrated with Italy's Best Suppliers and *Façonists*

## 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

# Income Statement

(Euro/000)

	FY ending at 31 December				Change %	Change %
	2018 PF	2018	2017	2016	2018 vs 2017	2017 vs 2016
Revenues	43,830	38,250	30,218	26,842	26.6%	12.6%
Change in inventories of work in progress, semi-finished and finished products	130	(8)	491	(449)	(101.6%)	(209.4%)
Work in progress	71	65	-	33	n.a.	(100.0%)
Other revenues	280	231	203	84	13.8%	141.7%
<b>Value of Production</b>	<b>44,311</b>	<b>38,538</b>	<b>30,912</b>	<b>26,510</b>	<b>24.7%</b>	<b>16.6%</b>
Raw materials	(14,054)	(13,345)	(11,836)	(9,049)	12.7%	30.8%
Cost of services	(16,859)	(14,608)	(11,867)	(9,802)	23.1%	21.1%
Leases and rentals	(576)	(531)	(555)	(553)	(4.3%)	0.4%
Other operating expenses	(103)	(71)	(48)	(43)	47.9%	11.6%
Personnel expenses	(7,348)	(5,183)	(4,713)	(4,440)	10.0%	6.1%
<b>Total operating costs</b>	<b>(38,940)</b>	<b>(33,738)</b>	<b>(29,019)</b>	<b>(23,887)</b>	<b>16.3%</b>	<b>21.5%</b>
<b>EBITDA</b>	<b>5,371</b>	<b>4,800</b>	<b>1,893</b>	<b>2,623</b>	<b>153.6%</b>	<b>-27.8%</b>
EBITDA margin %	12.1%	12.5%	6.1%	9.9%		
D&A, provisions and write-downs	(527)	(336)	(433)	(371)	(22.4%)	16.7%
<b>EBIT</b>	<b>4,844</b>	<b>4,464</b>	<b>1,460</b>	<b>2,252</b>	<b>205.8%</b>	<b>-35.2%</b>
EBIT margin %	10.9%	11.6%	4.7%	8.5%		
Interest income	30	32	63	10	(49.2%)	530.0%
EBT	4,874	4,496	1,523	2,262	195.2%	-32.7%
Taxes	(1,327)	(1,230)	(507)	(919)	142.6%	(44.8%)
<b>Net Income</b>	<b>3,547</b>	<b>3,266</b>	<b>1,016</b>	<b>1,343</b>	<b>221.5%</b>	<b>-24.3%</b>
Net Income margin %	8.0%	8.5%	3.3%	5.1%		

# Balance Sheet

(Euro/000)	FY ending at 31 December			
	2018PF	2018	2017	2016
Intangible fixed assets	878	236	373	398
Tangible fixed assets	1,350	1,101	579	448
Financial fixed assets	3	242	829	206
<b>Total fixed assets</b>	<b>2,231</b>	<b>1,579</b>	<b>1,781</b>	<b>1,052</b>
Inventory	3,278	3,006	3,181	1,914
Receivables	5,052	3,870	8,003	2,927
Cash and cash equivalent	5,968	5,975	1,461	2,334
<b>Total current assets</b>	<b>14,298</b>	<b>12,851</b>	<b>12,645</b>	<b>7,175</b>
Accruals and prepayments	271	52	79	126
<b>TOTAL ASSETS</b>	<b>16,800</b>	<b>14,482</b>	<b>14,505</b>	<b>8,353</b>
<b>Shareholders' equity</b>	<b>6,919</b>	<b>6,337</b>	<b>3,521</b>	<b>2,956</b>
Provisions	37	37	112	1
Employees' provision	791	768	680	599
Payables	9,039	7,326	10,170	4,787
Accruals and deferrals	14	14	22	10
<b>Total liabilities</b>	<b>9,881</b>	<b>8,145</b>	<b>10,984</b>	<b>5,397</b>
<b>TOTAL NET EQUITY AND LIABILITIES</b>	<b>16,800</b>	<b>14,482</b>	<b>14,505</b>	<b>8,353</b>