



Virtual AIM Conference Milan

25 May 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



**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



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 - Investment Case

Business updates



Group Overview / 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.*







”

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

Pattern: Landmark for Luxury Fashion Engineering

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.

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%



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**.

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)

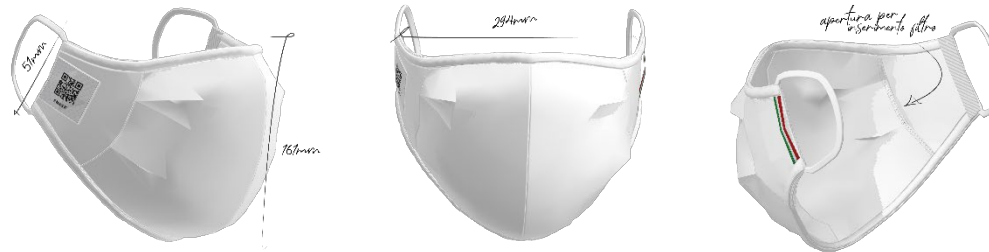
April 2020 - Special Project



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.



FY 2019 Results



FY 2019 Highlights



€ mln

Revenues
€55.7
(+26%)¹

Adj.² EBITDA
€7.2
(+33%)

Adj. EBITDA margin
12.9%

Adj. Net Income
€4.7
(+33%)

Adj. Net income
margin
8.4%

Net Cash
€12.4
(+ €8.5 m)

“

2019 ends as an extraordinary year for Pattern, full of events and satisfactions for all of us. With 2020, unfortunately for different reasons, an equally extraordinary moment opens. We believe that the trust placed in us by our customers combined with the choice to invest in the most advanced design technologies and an offer of a now complete product range can only be positive for the future

”

- Luca Sburlati, Group CEO, together with Franco Martorella and Fulvio Botto, founders and majority shareholders

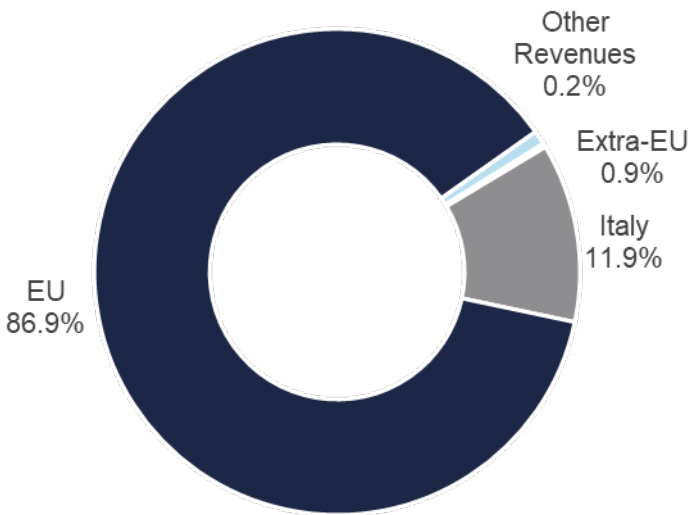
FY 2019 Income Statement

(€ 000)	FY 2019	FY 2018 Pro-forma	%
Sales revenues	55,603	44,089	26%
Other revenues	135	279	-52%
Total Revenues	55,738	44,368	26%
Increase in fixed assets for internal work	-	71	-100%
Change in inventories	(400)	130	-408%
Value of production	55,338	44,569	24%
Raw materials	(16,462)	(14,054)	17%
Cost of services	(22,980)	(16,859)	36%
Leases and rentals	(572)	(822)	-30%
Personnel Expenses	(9,239)	(7,348)	26%
Other operating expenses	(141)	(105)	34%
EBITDA	5,945	5,380	10%
<i>EBITDA margin</i>	<i>10.7%</i>	<i>12.1%</i>	
Adjusted EBITDA	7,181	5,380	33%
<i>Adjusted EBITDA margin</i>	<i>12.9%</i>	<i>12.1%</i>	
D&A	(454)	(410)	11%
EBIT	5,491	4,970	10%
<i>EBIT margin</i>	<i>9.9%</i>	<i>11.2%</i>	
Net financial income	(55)	(15)	267%
EBT	5,436	4,955	10%
Taxes	(1,644)	(1,430)	15%
Net income	3,793	3,525	8%
<i>Net income margin</i>	<i>6.8%</i>	<i>7.9%</i>	
Adjusted Net income	4,684	3,525	33%
<i>Adjusted Net income margin</i>	<i>8.4%</i>	<i>7.9%</i>	

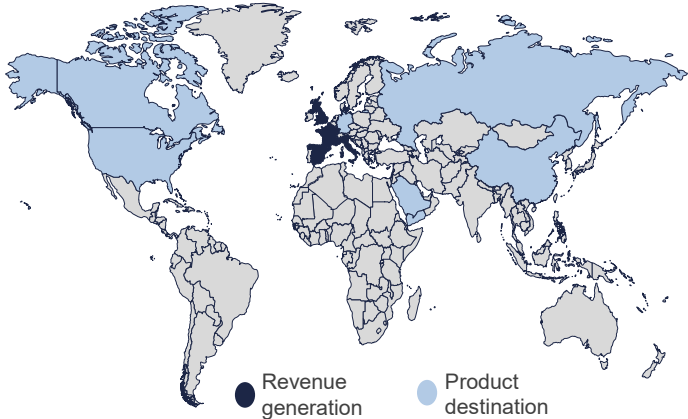
- **Revenues** at 31 December 2019 amount to € 55.6 million compared to € 44.1 million at 30 June 2018, showing an increase of around 26%.
- **EBITDA**, amounted to € 5.9 million compared to € 5.4 million in 2018, showing an increase of around 10%. **EBITDA margin** at 10.7% compared to 12.3%.
- **Adjusted EBITDA**, excluding the costs incurred for the IPO, was € 7.2 million, with an increase of 33% and an adjusted EBITDA margin of 12.9%.
- **Net income for the period** at € 3.8 million compared to € 3.5 million at 31 December 2018, showing an increase of 8%
- **Adjusted Net income** at € 4.7 million, +33% compared to 2019

Revenues Breakdown

(€ 000)	FY 2019	FY 2018 Pro-forma	%
Italy	6,644	7,961	-17%
EU	48,439	35,333	37%
Extra-EU	521	795	-35%
Other Revenues	135	279	-52%
Total	55,738	44,368	26%



Geographic footprint



The geographical breakdown of sales shows a further increase in foreign sales. Italy’s share on revenues has decreased from 18% to 12%.

FY 2019 Balance Sheet (Use and Sources)

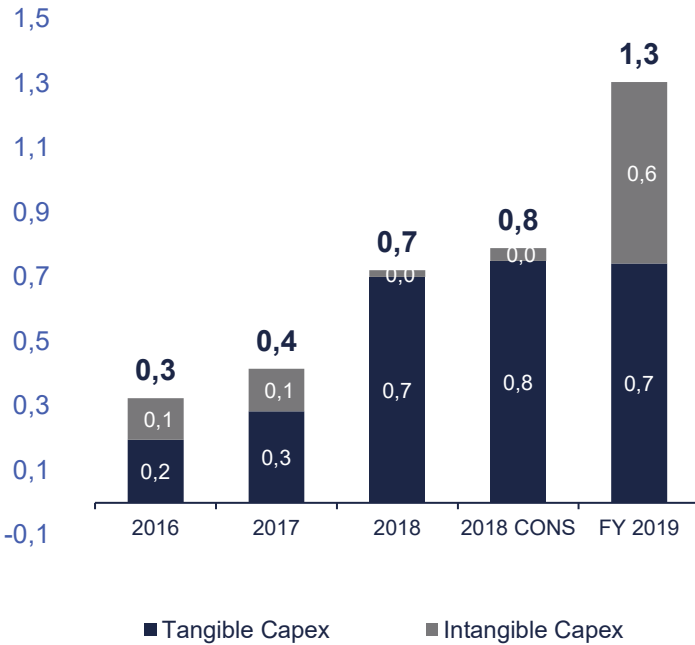
(€ 000)	31-dic-19	31-dic-18
Fixed Assets	3.589,3	1.807,6
Warehouse	3.435,0	3.277,9
Trade Receivables	8.005,6	3.861,3
Other Receivables	1.332,0	1.190,5
Prepayments and accrued income	512,5	270,5
Working Capital	13.285,0	8.600,2
Trade Payables	(8.894,4)	(4.412,7)
Other Payables	(2.021,0)	(2.157,3)
Accrued expenses and deferred income	(22,5)	(14,3)
Net Working Capital	2.347,0	2.016,0
Funds	(928,1)	(827,9)
Net Invested Capital	5.008,1	2.995,7

(€ 000)	31-dic-19	31-dic-18
Shareholders' Equity	17.393,7	6.914,9
Cash and Cash equivalents	(16.073,9)	(6.392,0)
Short term bank debt	925,8	1.144,4
Medium term financial debt	2.762,5	1.328,4
Bank Debt	3.688,3	2.472,8
Net Debt/(Cash)	(12.385,6)	(3.919,2)
Total Sources	5.008,1	2.995,7

- The amount of fixed assets, equal to € 3.6 million, grew by 99% compared to € 1.8 million at 31 December 2018. Investments related to intangible and tangible fixed assets relating to operating activities, the listing process, the purchase of the Modalis Srl business unit, as well as the financial fixed assets for the payment of the deposit on 18 December 2019, upon signing the Framework Agreement, aimed at acquiring the 51% stake in the Società Manifattura Tessile s.r.l.
- Working capital increased slightly, from € 2.0 million to € 2.3 million where: Inventories remained almost constant, having gone from € 3.3 million to € 3.4 million; Receivables from customers increased significantly from € 3.9 million to € 8.1 million. This increase is linked to the increase in sales revenues for approximately 28% of the total of the year in the last quarter of the year; Trade payables increased from € 4.4 million to € 8.9 million, this increase also due essentially to production in the last quarter.
- The parallel increase in trade receivables and payables attests to the balance of the financial cycle of Pattern, which is able to grow without absorption of significant financial resources within the working capital.
- The net financial position improved significantly from positive € 3.9 million at 31 December 2018 to positive € 12.4 million at 31 December 2019 thanks to the injection of equity for the IPO on the AIM market and the generation of cash flow following the excellent performance of the year.

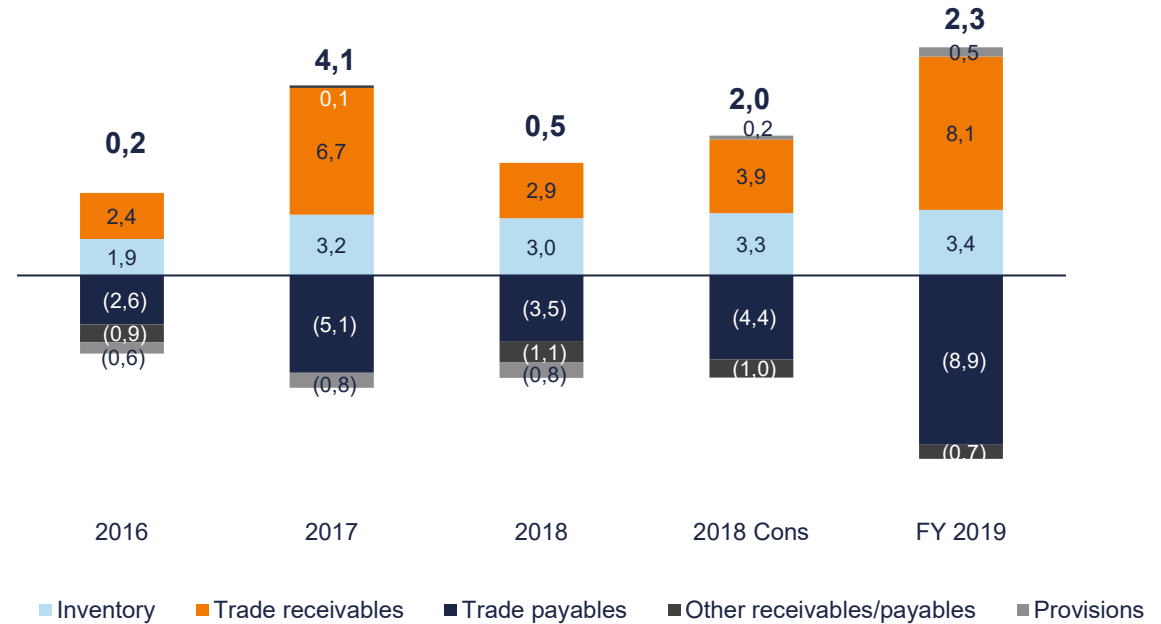
Asset-light Business Model

2016-2019 Capex trend



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

2016-2019 Working Capital trend



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

Pattern and Sustainability



Corporate Social Responsibility

CERTIFICAZIONE SA 8000/ SA 8000 CERTIFICATION



Pattern believes in supporting its employees to improve their own and others work, thus it has decided to comply with the international standard by encouraging the staff in participating to the company's goals and monitors the implementation of these principles with his partners, suppliers and contractors.

2020 Clean Chain

Starting from **2015**, Pattern has engaged in a process aimed 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. Furthermore, since **2019** Pattern has subscribed to the “Clean chain” initiative.

CLEANCHAIN[▲]
AN ADEC INNOVATION



“From Red to Green Carpet” – 2023

“From Red to Green Carpet” is a five-year plan, which aims to create the same luxury on the most famous Red Carpets by drastically reducing the impact on the environment. Pattern has identified three main goals to achieve:

1. Carbon Neutral
2. Social And Economic Sustainability
3. Circular Economy & Revalue Waste

By 2023, we aim to become carbon neutral by using renewable energy and increasing efficiency and energy savings. The last goal is to apply the principles of the CE, not only on our brand Esemplare, but also in everyday work, revaluing and reducing wastes.



CDP Reporting on Climate Change

Pattern Group achieves the ESG (Environmental, Social and Governance) Rating with CDP and decides to demonstrate responsibility to the key environmental issues in the low carbon transition by joining the CDP 2019 Reporting on Climate Change.



Pattern Group also received the Supplier Engagement Rating (SER), a rating for how effectively companies are engaging their suppliers on climate change.

CDP’s annual Supplier Engagement Rating (SER) is designed to evaluate and spur action on corporate supply chain engagement on climate issues.

Pattern Responds to the UN Invitation



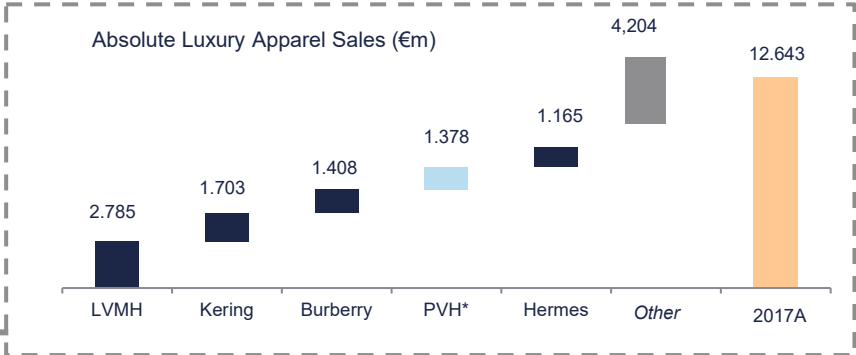
Pattern has decided to meet the UN challenges by identifying four goals to work immediately on, with the aim of contributing to make our world sustainable. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries.



Market



Attractive Market Trends



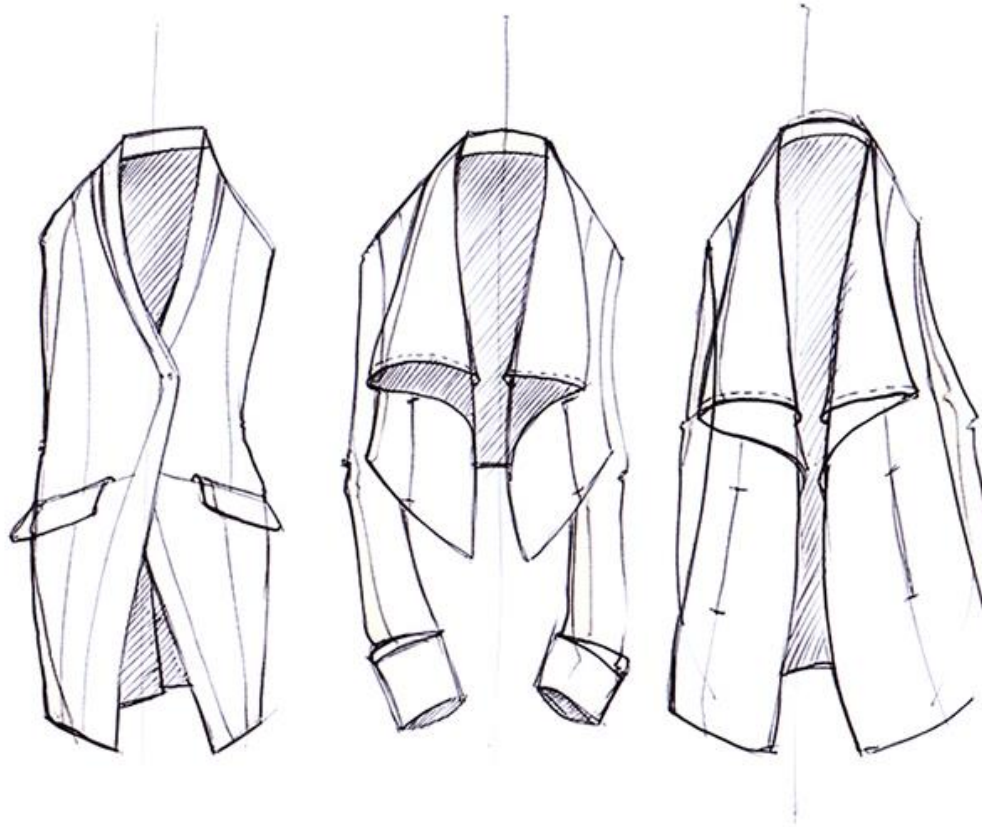
Net of the multiplier factor of 12x charged into the final price of absolute luxury fashion products



Current competitive landscape



Group Strategy & Outlook 2020



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

Outlook 2020

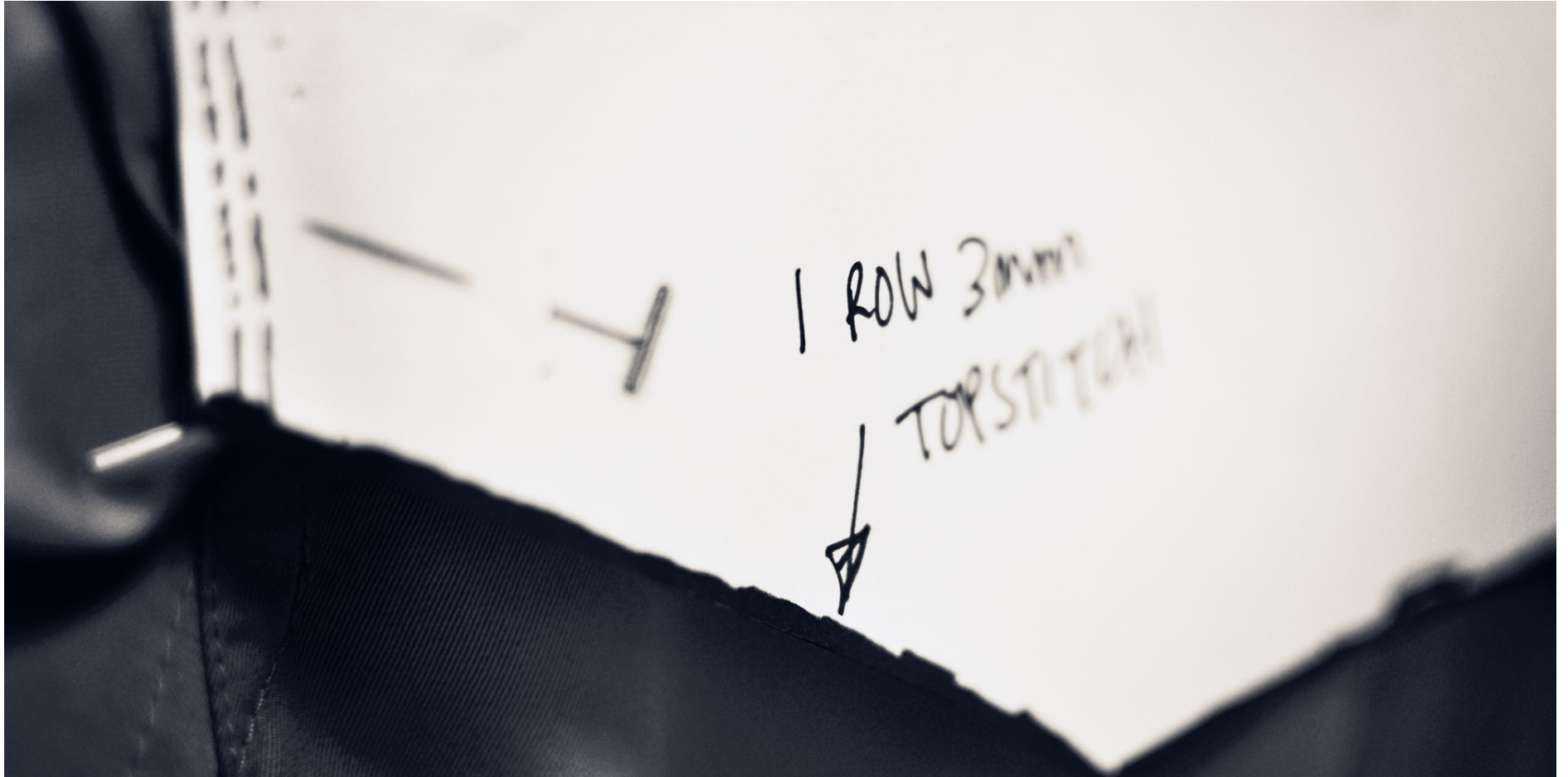
Despite an excellent 2019, the trend of the world economy has undergone a sudden change due to the spread of the virus called COVID-19.

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 customers, an example of versatility almost unique on the market;
- great competence in enabling technologies for the development of remote collections through 3D design, in a context that severely limits physical movements;
- presence of supply chain certification tools also through blockchain;
- a solid financial structure with a positive NFP of € 12.4 million;
- a rather variable cost structure.



Appendix



History of Continuous Growth



Set up of the
Collegno plant

First Italian brand to
obtain the SA8000 Social
Accountability Certificate



First
Sustainability Report
(GRI index)



Acquisition of Roscini –
Spello plant, reinforcing
the women segment

Borsa Italiana
IPO

2000-
2008

2009

2012

2013

2014

2015

2016

2017

2018

2019

Pattern was
established
in 2000 by
Fulvio Botto
and Francesco
Martorella

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

ESEMPLARE

Acquisition of **Esemplare**
brand, specialized in
sport/urban collections

Beginning of managerialization process with
Mr Sburlati joining the team



Acquisition of **S.M.T.**
Pattern enters the
luxury knitwear sector



Sales Revenues
€ Mln

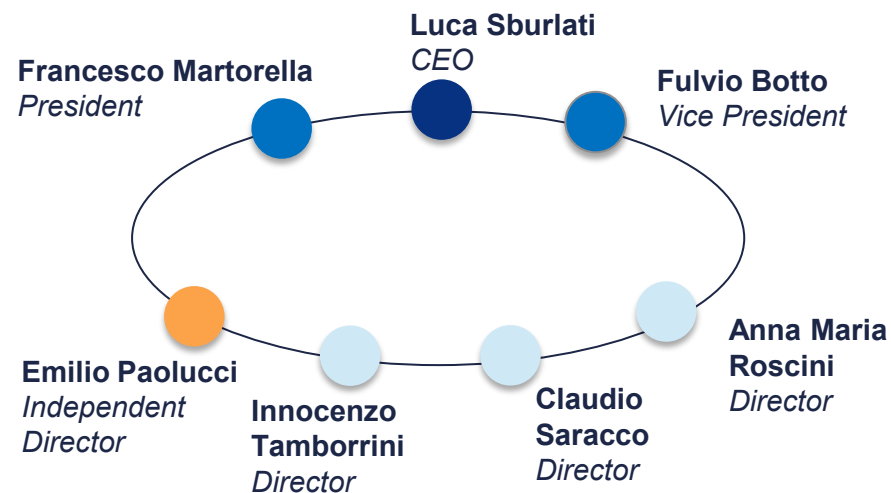


Corporate Governance

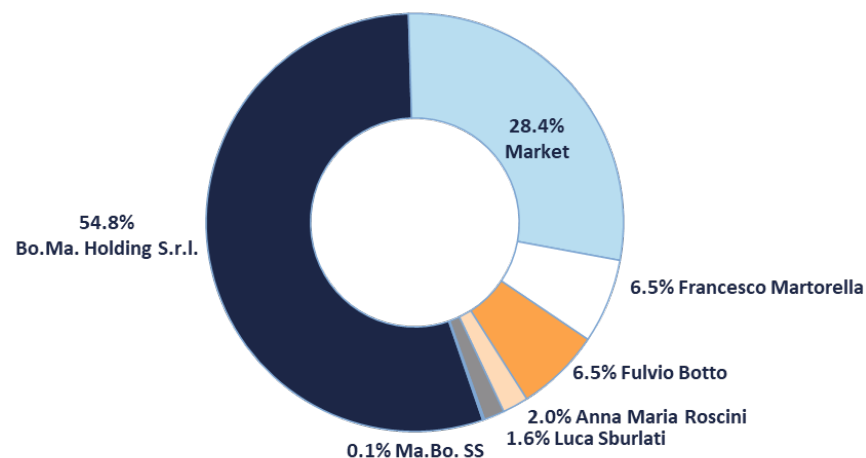


* On April 29, 2020, Luca Sburlati was assigned no. 100,000 ordinary shares, relating to the first tranche of the 2019-2022 Stock Grant Plan

Board of Directors



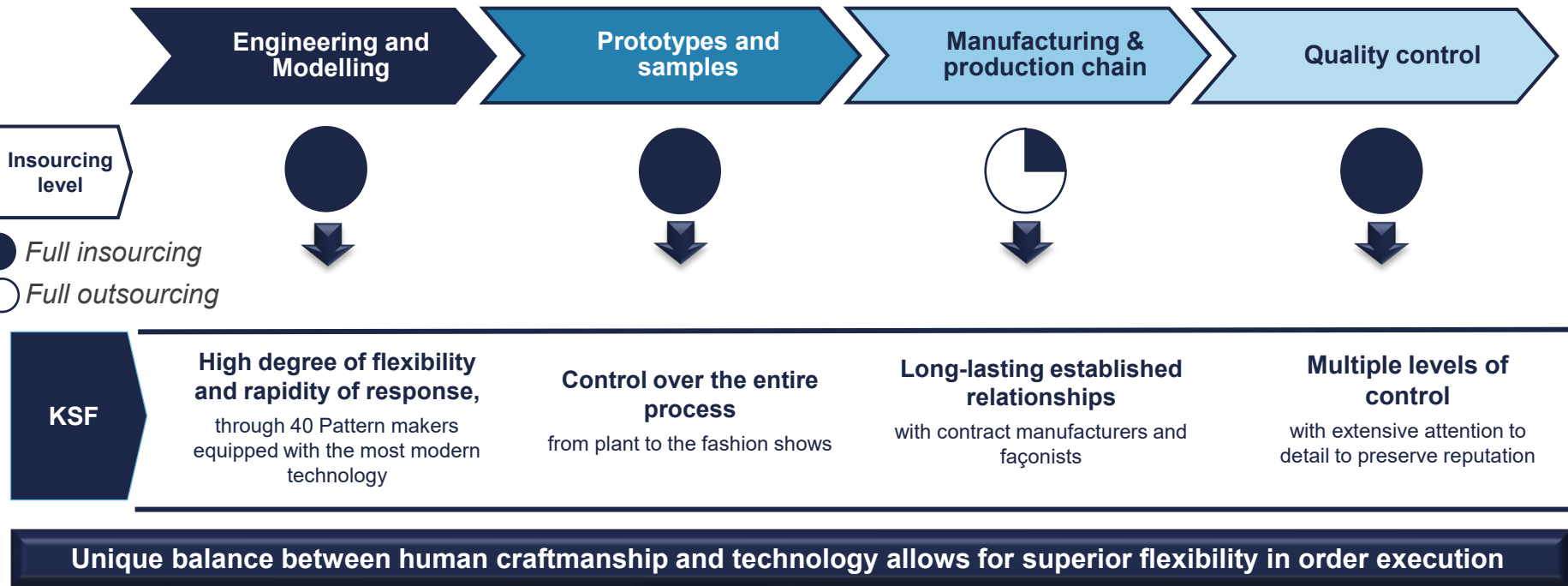
Shareholder Structure



Business and Process



Pattern's business model

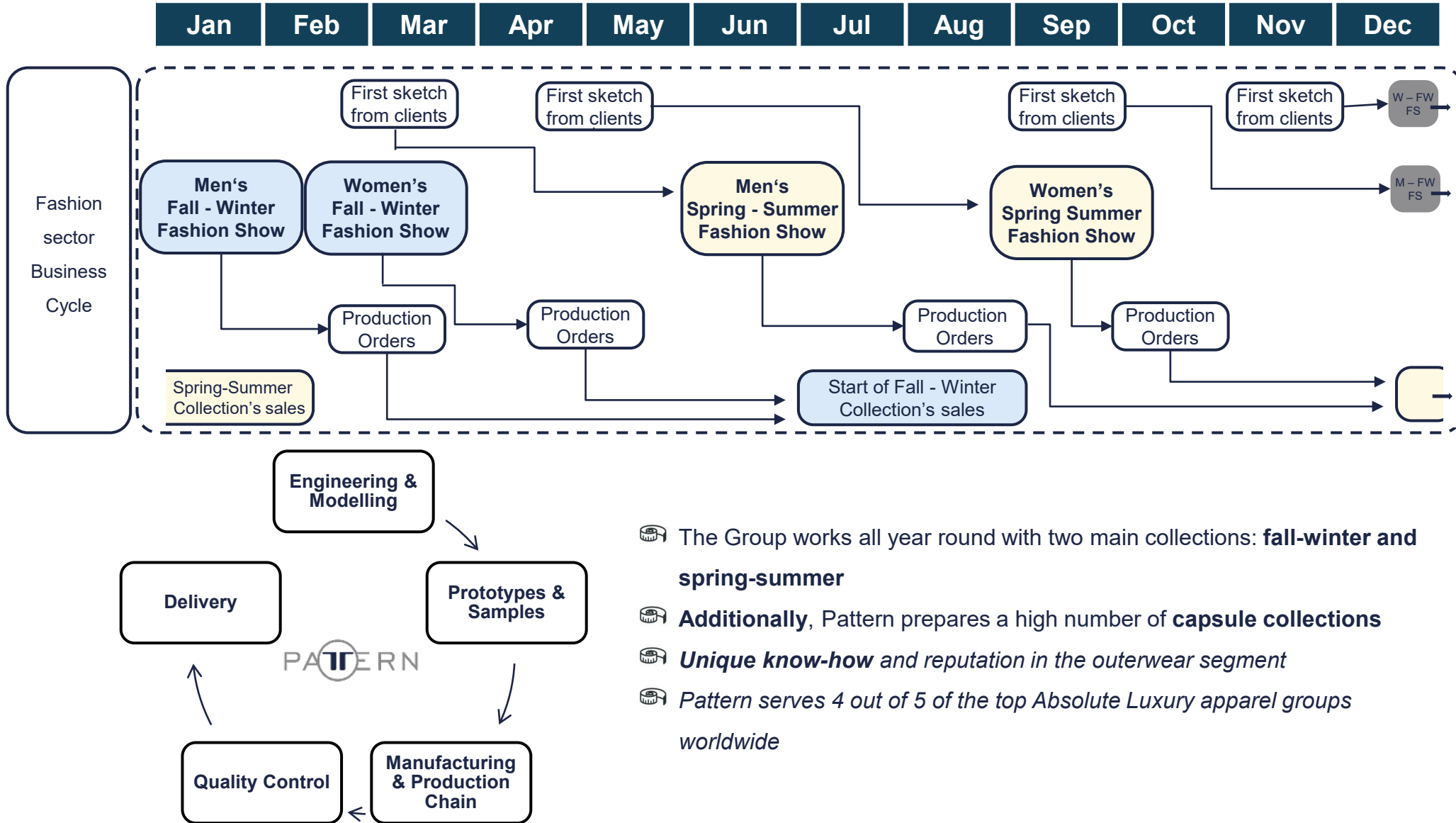


Competitive Advantages

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

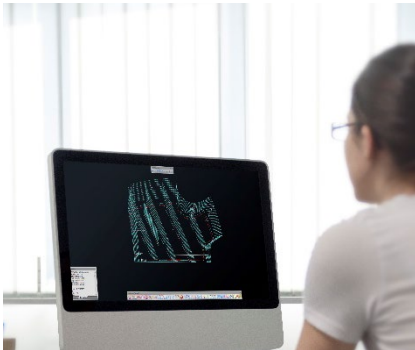
Pattern operates in a strategic stage of the process, the “Formula 1”

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

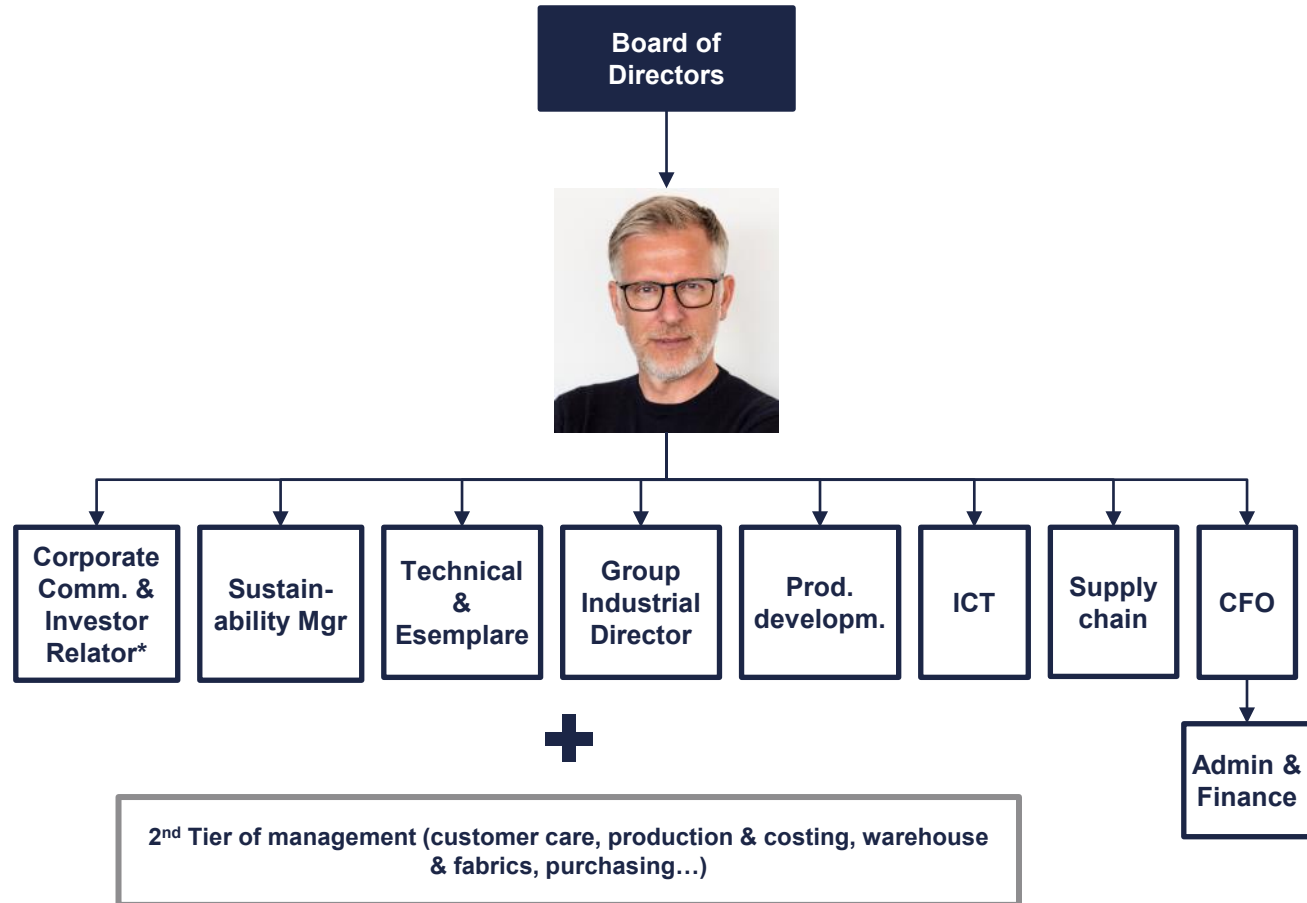


HR - Highly Experienced and Committed Management Team



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

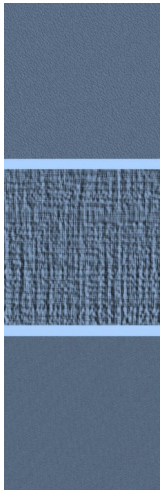


Sole player, in its competitive arena, to have adopted a modern management structure as a key competitive advantage

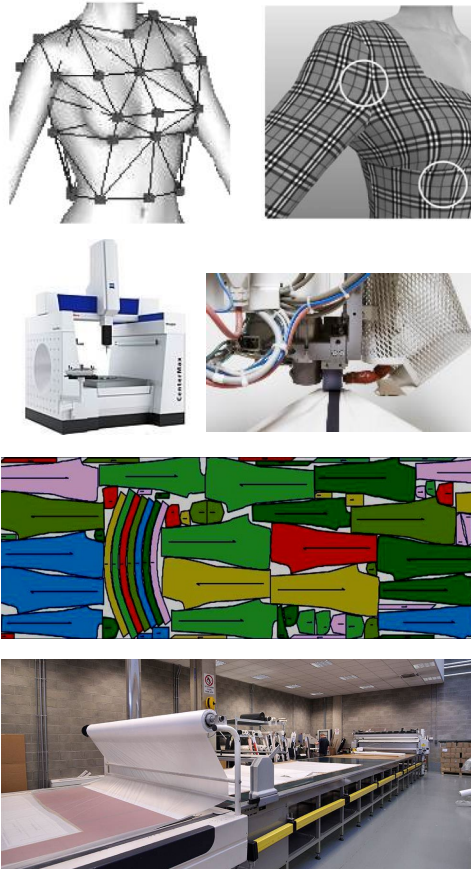
Pattern is fully integrated with Italy's Best Suppliers and *Façonists*

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

Investment Case



Investment Highlights

1

Attractive market trend and strong positioning



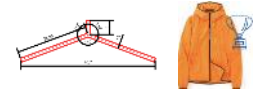
2

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



3

Innovation leadership in processes & manufacturing



4

Continuous strong cash generation



5

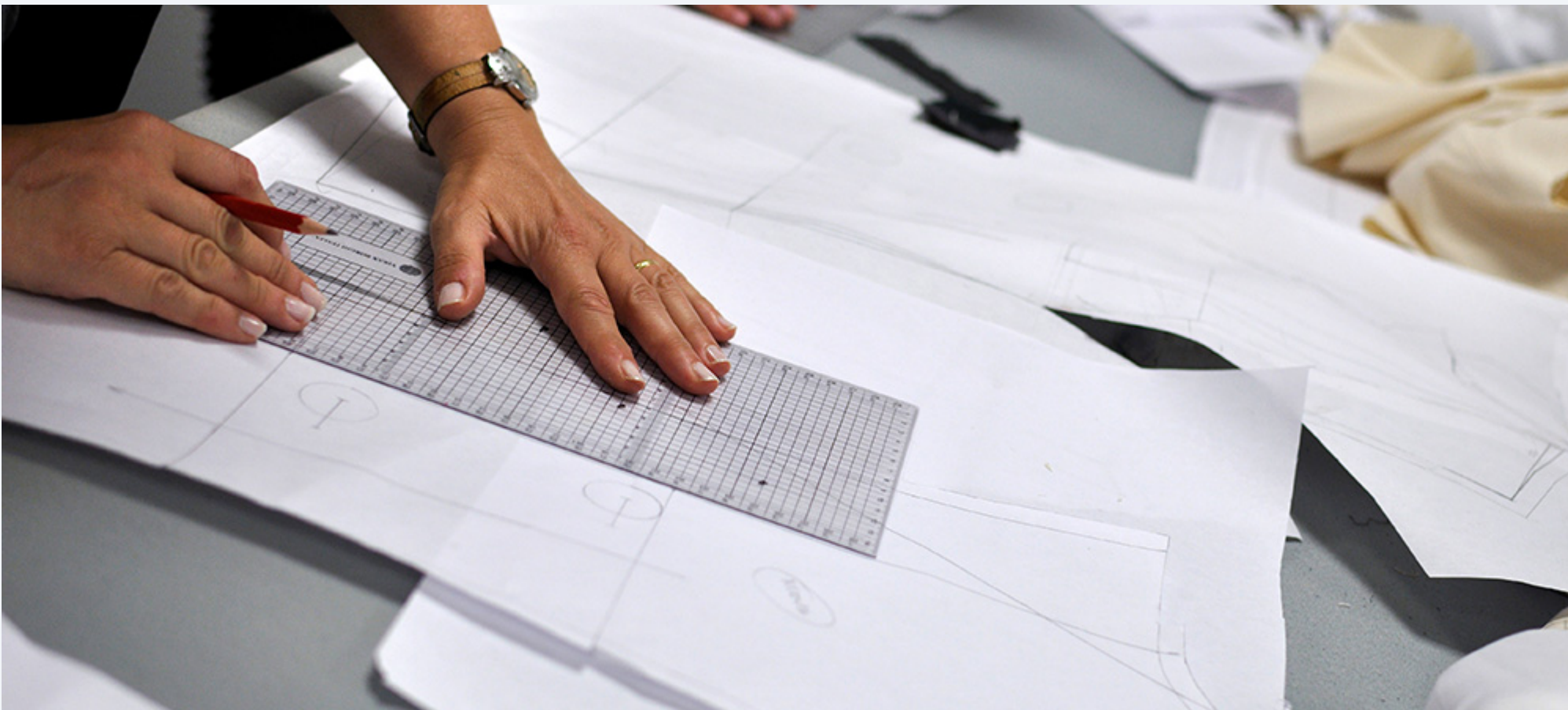
Highly experienced and committed management team



6

Asset-light business model





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