Pattern

Sector: Fashion Luxury Engineering

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From concept to couture

Pattern Group is a leading independent player in the luxury engineering segment (B2B), serving as a trusted partner, the world's most prestigious luxury brands. With a strong track record of organic growth, diversification and M&A, PTR is now executing an ambitious plan to build new HQs and expand operations, reinvesting proceeds of 2023 disposal.

Leading partner for absolute luxury names

Pattern reported steady growth since inception (29% CAGR 2009-2023PF), on a mix of organic growth and solid M&A (13 incorporated companies so far and the last €20mn deal announced on 30 May). It operates under three product segments: Men's and Womenswear (26% on FY24E PF revenues), Knitwear (56%) and Leather Goods (18%) and is still controlled by the two founders with a 31.4% stake each, with key managers owning another 5%.

Rare asset, financial soundness and timely positioning

PTR boasts a mix of features we deem extremely valuable:

1) Operations. PTR has built a unique and hard-to-replicate engineering and "*Made in Italy*" manufacturing network with strong reputation, essential for fashion houses needing reliable, top-quality suppliers;

2) Financials. With a strong balance sheet and solid M&A track record (solid rationales at attractive multiples, i.e. <6x EV/EBITDA), PTR is poised for further value-enhancing initiatives, benefitting from a weak market;

3) Strategic appeal. Recent years have seen rising interest in Italian luxury supply chain by top brands/consolidators seeking reliable partners: PTR's strong position bodes well for shareholders, highlighting its intrinsic value.

Growth Strategies and Financials 2024E-26E

We view the next 2 years as a transition for PTR, with lower organic growth and higher investments, while focusing on strategic initiatives: 1) Hubs optimization/development; 2) M&A to strength know-how/technologies; 3) Organic growth and M&A to diversify in contiguous segments; 4) Acquisition of minorities (over the longer term). We see: 1) VoP growing at 9.0% $CAGR_{23PF-26E}$ to ca. €163mn in 2026E; 2) EBITDA margin converging to 13.1% in FY26E; 3) EFCF back to 15% yield in 2026E.

We initiate coverage with a Fair Value of €7.2 per share

We see attractive medium-term prospects for PTR, supported by earnings growth, sound FCF generation and clear reinvestment opportunities. These elements are factored in our €7.2 fair equity value p/s (i.e. €6.6 as average of peers' relative multiples and DCF, plus €0.6 from risk-adjusted upside of M&A and minorities buy-out). In addition, PTR in the longer run may start to incorporate a certain strategic/speculative appeal, given its positioning.

Fair Value (€)	**7.2**
Market Price (€)	**6.1**
Market Cap. (€m)	**87.6**

KEY FINANCIALS (€m)	2023	2024E	2025E
VALUE OF PRODUCTION	145.6	125.0	148.0
EBITDA	18.8	12.4	18.2
EBIT	8.4	6.0	11.1
ADJ. NET PROFIT	7.9	4.6	7.1
EQUITY	42.5	44.6	49.9
NET FIN. POS.	0.6	-13.3	-9.5
EPS ADJ. (€)	0.55	0.32	0.50
DPS (€)	0.59	0.07	0.07

Source: Pattern S.p.A. (historical figures), Value Track (2024-25E estimates)

KEY RATIOS	2023	2024E	2025E
EBITDA MARGIN (%)	12.9	9.9	12.3
EBIT MARGIN (%)	5.8	4.8	7.5
NET DEBT / EBITDA (x)	nm	1.1	0.5
NET DEBT / EQUITY (x)	0.0	0.3	0.2
EV/SALES (x)	0.8	0.9*	0.8
EV/EBITDA (x)	6.5	8.5*	6.4
EV/EBIT (x)	14.6	17.6*	10.5
P/E ADJ. (x)	12.7	16.5*	12.3

Source: Pattern S.p.A. (historical figures), Value Track (2024-25E estimates), (*) 12 months UVM

STOCK DATA	
FAIR VALUE (€)	7.2
MARKET PRICE (€)	6.1
SHS. OUT. (m)	14.4
MARKET CAP. (€m)	87.6
FREE FLOAT (%)	20.3
AVG. -20D VOL. ('000)	5,832
RIC / BBG	PTR.MI / PTR IM
52 WK RANGE	5.55-7.80

Source: Stock Market Data

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Executive Summary

A leading engineering & manufacturing partner for luxury brands

Pattern Group ("the Company" or "PTR") is one of the leading independent players in the luxury engineering segment (B2B), serving as a benchmark for the world's most prestigious luxury brands. With **2023 Value of Production and EBITDA at €145.6mn and €18.8mn respectively**, Pattern Group ("the Company" or "PTR") has reported a steady growth since inception (29.4% CAGR 2009-2023), and since listing (27.2% CAGR 2019-2023) thanks to a mix of organic growth (supported among other things by a terrific clients' loyalty) and solid M&A strategy (12 companies so far, the last deal announced on 30 May). The Group operates under **three product segments**: **Men's and Womenswear** (26% of FY24E pro-forma Revenues, i.e. including the last target), **Luxury Knitwear** (56%) and **Leather Goods** (18%) and it is still controlled by the founders (Francesco Martorella and Fulvio Botto) with a 31.4% stake each, with key managers owning another 5%.

Innovation and ESG: a key differentiating factor that now makes the difference

Pattern has consistently prioritized innovation and ESG themes, deeply integrating these aspects into its core practices. This focus is particularly critical in the fashion industry, where there is a genuine need and demand for brands to embrace these principles, due to:

1) their significant influence on consumer behaviour, especially among younger audiences;

2) their role in enhancing ethical production practices, including improved labour conditions and increased supply chain transparency;

3) recent pitfalls, which have heightened the urgency of addressing these issues.

A strong track record in "industrial M&A", not just "external growth"

Management have a proven strong M&A track-record, which implies a few key elements:

- Attractive acquisition terms, as suggested by average purchase multiples under 6.0x FY1 EV/EVITDA multiples for building always controlling stakes. The last deal, and the largest one since IPO, was announced on 30 May at FY23 EV/EBITDA of 4.0x;
- Complementary positioning, offers and technologies which have position the Group well to provide a wide range of products/technologies, ranging from men's and women's wear, knitwear, and leather goods;
- Industrial integration and synergy potential with attractive intra group cross fertilization of know-how and innovation as well as commercial cross selling;
- Efficiency and cost optimization potential, where we believe a lot of potential has still to come, especially in terms of benefits of scale.

Still a lot to do and plenty of growth ahead

The industry of luxury *Made in Italy* is facing a clear trend of consolidation since a few years, with a strong acceleration in recent past for manufacturing / specialised B2B assets, acquired by domestic names as well as by international and global houses. This trend witnesses the need of key luxury brands to secure a supply chain reliable and aligned to quality standards required. Pattern has been growing by acquisitions as described above, along these lines, and there is still a lot of room to go.

Yet, we believe there are also other potential growth paths (organic or not) to follow:

- M&A to fill the gaps and internalise particularly attractive know-how or technologies;
- organic growth and/or M&A to diversify in segments not covered yet (e.g. Home/Décor);
- exploitation of cross selling opportunities among companies recently acquired and to be acquired;
- flexible / opportunistic (albeit long term oriented) brand and client management, in order to partner with high potential, well positioned and highly reliable luxury brands;
- acquisition of residual minorities (more likely in the medium term, given the recent renewal of the shareholders' agreements).

Timing is everything

Pattern enjoyed in **FY23 a great year**, reporting **revenues above expectations** driven by i) very strong demand (in the first half of the year in particular); ii) full consolidation of the subsidiaries purchased over 2022-2023; and iii) the last contribution of the business unit disposed of in October 2023. In addition, **EBITDA** margin reached its **all-time-high** of 12.7%, thanks to the extremely high contribution from the knitwear segment - which enjoys higher than average margins, thanks also to its fully integrated business model, a generalised easing pressure from raw materials and the positive volume/scale effect. Thanks to that background, the **disposal of the assets** related to Burberry production, closed in Q4 2023, was completed at fair and favourable terms to Pattern (i.e. **10x FY_1 EV/EBITDA** adjusted for overheads vs. 6.1x reported), we estimate.

In **FY24** the Company, together with competitors in most segments and regions - albeit to a lower extent we believe - is facing the negative effect of the **slowing demand** (China in primis) and of a sizeable but unavoidable **de-stocking** process (the "side-effect" of the consumer sector normalization following the post-Covid *bulimia*). This outlook has two main effects for Pattern:

- the **slowdown in top line and earnings growth**, which in FY24 combines also with i) the full effect of deconsolidation of the business unit dedicated to Burberry and ii) the sizeable investments for the new headquarters in Turin;
- potentially more **favourable conditions to finalize further acquisitions**, further **diversification** and also to build a certain international presence.

…and now it is time for the next key steps

With the outlook described in mind, the recent acquisition of UVM confirms our expectations, and we would expect management to keep focusing on **small size M&A**, but also on further operating **efficiencies**, group **simplification** in terms of governance and processes, **capacity expansion** (new plant and HQs) in order to increase gradually the Group vertical integration, while keeping always a certain flexibility (via a partially outsourced business model).

In short, we see the current year as a **transition year in financial terms**, with relatively low growth and high investments, **but it will also be a key year** as management has started to pave the way for securing an above average and value enhancing **growth for the next years**.

This should allow the Group **to change its scale and improve its positioning** relative to clients and competitors and this will further consolidate the **strategic value** of its assets: recent years have seen rising interest in Italian luxury supply chain by global top brands and domestic and international consolidators seeking reliable partners and this bodes well for all shareholders.

In this respect management is also working on the **new Strategic Business Plan**.

9.0% VoP CAGR into FY26E and cumulative €32.7 OpFCF (pre developments)

Including the effects of the recently announced acquisition (UVM) and reorganization of SMT minorities, but based on the assumption of no further M&A or buy-out of minority interests, and no major improvements in profitability, we expect **Value of Production and EBITDA CAGR$_{23PF-26E}$ of ca. 9.0%,** with EBITDA margin and Net Margin converging to 13.1% and 4.8% in 2026E respectively.

The financial profile is strongly influenced by the ambitious Collegno Project (i.e. the new Headquarter) and the investments in other production sites, with nearly all capex during the forecast period **(€16.5mn cumulative CapEx over 2023-26E**, i.e. around 4-5% of VoP) dedicated to these initiatives, with two implications:

- Net Debt is projected to peak at €13.3mn in FY2024E (Net debt/EBITDA around 1.1x);

- Given the medium-to-long-term horizon of the projects, the full benefits are likely to materialize beyond our forecast horizon.

If we focus on the business in itself and **excluding the so called "development capex**" (i.e. the material efforts to build the headquarter and further hubs developments), the **cumulative OpFCF after tax is positive for €32.7mn** over forecast period FY2024-26E.

…without a few additional options we identify

On top of delivering the top line and operating growth factored in our forecasts, we believe management could exploit additional growth drivers which in our view should be strongly value enhancing, i.e. we expect these to drive not only the top line, but also margins, earnings and stock value. In more details we estimate that

- **M&A** could add value as management track record proves average purchase multiples well below 6.0x FY1 EV/EVITDA (for controlling stakes) coupled with strong industrial rational, synergy potential and key resources involvement, and the Group is still under levered (FY25E Net debt/EBITDA at 0.4x);
- **Minorities' buy-out** for SMT and Idee Partner would be earnings enhancing and would reduce the current dividend leakage (while fully aligning subsidiaries' partners to PTR stakeholders);
- **Margins** could benefit and enhance returns, if M&A focus starts moving also on horizontal / product diversification and driving further client differentiation.

F.V. at €7.2, including the risk adjusted upside from cash reinvestment/re-leverage

The valuation of the Group starts from the valuation of the business as it is, via a peers' multiple analysis and a DCF model: these two methodologies offer values of €7.2 and €6.0 /share respectively, and hence an average of **€6.6**.

In addition, we have evaluated the potential upside related to

a) further **M&A**, an activity where management has provided a strong track record so far and where organic free cash flow finds attractive and visible reinvestment opportunities. Under our simulation - deals securing additional €10mn EBITDA at average EV/EBITDA of 5.0x with peak net debt/EBITDA at 2.1x - we get an additional value per share of **€0.26** (adjusted for a 70% risk factor);

b) buy-out of **minorities**, for those subsidiaries where PTR has not gained full control yet, and here we estimate a potential positive impact between 18% and 27% on Adj. EPS, i.e. an average additional value of **€0.34** per share, all the rest being equal (and again adjusted by a 70% risk factor).

This approach provides a fair equity value per share of €7.2 and at this price, the stock would trade at 7.3x FY25E EV/EBITDA and 14.5x adj. P/E: these multiples would position Pattern at premium to peers' group - currently trading at ca. 5.5x EV/EBITDA and 12.1x P/E - supported by above average growth prospects and spotless track-record since IPO, but still at strong discount to recent M&A multiples in the Italian luxury supply chain - at ca. 9x-10x FY0 EV/EBITDA.

What are the key challenges?

Pattern has also some challenges to face and in our view these could be described as follows:

1. the **short-term negative effect of slowing demand in luxury** and of a sizeable but unavoidable de-stocking process, but here as for 2024 our model factors a certain weakness in revenues for all divisions, while on the other hand we expect the Company to look out for growing market niches, by focusing even more on high-end absolute luxury brands, rather than fashion luxury, and brands with strong momentum and shared long-term strategies;

2. Pattern's **B2B order-based, "cost-plus" model** so far has ensured operating margins between 10-13%, setting a minimum threshold but also capping potential gains, as benefits of scale may be limited by the relative strength of PTR large global clients in the luxury sector. We believe that - on top of further scale and industrial optimization - M&A (as the UVM acquisition) and the potential entrance in new sectors, such as lifestyle (home/decor), could allow the company to accelerate the client diversification and to lessen its dependence on major fashion names and the related margin constrains.

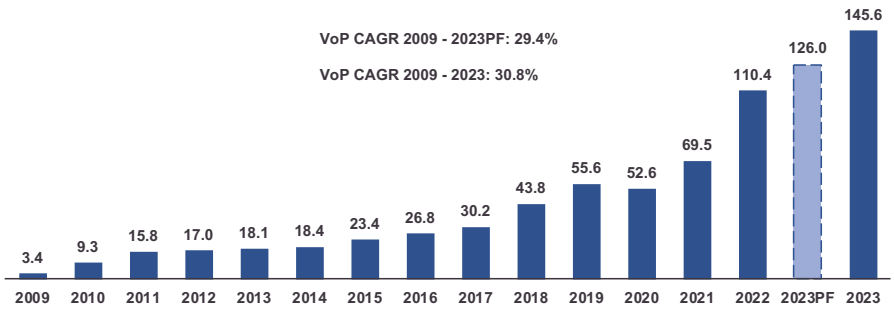
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Corporate Profile

Pattern is one of main independent players operating in design, engineering, and production of fashion show and top-end apparel and accessories for prestigious international luxury brands. Founded in 2000 by Fulvio Botto and Francesco Martorella (still directors and major shareholders), and following the appointment of Luca Sburlati as CEO in 2012, the Company embarked on a structured growth journey since 2017. This growth process, fuelled by its 2019 IPO on EGM, has seen the company acquire 12 entities (the largest one on 30 May) across 7 Italian regions, covering the entire fashion luxury spectrum.

With **2023 VoP and EBITDA at €145.6mn and €18.8mn respectively**, Pattern Group is one of the leading independent players in the luxury engineering segment, serving as a benchmark for the world's most prestigious top-end fashion brands. Its steady growth trajectory (31% CAGR 2009-2023), fuelled by a solid M&A strategy, has resulted in the incorporation of 12 companies, while at the end of FY2023 Pattern sold its business unit dedicated to Burberry menswear, and we estimate FY23 pro-forma revenues (ex-Burberry unit) at around €126mn.

Pattern Group: Value of Production historical evolution 2009-2023 and 2023PF (€mn)



Source: Pattern Spa, Value Track analysis. FY23 PF assumes the deconsolidation of the business unit sold in 4Q23 as of 1.1.2023

Pattern now operates under **three distinct product segments**:

1. **Men's and Womenswear** (40% of FY23 sales, 26% on FY24E PF), based in centre/north-west regions and specializing in ready-to-wear collections;
2. **Luxury Knitwear** (40% of FY23, 56% FY24 PF), located in Emilia Romagna and Umbria;
3. **Leather Goods** (20% of FY23 Revenues, 18% FY24E PF), centred in the Tuscany region.

Pattern Group: Revenues from Sales by product segment - FY2022 and FY2023



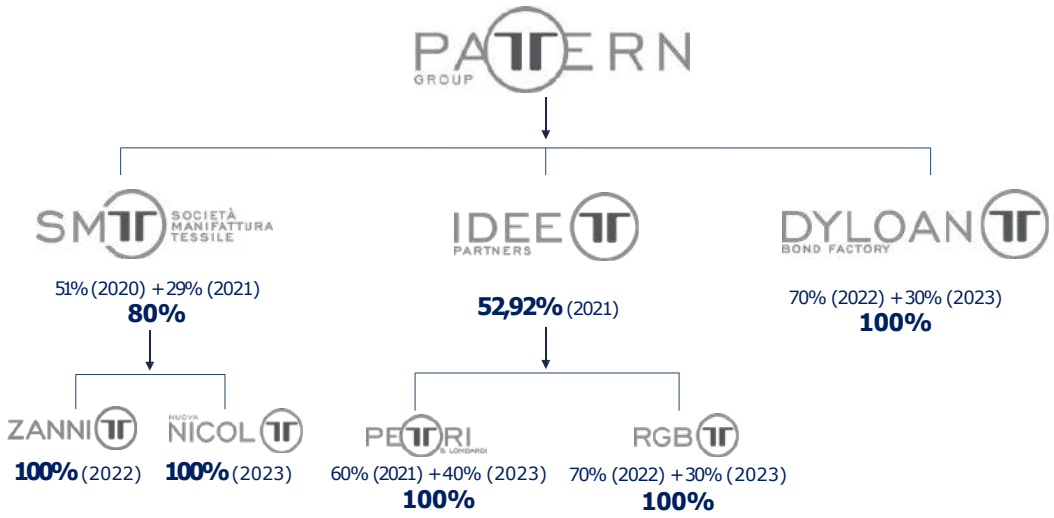
Source: Pattern Group, Value Track analysis

Historical Milestones

Founded in 2000 by Fulvio Botto and Francesco Martorella, Pattern Group initially operated as a consulting firm predominantly focused on designing men's fashion lines.

- In **2009**, the company embarked on a structured growth process, by appointing Luca Sburlati as CEO (2012), setting up the Collegno Plant, and being the first Italian brand to obtain the Social Accountability Certificate SA800.
- In **2017**, the lease of Roscini Atelier significantly expanded Pattern's presence into the women's apparel sector, cementing its status as one of the preeminent independent entities in Italy for comprehensive modelling and garment management across gender lines.
- In **2019**, PTR completed the **listing process on EGM** to accelerate its growth journey.
- **Since 2020**, Pattern has embarked on a growth strategy through external lines (i.e., via M&A), resulting in the acquisition of a majority stake in 8 companies.
- At the end of **2023** a binding agreement was signed for the **sale to Burberry Limited of the Turin's plant business unit** (inclusive of 70 employees) for €22.4m.
- On 30 **May 2024** PTR announced a binding agreement to **acquire 100%** of Umbria Verde Mattioli S.r.l. (**UVM**), among Italy's largest knitwear producers - FY23 Revenues €17.8mn, EBITDA €4.2mn (23.6% margin), €3.3mn net cash - for €20mn (€11mn in cash and €9mn in SMT shares).

Pattern Group: Corporate Structure as of 31.12.2023 and dates of acquisitions (*)



Source: Pattern Spa (*) Structure pre UVM-closing.

Corporate Governance

Shareholders and Group structure

The founders, Francesco Martorella and Fulvio Botto, are the main shareholders, each holding a 31.4% stake in the company. This ownership is acquired both directly and through Bo.Ma. Holding S.r.l., which they co-own, splitting ownership fifty-fifty between them. Minority stakes are held by both financial investors, namely Otus Capital (5.6%) and Axon Partners (6.4%) and Company insiders such as the CEO Luca Sburlati (1.8%), the board member Stefano Casini (1.3%, through Camer S.r.l.), and Atelier Roscini's head Anna Maria Roscini (1.9%). The free float stands at 20.3%.

Pattern Group: shareholding structure

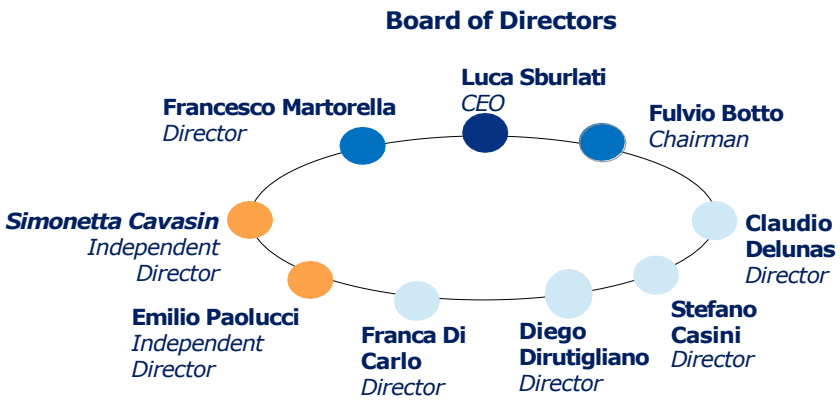
Shareholder	Share Capital (€)	As % of Total
Bo.Ma Srl	7,496,013	52.2%
Otus Capital	808,633	5.6%
Fulvio Botto	755,490	5.3%
Francesco Martorella	755,490	5.3%
Axon Partners	913,482	6.4%
Camer Srl	189,591	1.3%
Luca Sburlati	261,405	1.8%
Anna Maria Roscini	274,332	1.9%
Free float	2,908,493	20.3%
	14,362,929	**100.0%**

Source: Pattern Group

Top Management: Structure & Powers

With a **workforce of +800 employees** in December 2023, Pattern's top management includes Fulvio Botto (Chairman), Francesco Martorella (Director), Luca Sburlati (CEO) together with other 4 Directors and 2 independent Directors.

Pattern Group: key people



Source: Pattern Group

Key Features

We have identified the following features as Pattern's key driver for its successful growth:

1) Operational Excellence. Pattern excels in serving top-tier luxury brands, efficiently navigating the stringent timelines of the fashion industry's seasonal cycles. This efficiency is supported by a hybrid production model that blends in-house operations with strategic outsourcing, all underpinned by a genuine commitment to ESG standards;

2) Distinct Market Positioning. Occupying a unique niche, Pattern is strategically placed in a sector that is increasingly attractive to major brands and industry consolidators. This advantage is largely due to its "Made in Italy" hallmark, which not only adds cachet but also substantial narrative value;

3) Financial Strength: rapid growth through "Industrial M&A" and a robust Balance Sheet supported by short NWC cycle (due to high-calibre client base with stringent payment terms), and modest capital intensity, evidenced by ca. 20% Net Fixed Asset/VoP ratio (excluding goodwill).

#1 Operational Excellence

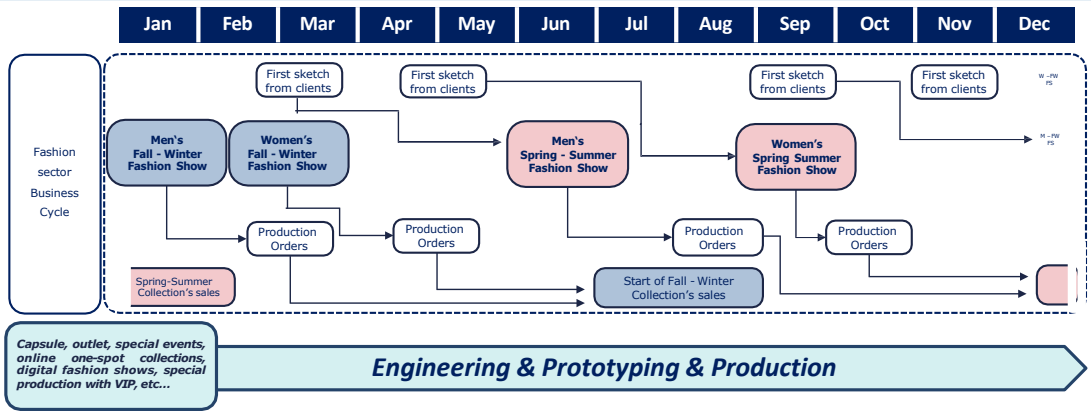
Engineering business syncing with fashion calendar

Pattern takes care of **bridging the gap between creative concepts from fashion stylists and the industrial-scale manufacturing process**. As such, its primary focus is on the **engineering and design stage**, as well as fashion-shows, while approximately half of the production is outsourced to third parties. The finished product is then delivered to its clients, mostly Global Fashion Houses in the absolute luxury segments, which are responsible for its distribution.

Seasonal fashion shows dictate the primary schedule of the business's yearly activities, which are further supplemented by numerous capsule collections throughout the year.

- **Autumn-Winter cycle**: design phase starts in September, with sample delivery in January and production phase lasting 5-6 weeks;
- **Spring-Summer cycle**: mirrors the first one, starting in March and ending in July;
- **Capsule collections**: quickly designed and produced within 2 months;
- **Other "spot" activities**: on a smaller scale Pattern fulfils client demands for productions beyond the principal collections, such as outlet collections.

Fashion sector seasonal cycle



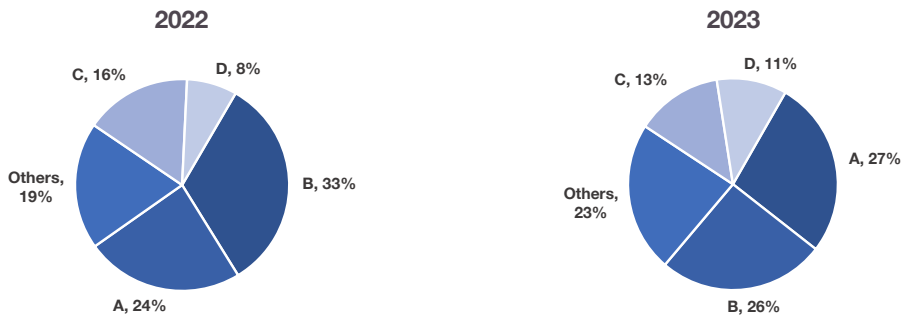
Source: Pattern Group

Trusted partner for absolute luxury brands

Pattern's clientele comprises the most **prestigious international groups** in the luxury apparel sector. Due to the highly concentrated nature of the luxury fashion market, dominated by a few large groups, the Company earns a substantial portion of its revenue from a limited number of clients: in FY23, the top 4 clients accounted for approximately 77% of total sales.

Importantly, Pattern is among the few players capable of upholding Italian craftsmanship to the stringent standards expected by leading fashion Groups, making it **extraordinarily difficult to substitute**. In the luxury fashion sector, the integrity and quality of the supply chain are crucial, significantly influencing brand perception and consumer trust. Consequently, brands require a trusted and high-calibre partner and cannot afford the risks associated with engaging inadequate suppliers.

Pattern Group: Revenues from Sales by main client

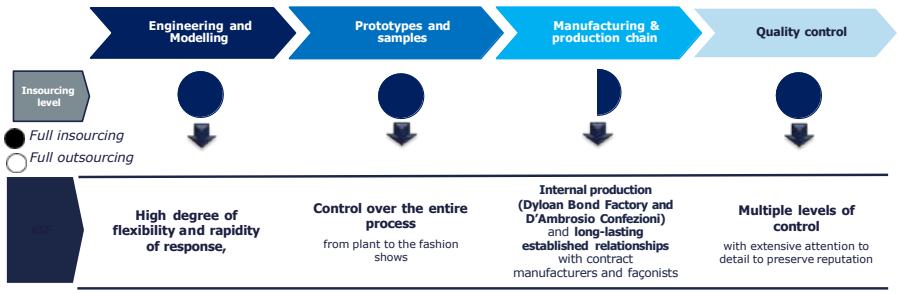


Source: Pattern Group, Value Track analysis

Lean and flexible business model

Pattern employs a well-carved business model, which is: 1) structured in defined phases under the responsibility of specific departments; 2) focused on highly value-added /critical activities, such as engineering and quality control, while strategically outsourcing approximately half of its production to specialized third-party manufacturers known as façonists; 3) based on orders, thereby effectively eliminating inventory risks by aligning production with actual market demand. Notably, Pattern aims to gradually internalize up to 40% of production, to ensure maximum quality control, as it moves towards the uppermost tier of the luxury market to meet the most exclusive demands.

Pattern Group: business model phases



Source: Pattern Group

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The individual steps of the business model are detailed below.

1. **Engineering & modelling**: upon receiving a concept from the client's stylist, Pattern initiates prototype development. The process begins in the **Technical Direction area,** where the initial sketches are transformed into a prototype design, then communicated to the **CAD Area** for further development. The latter, employs software to design the virtual prototype, allocate raw materials, and create technical documentation for production. Following CAD completion, the Technical Direction undertakes cutting operations. Throughout, pricing is established considering raw material costs, agreed with the client, as well as processing and labour expenses.
2. **Prototype and sample production**: the Technical Direction creates the first prototype, which is shared and reviewed directly with stylists. In fitting sessions, defects are identified and, if needed, modifications are made after client feedback, possibly leading to more prototypes. After resolving these issues and making stylist adjustments, Pattern finalizes the sample and eventually reviews the price estimates considering modification and requests. Upon request, the Company offers specialized support for the fashion show, including tailors and model makers.
3. **Industrial-scale Manufacturing**: the manufacture of the clothing items is outsourced to external manufacturing firms, known as *façonists*. The company leverages **over 55 *façonists***, mainly located in Italy and to a small extent Romania. These partners, under the stringent oversight and management of Pattern, are responsible for comprehensive garment creation steps including cutting, assembling, sewing, ironing, finishing, labelling, and packaging. Supply contracts with façonists typically follow a standard format, spanning multiple years (usually 24-36 months), and outline general terms and conditions for product delivery. They include penalties for delivery delays, quality requirements for finished garments, adherence to SA8000 standards, and specific confidentiality obligations extending beyond the relationship's termination.
4. **Quality Assurance**: once assembled, the products undergo thorough an internal quality control before being presented to clients for a final check and then distributed by them. For quality control, Pattern employs specialized internal resources and innovative technologies to conduct a final review of the packaged products, using a tiered system (including 100% inspection or LQA - "Acceptable Quality Level") before delivery.

"Natural" tilt toward ESG compliance

Pattern has consistently prioritized innovation and ESG themes, deeply integrating these aspects into its core practices. This focus is particularly critical in the fashion industry, where there is a genuine need and demand for brands to embrace these principles, due to: 1) their significant influence on consumer behaviour, especially among younger audiences; 2) their role in enhancing ethical production practices, including improved labour conditions and increased supply chain transparency; 3) recent pitfalls (e.g. Armani), which have heightened the urgency of addressing these issues.

Some highlights to note:

- **ESG and SER Ratings**: achieved a Level C ESG Rating for its efforts in environmental sustainability, social impact, and governance, alongside a Level D Supplier Engagement Rating (SER), which evaluates its supplier engagement regarding climate issues;
- **Carbon Disclosure Project partnership**: has partnered with the CDP to measure its performance and secure an ESG rating that is reliable, internationally recognized, and scientifically grounded, adhering to the highest standards available;
- **Sustainability Initiatives**: launched the "From Red to Green Carpet" project targeting zero environmental impact;
- **Innovative Partnerships**: collaborates with major firms through DHouse-Dyloan Bond Factory to advance sustainable technology and "circular design".

#2 Distinct Market Positioning

Leading role in a fragmented market

Pattern has uniquely positioned itself within its sector, developing a **rare and hard-to-replicate asset**, not merely as an aggregator but orchestrating a comprehensive industrial project that showcases a clear, strategic vision. This initiative gains particular value as it is embedded within the Italian fashion supply chain, which is currently **drawing interest from top brands and aggregators,** eager to leverage the sector's unique characteristics.

1) **"Made in Italy" Asset**: Italy's esteemed high-quality fashion stems from a deep-rooted tradition of craftsmanship inherited across generations. Global brands are keen to harness this mark of excellence to elevate their product lines and also to add a narrative appeal;
2) **Long and fragmented value chain**: according to the Italian Business Register the fashion sector, counts more than 344,000 companies, small to medium-sized, family-owned businesses;
3) **Districts characteristic**: production is carried out by a dense network of workshops and products are moved several times before reaching their final destination. This setup allows for rapid adaptation to market demand, with production lines frequently reconfigured to meet specific needs of evolving collections.

Strategic appeal in the "Made in Italy" supply chain

Despite being family-operated SMEs, these firms have become crucial suppliers for luxury brands, sparking significant interest and initiating a **consolidation phase within the Italian fashion industry**. More in specific: 1) **Major fashion houses** opting for vertical integration or looking for supply chain stability and production capabilities. Some examples for 2023 include Burberry's with Pattern, Chanel's with Mabi International, LVMH with M.On.De; 2) **Private equity-backed platforms** pursuing aggressive acquisition strategies, such as Florence Group, which since 2020 has acquired 28 companies and workshops, and Holding della Moda, which encompasses 11 companies. Meanwhile, the SMEs involved gain from expanded access to international markets, enhancing both their visibility and operational scale.

Italian Fashion M&A in 2023

Bidder	Target	Closing	Sales FY0 (€mn)
Florence Group	Ricamificio GS	02/01/2023	16
Florence Group	Sipaff	01/02/2023	10
Palladio Holding	Nice Footwear	06/03/2023	2
Holding Moda	Beste	16/03/2023	48
Florence Group	ABC Ricami	12/06/2023	5
Xenon Private Equity	Minerva Hub	15/06/2023	170
Luxottica	Fedon	13/07/2023	51
Richemont	Gianvito Rossi	28/07/2023	100
Minerva Hub	New and Best	28/07/2023	26
Fine Mito	Cover 50	09/08/2023	31
Holding Moda	Taglionetto, Elledi, M. Lendinarese, Lanificio Arca	19/09/2023	51
Minerva Hub	Elettrogalvanica Settimi	25/09/2023	15
Minerva Hub	LTM	02/10/2023	2
Chanel	Mabi International	04/10/2023	171
Permira	Florence Group	18/10/2023	600
Star New Generation	Ricami NBM	15/11/2023	6
FSI	Missoni	21/11/2023	109
Kering	Valentino	06/12/2023	1,419
Minerva Hub	Interlinea2	07/12/2023	12
Holding Moda	Dema	13/12/2023	22
LVMH	M.On.De.	19/12/2023	45

Source: Value Track analysis

Italian Fashion M&A in 2024 YTD

Bidder	Target	Closing	Sales FY0 (€mn)
Holding Moda	Emmetierre, Fast Pelle	24/01/2024	4
Minerva Hub	Goretti	04/03/2024	30
Style Capital	Autry	09/03/2024	130
Missoni	Tricotex	12/03/2024	3
Miroglio Group	Trussardi	12/03/2024	125
Gentili Mosconi	Tintoria Comacina	19/03/2024	3
Capri Holdings	Calzaturificio Sicla	19/03/2024	34
Holding Moda	Puntoart	25/04/2024	2
Minerva Hub	Goretti, Deadema, Teknomabel , Estro Lab	04/03/2024	3
L. Catterton	Tod's	15/05/2024	1,127
Florence Group	Star New Generation	05/06/2024	128

Source: Value Track analysis

Italian Competitive Arena

Company	Reference Year (*)	Sales (€mn)	EBIT (€mn)	EBIT Margin (%)	Net Inc. (€mn)	Net Margin (%)	Employees (#)
Gruppo Florence (29 comp.)	2023E	600.0	72.0	12.0%	43.2	7.2%	2,713
Holding Moda (16 comp.)	2023E	310.0	32.5	10.5%	12.5	4.0%	1,500
Minerva Hub (14 comp.)	2023E	180	36.0	20.0%	20.1	11.1%	1,200
Mabi International Srl (**)	2022	171.4	57.5	33.6%	41.8	24.4%	255
Fontana Pelletterie Spa	2023	139.2	20.4	14.7%	14.6	10.5%	414
Paima Spa (**)	2022	75.9	19.7	25.9%	13.8	18.2%	226
Zamasport Spa	2023	41.9	1.7	4.1%	1.5	3.5%	186
Confezioni E Facon Srl	2022	40.2	4.0	9.9%	3.4	8.5%	144
Pellemoda Srl	2022	39.1	2.2	5.6%	1.5	3.8%	138
Pespow Italy Srl	2022	28.2	1.9	6.6%	1.4	5.0%	60
Confezioni Simmy Srl	2022	12.9	1.1	8.8%	0.8	5.9%	52

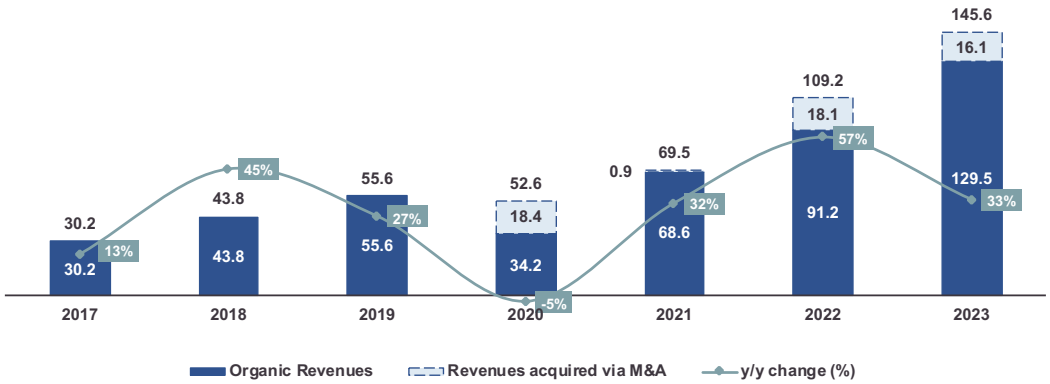
Source: Value Track analysis, (*) For estimates EBIT and Net Profit are based on previous year margins and expected FY1 turnover, (**) Acquired by Chanel

#3 Financial Strength

Strong growth fuelled by "Industrial M&A"

Pattern has been able to grow at a **39.2% CAGR 2020-2023**, and we estimate M&A transaction brough in revenues of ca. €54mn during the same period. Transactions occurred at favourable terms and were thoughtfully planned as a part of a broader industrial project with the goal of integrating the targets into a network of specialized centres throughout Italy, each configured to capitalize on unique district-specific advantages and local craftsmanship expertise. All this applies also to the last acquisition, just announced (May 2024) and discussed in more detail further down.

Pattern Group: M&A Impact on Revenues FY2017-FY2023



Source: Pattern Group, Value Track analysis, (*) Contribution of targets to Group revenues (Revenues acquired via M&A) is split over two years if required (first year of consolidation pro-quota and remaining annual revenues carried over to the following year)

Specifically, we highlight the following key points:

1) **Attractive acquisition terms**, as suggested by average purchase **multiples under 6.0x FY0 EV/EVITDA** for building always controlling stakes;
2) **Complementary positioning**, offers and technologies which have position the Group well to provide a wide range of products/technologies, ranging from men's and women's wear, knitwear, and leather goods;
3) **Industrial integration and synergy potential**, with attractive intra group cross fertilization of know-how (including management skills) and innovation, as well as commercial cross selling;
4) **Efficiency and cost optimization potential**, where we believe a lot of potential has still to come, we believe, especially in terms of benefits of scale.

Pattern Group: acquisition & disposals milestones

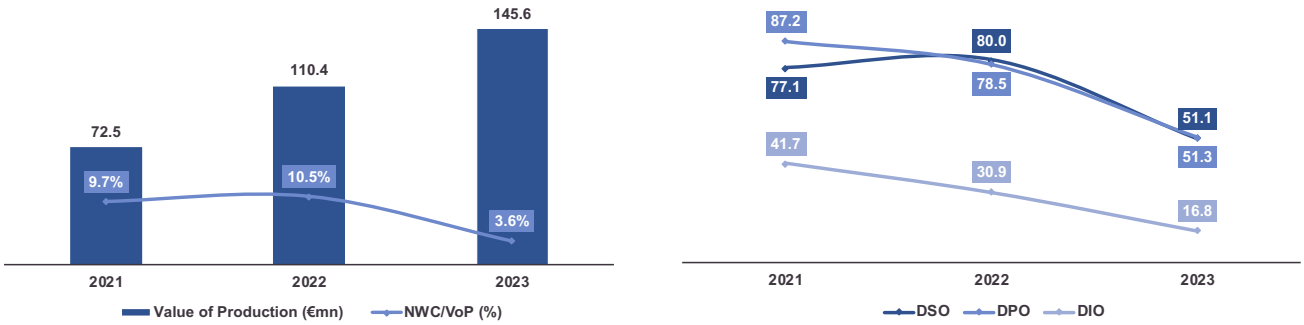
Entity	Closing Date	Stake (%)	Revenues FY0 (€mn)	EBITDA FY0 (€mn)	EV (€mn)	EV/Sales	EV/EBITDA
SMT	31/03/2020	51%	17.9	1.8	5.5	0.6	6.0
SMT(1)	24/02/2021	29%	25.0(1)	2.5(1)/(2)	3.9	0.5	5.3
IDEE Partners(1)	16/11/2021	53%	12.0(1)	1.2(1)	4.0	0.6	6.3
Zanni(1)	07/02/2022	100%	2.4(1)	0.5(1)/(2)	3.0	1.3	6.0
RGB	10/05/2022	70%	11.8	0.9	3.3	0.4	5.4
D-Holding	08/11/2022	70%	15.3	2.1	7.0	0.6	4.7
Nuova Nicol	14/04/2023	100%	13.9	3.6	4.1	0.3	1.1
Petri & Lombardi(3)	15/05/2023	40%	3.0	0.4	0.5	0.4	3.5
D-Holding	26/07/2023	30%	15.3	2.1	4.0	0.9	6.4
RGB	26/07/2023	30%	11.8	0.9	1.0	0.3	3.9
BU Disposal	02/10/2023	100%	25.0	2.2(4)	22.4	0.9	10.2
UVM	June 2024	100%	17.8	4.2	16.7	0.9	4.0

Source: Pattern Group, (1) FY1 Financials, (2) EBITDA estimate based on historical margins (3) First 60% acquired in 2021 together with Idee Partners, (4) Adjusted for overheads

NWC under control thanks to strong ties with top brands

Pattern's clients are predominantly top-tier brands, ensuring swift and timely payment standards. From a balance sheet perspective, this translates into a **short operating cycle and minimal working capital absorption**. It should be noted that 2023 appears exceptionally positive due to the effect of disposals, which completely remove assets from the balance sheet, while on the P&L, revenues are consolidated for 9 months, resulting in ratios that are poorly representative of the Group's working capital dynamics. In a steady state, the incidence of Net Working Capital on Value of Production should range between 8-10%.

Pattern Group: VoP vs. Net Working Capital (left) and Operating Cycle metrics FY21-FY23 (right)



Source: Pattern Group, Value Track analysis

Sound balance sheet in a weak macro environment

Pattern maintains a strong balance sheet and sound cash flow generation capacity, which support the possibility of taking on significant additional debt and suggest the company is still in good shape to continue its role as an industry aggregator, also after its last acquisition.

As a broad indication of its war chest, by potentially adding €25.0mn debt to our 2025E Group estimates, we would still get to a NFP/EBITDA of 1.6x and a Gearing ratio <60%. Additionally, current uncertain market conditions may enable Pattern to **pursue its acquisition strategy at favourable multiples**, allowing easy alignment with the company's guideline of maintaining an acquisition EV/EBITDA ratio <6.0x, as confirmed by the recent acquisition of UVM.

Pattern Group: Leverage and Coverage ratios 2022-2025E

(%, x)	2022	2023	2024E	2025E	2025E re-leveraged
Gearing (i.e. Net Debt / Equity, %)	47%	<0	30%	19%	59%
Net Debt / Tot. Capital Employed (%)	32%	<0	23%	16%	37%
Net Debt / EBITDA (x)	1.25	<0	1.08	0.52	1.62
EBITA / Net Fin Charges (x)	>10	>10	>10	>10	>10

Source: Pattern Group, Value Track analysis

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Sound ROIC profile, and better if Goodwill-adjusted

Pattern business model is labour intensive but not that capital intensive, as it outsources much of its production and with Dyloan being the only notable exception within the Group. Additionally, its balance sheet for FY23 includes €17.4mn in goodwill, representing over 80% of the total intangible assets and more than 40% of total Net Fixed Assets. As a consequence, Net Fixed Assets (excl. goodwill) stands at a 17%-18% incidence on Value of Production, thus supporting healthy Returns on Equity and Capital Employed. It could be useful to add that the recently announced acquisition of UVM could add further goodwill - we estimate for ca. €10mn - but it will not change the capital intensity of the Group.

More in specific:

- 1°Adjustment. By solely adjusting for the goodwill amortization charge on the P&L (akin to IFRS standards), the **$ROIC_{b.t.}$ for FY22-23 ranges between 26-24%**;
- 2° Adjustment. Building on the above, by additionally netting out Goodwill from the Net Fixed Assets, the **$ROIC_{b.t.}$ for FY22-23 increases to between 34-40%**. While this seems more extreme, it provides insight into the returns generated from operational assets and know-how, removing the distorting effect of M&A and goodwill, disproportionately inflating the asset base.

Pattern Group: Limited Net Fixed Assets figure = sound return on capital measures

Net Fixed Assets (€mn, Fiscal Year)	2022	2023
Tangible Assets	15.9	18.3
Intangible Assets (excl. Goodwill)	3.2	3.4
Financial Assets	1.1	2.9
Net Fixed Assets (excl. Goodwill)	**20.2**	**24.6**
As % of Value of Production	18.3%	16.9%
ROIC b.t. (%, on avg. IC t-1) reported	*15.8%*	*20.0%*
ROIC b.t. (%, on avg. IC t-1) reported	*9.7%*	*16.7%*

ROIC / ROE Adj. 1 (%, excl. Goodwill Amort Charge, i.e. IFRS like)	2022	2023
ROIC b.t. (%, on avg. IC t-1)	*25.6%*	*24.2%*
ROIC a.t. (%, on avg. IC t-1)	*15.8%*	*20.2%*

ROIC Adj. 2 (%, excl. Goodwill & Goodwill Amort. Charge)	2022	2023
ROIC b.t. (%, on avg. IC t-1,t excl. Goodwill)	*42.4%*	*40.3%*
ROIC a.t. (%, on avg. IC t-1,t excl. Goodwill)	*26.1%*	*33.6%*

Source: Pattern Group, Value Track analysis

Recent Financial Performance

Pattern enjoyed in FY23 a great year, reporting revenues above expectations driven by the very strong demand (in the first half of the year in particular), the full consolidation of the subsidiaries purchased over 2022-2023 and the last contribution of the business unit disposed of in October 2023. In addition, EBITDA margin reached its all-time-high of 12.7%, thanks to the extremely high contribution from the knitwear segment - which enjoys higher than average margins, thanks also to its fully integrated business model, a generalised easing pressure from raw materials and the positive volume/scale effect. Thanks to that background, the disposal of the assets related to Burberry production, closed in Q4 2023, was completed at fair and favourable terms to Pattern (i.e. 10x FY1 EV/EBITDA adjusted for overheads), we estimate.

FY2023: VoP up +31.8% y/y, 12.9% EBITDA margin

The key highlights from Pattern Group's financial results are as follows:

1. **Sound top line growth pace** at 31.8% y/y to €145.6mn as of FY23, with Knitwear and Clothing accounting for ca.40% of total Sales each, and with the former boasting the highest y/y Sales growth due to the full consolidation of Nuova Nicol in FY23;
2. **EBITDA** +69.3% y/y to €18.8mn, with EBITDA margin up 287bps with very high contribution from knitwear - which enjoys higher than average margins, thanks also to its fully integrated business model - generalised easing pressure from raw materials and positive scale effect;
3. **Working capital** has been alleviated (3.6% of VoP compared to 10.5% in FY22) through reduced inventory following BU divestment, the realization of certain tax credits, and the accounting of €1.2mn debts to the sellers of Nuova Nicol;
4. **Net Financial Position moving from Net Debt** (€13.9mn in 2022) **to Net Cash** (€0.6mn as of December 2023), after significant €20.0mn investments, €8.9mn dividends, and thanks to €22.4mn disposal-related cash-in,
5. **On a pro-forma basis,** i.e. deconsolidating as of 1.1.2023 the business unit sold in Q4, we estimate Pattern FY23 **revenues and EBITDA at ca. €126mn and €16mn** respectively.

Pattern Group: Key Financials FY22-FY23

(€, mn)	2022	2023	Δ y/y	2023PF
Value of Production	**110.4**	**145.6**	**31.8%**	**126.0**
EBITDA	**11.1**	**18.8**	**69.3%**	**16.0**
EBITDA Margin (%)	*10.1%*	*12.9%*	*287bps*	*12.7%*
EBIT	**6.9**	**8.4**	**21.8%**	
EBIT Margin (%)	*6.2%*	*5.8%*	*-47bps*	
Net Profit Adj. (*)	**4.1**	**7.9**	**93.0%**	
Net Margin (%)	*3.7%*	*5.4%*	*172bps*	
Net Financial Position	**-13.9**	**0.6**	**14.5mn**	

Source: Pattern Group, Value Track analysis, (*) adjusted for disposal effect (FY23), Dyloan impairment charge (FY23), and Goodwill amortization

Top line growing double digit in FY23

FY23 Revenues from sales were up +35.4% y/y at €147.9mn, growing both organically and via M&A (which we estimate to account for ca. 15% y/y). It should be noted that revenue growth outpaced the Value of Production due to a negative change in inventory associated with the BU disposal. Segment-

wise the main contributors were knitwear and clothing, both accounting for ca. 40% of Sales and with the former benefitting from the full consolidation of Nuova Nicol.

Pattern Group: Revenues from Sales by Business Unit



Source: Pattern Group, Value Track analysis

Profitability benefits from favourable mix effect, thanks to knitwear

As for **FY23** profitability, we highlight:

- **EBITDA at €18.8mn** (vs. €11.1mn as of FY22) and **EBITDA margin at 12.9%,** mainly due to the extremely high contribution from the knitwear segment, as outlined;
- **EBIT at €8.4mn** (vs. €6.9mn as of FY22) growing less than proportionally primarily due to €4mn impairment of the stake in Dyloan which was included in D&A;
- **Adj. Net Profit at €7.9mn**, for: 1) disposal effects (€20.3mn capital gain, €1.1mn extraordinary costs); 2) €4.0mn Dyloan impairment charge; 3) €2.2mn Goodwill amortization charge.

Pattern Group: P&L FY21-FY23

(€, mn)	2021	2022	2023	Δ y/y
Value of Production	**72.5**	**110.4**	**145.6**	**31.8%**
Raw Materials, Δ Inventory (Raw Materials)	-25.3	-28.4	-28.8	1.3%
Gross Profit	**47.2**	**82.0**	**116.7**	**42.4%**
Gross Margin (%)	***65.1%***	***74.2%***	***80.2%***	***596bps***
Costs of Services	-22.6	-42.3	-56.2	33.0%
Costs of Rent	-1.5	-2.4	-3.2	31.2%
G&A	-0.3	-0.8	-1.3	64.1%
Labour Costs	-15.2	-25.4	-37.2	46.7%
EBITDA	**7.7**	**11.1**	**18.8**	**69.3%**
EBITDA Margin (%)	***10.6%***	***10.1%***	***12.9%***	***287bps***
D&A	-2.2	-3.7	-4.4	17.7%
Provisions	-0.2	-0.5	-6.0	nm
EBIT	**5.3**	**6.9**	**8.4**	21.8%
Interest Expenses	-0.1	-0.3	-0.6	nm
Other Non-Operating Income	0.0	0.0	20.3	nm
Pre-Tax Profit	**5.1**	**6.6**	**7.8**	18.6%
Taxes	-1.5	-2.5	-4.7	85.9%
Minorities	-0.7	-1.5	-2.3	54.1%
Net Profit	3.0	2.6	21.1	nm
Net Profit Adj.	**3.7**	**4.1**	**7.9**	**93.0%**
Net Profit Adj. Margin (%)	***5.1%***	***3.7%***	***5.4%***	***172bps***

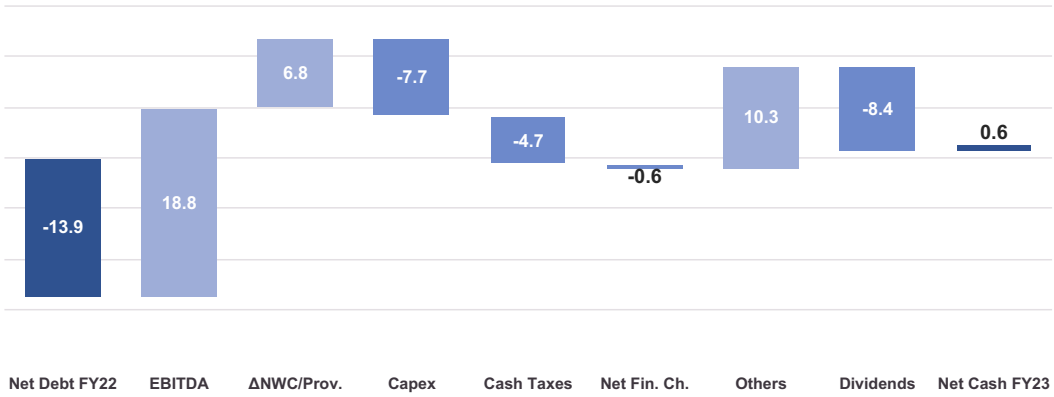
Source: Pattern Group, Value Track analysis

Cash Flow & Balance Sheet

For **FY23**, at Balance Sheet and Cash Flow level we note:

- **Net fixed assets** at €42.0mn, after €19.2 investments (60% financial, 30% tangible, 10% intangible) and despite €10.4mn D&A (of which €4mn related to Dyloan's impairment charge) as well as the deconsolidation of the disposed business unit;
- **Net Working capital** has been alleviated (3.6% of VoP compared to 10.5% in FY21) through reduced inventory following BU divestment, the realization of certain tax credits, and the accounting of €1.2mn in debits to the sellers of Nuova Nicol;
- **Net Financial Position moving from Net Debt** (€13.9mn in 2022) **to Net Cash** (€0.6mn as of December 2023), after €7.7mn capex, €11.5mn investments for M&A, €22.4mn disposal-related cash-in and €8.9mn dividends.

Pattern Group: Net Financial Position bridge FY22-FY23



Source: Pattern Group, Value Track analysis. Others includes Investments for M&A and Proceeds from disposals

Pattern Group: Cash Flow Structure FY21-FY23

(€, mn)	2021	2022	2023	Δ y/y
EBITDA	7.7	11.1	18.8	69.3%
Δ NWC	-3.8	-4.5	6.3	nm
Capex	-9.2	-4.1	-7.7	87.7%
Δ Provisions	0.9	2.1	0.5	-76.2%
OpCF b.t.	**-4.3**	**4.5**	**17.9**	**nm**
As a % of EBITDA	*-56.5%*	*40.7%*	*95.1%*	nm
Cash Taxes	-1.5	-2.5	-4.7	85.9%
OpFCF a.t.	**-5.8**	**2.0**	**13.2**	**nm**
Others (incl. Financial Inv.)	0.6	-17.5	10.8	nm
Net Financial Charges	-0.1	-0.3	-0.6	nm
Dividends Paid	-0.4	-1.2	-8.9	nm
Δ Net Financial Position	**-5.7**	**-16.9**	**14.5**	**+€31.4mn**

Source: Pattern Group, Value Track analysis

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Pattern Group: Balance Sheet Structure FY21-FY23

(€, mn)	2021	2022	2023	Δ y/y
Net Fixed Assets	17.9	36.8	42.0	14.0%
Net Working Capital	7.0	11.6	5.3	-54.4%
Provisions	2.9	4.9	5.4	10.0%
Total Capital Employed	**22.0**	**43.5**	**41.9**	**-3.7%**
Group Net Equity	**25.1**	**29.6**	**42.5**	**43.4%**
Net Financial Position	**3.1**	**-13.9**	**0.6**	**+€14.5mn**

Source: Pattern Group, Value Track analysis

Recent Corporate Developments

On 30 May Pattern announced i) the acquisition of UVM (a leading player in high-end knitwear) for an equity value of €20mn - through its 80%-owned subsidiary SMT - to be corresponded part in cash and part in S.M.T shares; ii) the partial buy-out of minorities in SMT in order to offset the dilutive effect for Pattern Spa of the capital increase to purchase UVM; iii) the renewal of the agreement with SMT minority shareholder and key managing partner. We evaluate very positively these moves as the acquisition has a strong industrial rationale and has been closed at reasonable multiples, the buy-out of minorities has been carried at 5.0x FY23 EV/EBITDA and the new agreements offer higher transparency and longer term visibility on governance issues.

Acquisition of Umbria Verde Mattioli

UVM at a glance

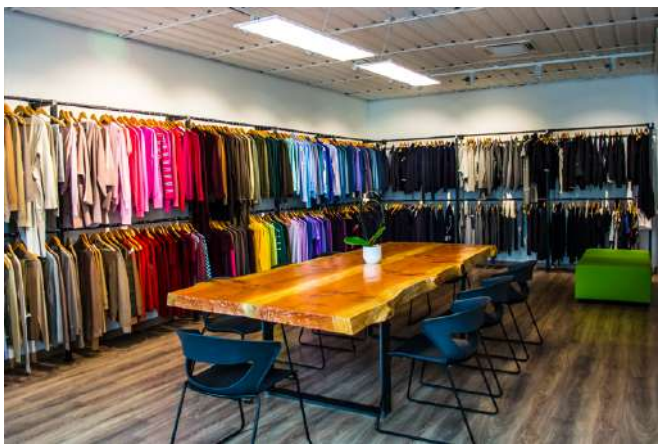
Pattern has executed a binding investment agreement to acquire, through its 80%-owned subsidiary SMT, 100% of Umbria Verde Mattioli S.r.l. (UVM). Established in 1959, UVM is among Italy's largest knitwear producers, specializing in thin and super thin knitwear. Renowned for its commitment to quality, UVM leverages premium fibers and exclusive processing methods, often resulting in patented or exclusively licensed solutions. The mill boasts substantial production capacity with advanced English Cotton Machines, including the flagship 37gg machine, showcasing precision in processing ultra-thin yarns. FY2023 was closed with: 1) Revenues of €17.8mn; 2) EBITDA of €4.2mn, i.e a 23.6% EBITDA margin; 3) Net Cash of €3.3mn; 4) Ca. 70 employees.

Deal Rationale

The deal aligns with the growth strategy outlined by management and offers several key benefits: fortifies its position in the luxury knitwear segment and complete the product range;

- Extends the client portfolio with new names, in particular a few top-tier prospect brands, which could lead to some cross-selling opportunities in the future;
- Brings in management (Simone Mattioli) with very high product development competences, with potential benefits for the whole business segment in the longer run;
- Should lead Pattern's profitability to benefit from positive mix effect, thus balancing the weaker outlook of other segments, namely leather goods.

Umbria Verde Mattioli





Source: UVM Website

Terms of the deal

The **agreed price is €20.0mn** and will be paid by SMT to the sellers (the Mattioli brothers) as follows:

- €8.0mn at the execution date;
- €3.0mn in equal annual instalments up to 2027;
- €9.0mn will be used by the sellers as a credit to subscribe and fully liberate a capital increase in SMT reserved for them. This will result in the acquisition of a minority stake of 10% in SMT.

Our take: strong industrial rationale at attractive multiples

Our assessment indicates that the UVM transaction was executed at a highly attractive multiple of approximately **4.0x EV/EBITDA FY23** (accretive, based on our estimates), significantly below the historical average for acquisitions made by Pattern. Even assuming FY23 was an extremely favourable year, not easy to replicate in FY2024 with the current sector outlook, we believe the terms agreed remain attractive and accretive on 4.7x FY24E EV/EBITDA.

In **FY24E Patter Group P&L,** we estimate UVM deal to add ca. €15.1mn revenues, ca. €3.6mn EBITDA and some €7.7mn Net Debt (taking into account both the cash out for the acquisition of 100% of equity and the Net Cash position of the target).

SMT minorities buyout and renewed agreements

Terms of the deal

Pattern has signed an agreement to **acquire an 8% stake in SMT from Camer**, company wholly owned by the board member Stefano Casini, who is also CEO of SMT. The transaction will be executed via a share transfer deed for a total consideration of **€6.2mn**. Payments include €1.2mn upfront and €5mn spread over 5 years, with the first instalment to be paid by December 31, 2025. The agreement also includes a **Put & Call** option on the remaining 10% of SMT share capital owned by Camer, to be exercised within 5 years, at a price corresponding to a valuation of 6.4x EV/EBITDA.

These contracts include also a series of **additional elements**, relative to the agreements between Pattern and Mr Casini and the governance of SMT, as the lock-up of the CEO until 2028, his remuneration, the S.M.T board governance (BoD will have 5 members, of which 3 appointed by PTR, 1 by Camer and 1 by Simone Mattioli), etc.

Our take: fair terms and better visibility

The transaction valued **SMT at an Equity Value of €77.5mn**, implying:

- FY23 **EV/Sales and EV/EBITDA multiples of 1.2x and 5.0x** respectively, according to our estimates;
- SMT Minorities valued in line with expectations and with terms of recent Group's M&A;
- An equity valuation for SMT slightly at discount compared to that implied by the UVM deal,
- The €6.2mn cost has been settled independently from the UVM acquisition by SMT, yet it implies a post deal multiple of **4.4x FY23 EV/EBITDA**, i.e. **for SMT including UVM**.

As such, we deem the transaction occurred at very fair values under any point of view. It will also fully offset the dilutive effect for Pattern Spa of SMT right issue reserved to UVM selling shareholders, as from the acquisition terms described above.

In addition, the renewed terms of the shareholders' agreement improve visibility for all the stakeholders, as financial terms have been set more precisely, timing is better defined and governance is agreed with a 5-year horizon.

Growth Strategies & Opportunities

Pattern is currently undergoing a transitional phase, marked by the divestiture of parts of its historical operations (the Burberry line) and a new investment cycle aimed at developing its future headquarter and production hubs and strengthening its positioning. In fact, the over €20mn obtained from the assets' sale (net of extraordinary dividend) will be fully reinvested into this project as well as in the knitwear segment, with the recently announced acquisition. In addition, Pattern is exploring further optionalities, including: 1) acquisitions in contiguous but attractive sectors to diversify horizontally; 2) acquisition of minority interests (where governance and shareholders' agreements have been just renewed), to streamline the Group operationally and financially.

Hub optimization and development

In 2019, Pattern went public with the goal of becoming the first Italian luxury engineering hub. This objective has now been achieved ahead of schedule, with Pattern establishing its presence across all major merchandise categories (menswear and womenswear, clothing and accessories, textiles, knitwear, and leather goods), integrating research and design through to production. The company is now embarking on its second phase, focusing on the **optimization and development of its overall "manufacturing network"**, which is a mix of in-house and externalized production.

To achieve this, the company is implementing a series of activities.

Investments on existing hubs

In 2024, investments will focus on enhancing the existing hubs to consolidate the three centres of excellence: 1) the expansion of Zanni in Reggio Emilia, adding 2,000 sqm; 2) the spring inauguration of the new Idee Partners building in Scandicci; 3) the construction of a new Dyloan Bond Factory facility in Chieti, covering 4,000 square meters.

By 2025, the plan is to open a new headquarters in Turin, where the parent company will be relocated. In this regard a land was already bought for €1.8mn

The final target is increasing the level of in-house industrial-scale production (currently around 30%) and of prototyping (currently 50%).

Focus on "Top Luxury"

Pattern is committed to maintaining its exclusive focus on the Top Luxury / Made in Italy segment, actively pursuing strategies to enhance its quality standards. The Company's approach includes:

- Internalize an incremental portion of production (currently at 30%) and prototyping (currently at 50%), ensuring full control over projects where top quality is crucial;
- Deliberately avoiding mass industrialization, aligning with clients' preferences for genuine Made in Italy craftsmanship, which is why fashion houses look at Pattern as a key partner;
- Refining its client base, allocating design resources selectively. This process involves disengaging from clients who do not aim to compete in the luxury segment primarily on quality of the finished product and the integrity of the supply chain in ESG terms. The selection is favouring clients who place a higher value on product excellence and supply chain sustainability, rather than costs and mark-up.

Focus on innovation

The Company is increasingly focused on innovation and technology, with sizeable investments through the subsidiary Dyloan. As an example, the recent investment in Dyloan Bond Factory has brought a significant innovation in embroidery, utilizing a single white thread dyed during the process to access a vast colour palette, reducing reliance on slow-supplying thread vendors. This cuts the

production cycle by ca.2 months, giving the company a substantial competitive edge through quicker deliveries. Similar examples could be done relative to other innovative fabrics, printing techniques etc.

M&A strategy

According to the Management's guidelines, **M&A activities are likely to continue**, despite strictly selecting targets with strong product development capabilities and entrepreneurs wishing to partake in the project as described above, and not interested in speculative deals.

Additionally, M&A efforts may involve also more specific actions, including:

- Horizontal Diversification, aimed to expand into contiguous but currently untapped sectors;
- Acquisition of minorities, to enhance financial efficiency across the Group.

Horizontal diversification

In terms of M&A, the potential horizontal expansion into new sectors is prioritized, where Pattern's core competence in quality design and reputation for trustworthiness could be transferred. This strategy may involve **strategic acquisition to rapidly gain capabilities and market presence**, albeit with management's commitment to not exceeding the 6x EV/EBITDA acquisition multiple thresholds.

Key benefits include the following:

1) Moving beyond its usual clients may allow Pattern to **escape the "Margin Trap"**, i.e. margin limitations imposed by Luxury brand in the apparel segment, and pursue potentially more favourable profit margins;
2) Leveraging its established brand reputation, to **accesses a broader customer base** across different sectors, thus expanding its market reach and diversifying, i.e. **mitigating the impact of specific market dynamics**;
3) **Drives innovation through cross-sector exposure**, enhancing product offerings and competitive positioning;
4) Integration of operations across sectors, leading to **greater cost efficiencies and improved supply chain management** due to scaled operations.

Minorities buyout

In the second half of 2023, Pattern strategically enhanced its corporate structure by acquiring the outstanding 30% minority stakes in both Dyloan and RGB. Looking ahead, the Company remains open to further such consolidations, and specific Put and Call Agreements have been recently set-up as for the SMT subsidiary. The rationale of this move would also be to **curb dividend leakage**, which is **expected to conserve approximately €700k-€1.0mn annually**, thereby reinforcing the firm's financial efficiency and shareholder value.

At the same time the buy-out may occur via paper, i.e. in exchange of Pattern new shares (for up to 50% of total, in the case of SMT minorities), and this would also **fully align the interest** of these subsidiaries' key managers to the one of top management and free float.

Challenges to Face

Pattern also has some challenges to face, including: 1) the short-term negative effect of slowing demand and of a sizeable but unavoidable de-stocking process; 2) Pattern's order-based, "cost-plus" model ensures operating margins between 10-13%, setting a minimum threshold but also capping potential gains, as benefits of scale may be limited by the relative strength of PTR large global clients in the luxury sector.

To navigate this landscape, we expect the Company to look out for growing market niches, by focusing on: 1) high-end brands, targeting upper class clientele; 2) brands with strong momentum; 3) new sectors, such as lifestyle (home/decor), which could allow the company to lessen its dependence on major fashion names.

#1 Negative momentum for luxury market

Stance of Pattern Reference Market

As we gaze ahead into the remainder of 2024, a sense of uncertainty dominates the fashion industry, influenced by forecasts of slow economic growth, persistent inflation, and weak consumer confidence. Pattern reference markets, i.e. Luxury Apparel and Leather Goods (sub-categories of the Personal Luxury Goods), are cumulatively projected to **grow at 2-4% y/y in 2024** generating revenues of ca. **US$164.8bn**, while European market will lag behind by at **1-3% y/y**. For the years 2025 to 2028, these markets are expected to maintain similar growth levels.

Factors driving this shift include:

- The luxury sector is correcting from an unsustainable high, as the exceptional results of recent years were "inflated" by a post-COVID consumption increase, that has now ended;
- Plunging demand from “aspirational” customers, those who purchase less expensive items from luxury brands as status symbols. Current economic conditions, including rising living costs and ongoing economic uncertainties, have notably dampened their purchasing behaviour.

Pattern Reference Market in 2024



Source: Statista, Value Track analysis

Main players results and guidance: very mixed outlook

Sentiment from major fashion houses presents a polarised outlook. High-end brands are doing better (Hermès, Brunello Cucinelli), as well as brands with strong momentum (Moncler, Miu Miu). Brands with high exposure to middle-class consumers are at the polar opposite of that (Gucci, Burberry). Mega-brands (e.g. LVMH, Cartier) are somewhere in between.

We highlight the following key points from the most recent results and outlook available for 2024.

- **Kering** is navigating significant challenges and issued a warning of an anticipated 40-45% drop in profits. Gucci is part of those brands (such as Burberry) which are facing turnaround challenges, having lost market share over the past 3 years, and now facing the need of increased spending to support new designer collections and innovation to renew interest in the brand and drive sales;
- **Prada** has demonstrated resilience amidst industry-wide difficulties, reporting a 16% increase in revenue for 1Q24, primarily driven by its Miu Miu brand, which saw an 89% surge in sales, fuelled by successful collaborations within the group and a positively received collection update;
- **Hermès** reported a 17% increase in revenue to €3.8bn in 1Q, surpassing market expectations by 3 percentage points and confirming its ongoing strong momentum within luxury market and its special *"status"* of authentic exclusive luxury;
- **LVMH** finds itself midway among French groups, with a +3% growth at Group level and a +2% in Fashion and Leather Goods. The outlook for 2024 is moderately positive, bolstered by strong momentum in Japan;
- **Capri Holdings** recorded a 6% y/y decline versus prior year, which was primarily attributable to softening consumer demand, mainly in the Americas as well as to Michael Kors Americas Ecommerce implementation issues. Given the pending acquisition by Tapestry, Inc., the Company did not provide financial guidance.

Chinese economy plays a central role in luxury consumption

The European luxury sector's prospects in 2024 depend heavily on Chinese consumer behaviour, as China, accounting for 10% of the global luxury apparel market has been the market the mega-luxury brands have tapped to expand their base. As for this, there is growing **concern and uncertainty regarding the impact of Chinese government policies** aimed at supporting the local textile industry at the expense of foreign competitors. These policies may include the implementation of tariffs on imported goods, financial incentives for domestic companies, export restrictions on essential raw materials, and the promotion of national products. Such protectionist measures could restrict market access for international brands in China, affecting their global competitiveness in the apparel industry.

In 1Q24, China's luxury market faced an extremely challenging comparison to 1Q23, which marked its post-COVID reopening, compounded by Chinese customers increasing their purchases abroad, especially in Japan. This shift contributed significantly to Japanese revenue surges for major brands like LVMH (+32%), Prada (+46%), Hermès (+25%), and Kering (+16%), where robust sales were supported by wealthy Chinese travellers taking advantage of favourable exchange rates. Should the currency swing back, growth in Japan might become more subdued, potentially redirecting consumer spending back to China.

2023 unsold inventory affects 2024 orders

Luxury industry is also grappling with a significant inventory management issue, highlighted by a steep increase in unsold stock values. Between 2014 and 2023, major luxury firms Kering and LVMH saw their inventory values more than double, reaching €4.7bn (€3.2bn LVMH and €1.5mn Kering). This poses a further challenge, as aligning production with fluctuating demand in a trend-sensitive

market is inherently difficult. One significant implication is the pressure on manufacturers, as this **excess inventory is leading to a marked reduction in 2024 orders,** as companies endeavour to clear existing stock and resize new production orders.

Mitigant: giving its size, Pattern growth is more contingent on the performance of specific major clients rather than broad sector trends. As such, its ability to carve out its niche for growth hinges on establishing or maintaining relationships with clients who are projected to expand in 2024 and beyond. This scenario underscores that brands deeply committed to craftsmanship and quality, which offer products considered long-term "investments" and incorporate real timeless quality, are likely to be better shielded from economic downturns, compared to those predominantly driven by transient fashion trends. Therefore, we expect the company to be capable of navigating these times better than many competitors.

#2 Operating margins capped, so far

Pattern operates on an order-based model with a "cost-plus" approach, which essentially locks in a fixed profit margin, as well as in a fully ESG compliant environment. This strategy has clear implications:

- It establishes a minimum threshold for profit margins, somehow preserving medium term operating profitability and limiting volatility to potential very short-term mismatching between pricing and unexpected raw material or service prices;
- It also inherently caps potential operating margin expansion and benefits of scale, as the relative strength of PTR large global luxury brands subtly requires in the long term the sharing of such benefits from B2B partners;
- It rules out more favourable accounting practices or operating decisions - including supply chain related often seen among unlisted names - which would be very supportive to industrial margins.

On P&L, the outcome is an EBITDA margin consistently ranging between 10-13%, and showing little variance over time and we understand that further optimization and scale could add only marginal boost (probably below 100bp), assuming the current business/product mix.

Mitigant: potential expansion into new sectors, such as lifestyle (home/decor), could allow the company to lessen its dependence on major fashion names and their associated margin constraints. This shift could enable Pattern to explore new avenues for growth beyond the high-fashion industry and to further diversify its client base.

Forecasts 2024E-26E

We see the current year as a transition year in financial terms, with weaker demand in most luxury good segments and high investments, yet crucial for setting the stage for future enhanced growth. Additionally, FY24 is impacted by the full deconsolidation of the Burberry-dedicated business unit while, on the positive side, it will benefit from the consolidation of just acquired UVM (albeit only from July). As a result, based on the current perimeter of consolidation we forecast: 1) Value of Production to keep growing at a ca. 9.0% CAGR23PF-26E to ca. €163mn in 2026E; 2) EBITDA margin converging to 13.1% benefitting from the a more profitable revenues mix, vertical integration and further operating efficiencies; 3) Free Cash Flow generation, to turn strong in 2026E and leading to €1.8mn Net Debt by the same year.

Forecasts guidelines

As far as 2024E-26E financial forecasts are concerned, we note that

- Estimates are built in accordance with IT GAAP principles (OIC);
- Forecasts are based on current consolidation perimeter and recent corporate developments, thus not factoring any possible future M&A nor any other corporate initiatives such as minorities buyout (options discussed in other sections though);
- As for FY24E we assume UVM to be consolidated as of July (half year in FY24E), while FY24 will also factor the full impact of deconsolidation of Burberry-dedicated assets (sold in 4Q 2023).

Key Forecasts

In our base case, Pattern Group key financials should evolve as follows:

- **Value of Production** at **€163.0mn in 2026E** increasing at 9.0% $CAGR_{2023PF-26E}$ and 10.2% $CAGR_{2022-26E}$;
- **Gross Profit at €130.9mn in 2026E**, in line with current levels of Gross Margin;
- **EBITDA at €21.4mn in 2026E,** growing faster than top line, with **Margin at 13.1% in 2026E**, broadly in line with 2023PF and ca. 303bps higher than 2022;
- **Net Debt to €1.8mn in 2026E,** with Pattern starting to generate again strong FCF in the same year, after the years of high investments for the new headquarter and other production facilities;
- The table below provides also our **FY24E forecasts** on a **Pro-Forma** basis, i.e. assuming the consolidation of UVM as of 1.1.2024.

Pattern Group: Key Financials FY22A-FY26E and FY24E pro-Forma

(€, mn)	2022	2023	2024E	2025E	2026E	22-26E CAGR	2024E PF
Value of Production	**110.4**	**145.6**	**125.0**	**148.0**	**163.0**	**10.2%**	**132.6**
Gross Profit	82.0	116.7	100.0	118.8	130.9	**12.4%**	106.0
Gross Margin (%)	74.2%	80.2%	80.0%	80.3%	80.3%	**2.0%**	80.0%
EBITDA	**11.1**	**18.8**	**12.4**	**18.2**	**21.4**	**17.7%**	**14.2**
EBITDA Margin (%)	10.1%	12.9%	9.9%	12.3%	13.1%	*303bps*	10.7%
Net Profit Adj.	**4.1**	**7.9**	**4.6**	**7.1**	**7.9**	**17.7%**	**5.3**
Net Margin Adj. (%)	*3.7%*	*5.4%*	*3.7%*	*4.8%*	*4.8%*	*112bps*	*4.0%*
Net Financial Position	**-13.9**	**0.6**	**-13.3**	**-9.5**	**-1.8**	**12.0mn**	**-13.3**

Source: Pattern Group, Value Track analysis

Profit & Loss Account

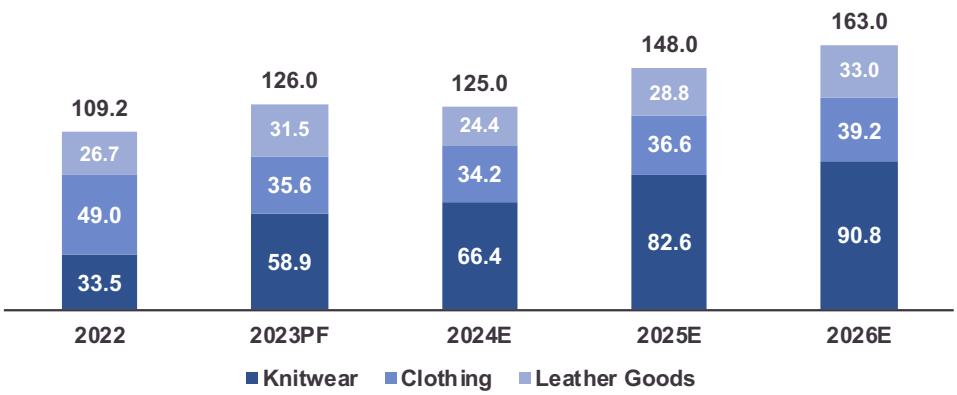
Top line growing at 9.0% CAGR

We forecast Pattern Group to reach **Value of Production of €163.0mn in 2026E**, increasing at 9.0 % $CAGR_{2023PF-26E}$, and revenues breakdown to revert in favour of Knitwear.

We highlight the following key points:

1) **Growth Drivers**: growth is anticipated to be driven by both an expansion in the customer base, specifically targeting the higher-end of the luxury pyramid, as well as by an increasing share of wallet among existing customers;
2) **Yearly Dynamics**: in line with current newsflow and guidance from main players, we expect a subdued growth in FY24E (especially 2H 2024, which will compare to a very challenging 2H 2023), and improvements from 1H25;
3) **Breakdown by BUs**: for FY24E, we forecast a significant increase in the proportion of Knitwear on Total Revenue, although constant in absolute value. This is due the combination of a) reduction in both clothing revenue, related to the deconsolidation of the disposed BU, and leather goods, whose outlook for the year remains more uncertain, especially in 2H24, and b) the consolidation of UVM (knitwear) in 2H. Post-2024, we expect a slight increase in the contribution of knitwear, but an overall stability in the weight of the business units.

Pattern Group: Value of Production evolution FY22-26E



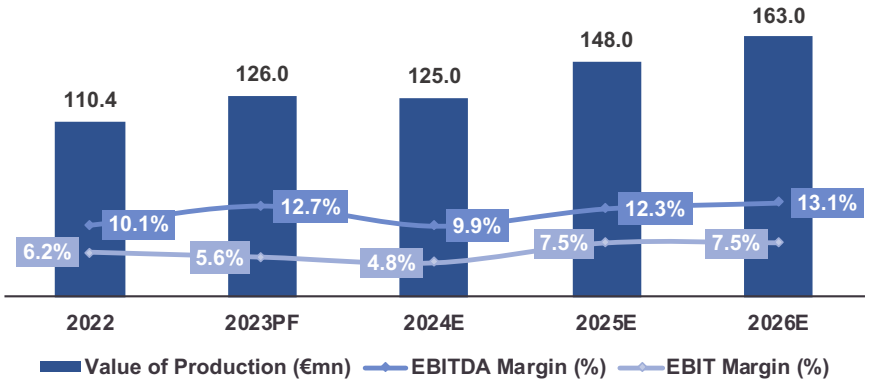
Source: Pattern Group, Value Track analysis

Profitability expected to benefit from a favourable revenue mix evolution

Our main assumptions as for profitability and margins are the following:

- **Gross Margin** substantially in line with 2023, with Gross Profit reaching **€131mn in 2026E**;
- **EBITDA Margin** at **9.9% in 2024E**, consistent with historical average but gradually converging toward **13.1% in 2026E**, due a combination of factors: 1) increasing contribution of Knitwear which boasts much higher margins; 2) further internalization of production/prototyping, which is expected to bring higher margins and a certain scale effect; 3) ongoing costs rationalization strategy aimed at enhancing synergies and efficiency across hubs;
- **EBIT** pressured from higher D&A following ongoing Capex plan but getting to **€12.2mn in 2026E**, ca. 7.5% EBIT Margin. We highlight that ca. 30-40% of D&A is related to goodwill amortization and gross of this item, **EBITA margin is 150-200 bps higher**;
- **Adj. Net Profit** (for the aforementioned goodwill amortization) growing at **€7.9mn in 2026E**, assuming slightly higher net financial charges in the short term and a broadly stable tax rate.

Pattern Group: VoP, EBITDA & EBIT Margins evolution FY22-26E



Source: Pattern Group, Value Track analysis

Pattern Group: P&L FY22-FY26

(€, mn)	2022	2023	2024E	2025E	2026E
Value of Production	**110.4**	**145.6**	**125.0**	**148.0**	**163.0**
Raw Materials, Δ Inventory	-28.4	-28.8	-25.0	-29.2	-32.1
Gross Profit	**82.0**	**116.7**	**100.0**	**118.8**	**130.9**
Gross Margin (%)	***74.2%***	***80.2%***	***80.0%***	***80.3%***	***80.3%***
Costs of Services	-42.3	-56.2	-46.3	-54.8	-61.1
Costs of Rent	-2.4	-3.2	-2.5	-3.0	-3.3
G&A	-0.8	-1.3	-1.3	-1.9	-2.1
Labour Costs	-25.4	-37.2	-37.6	-41.0	-43.0
EBITDA	**11.1**	**18.8**	**12.4**	**18.2**	**21.4**
EBITDA Margin (%)	***10.1%***	***12.9%***	***9.9%***	***12.3%***	***13.1%***
D&A	-3.7	-4.4	-5.9	-6.6	-8.6
Provision	-0.5	-6.0	-0.5	-0.5	-0.5
EBIT	**6.9**	**8.4**	**6.0**	**11.1**	**12.2**
Interest Expenses	-0.3	-0.6	-0.5	-0.4	-0.2
Other Non-Op. Income/Expenses	0.0	20.3	0.0	0.0	0.0
Pre-Tax Profit	**6.6**	**28.1**	**5.5**	**10.7**	**12.1**
Taxes	-2.5	-4.7	-1.6	-3.4	-3.9
Tax Rate (%)	*-38.4%*	*-16.8%*	*-30.0%*	*-32.0%*	*-32.0%*
Minorities	-1.5	-2.3	-1.7	-2.6	-2.9
Net Profit	2.6	21.1	2.1	4.6	5.4
Net Profit Adj. (*)	**4.1**	**7.9**	**4.6**	**7.1**	**7.9**
Net Profit Adj. Margin (%)	***3.7%***	***5.4%***	***3.7%***	***4.8%***	***4.8%***

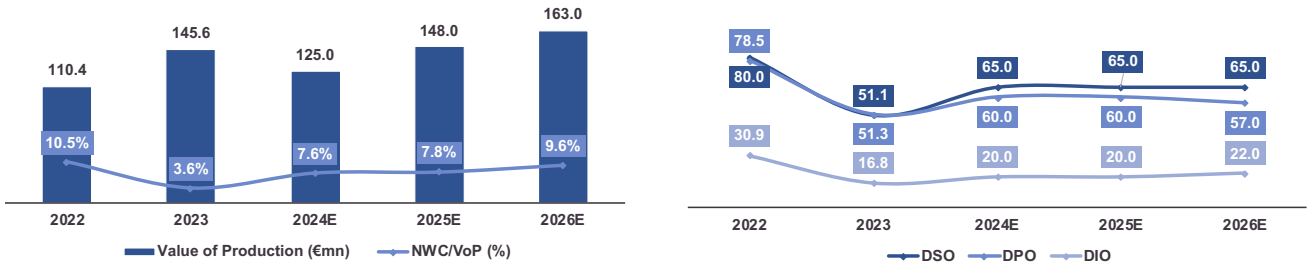
Source: Pattern Group, Value Track analysis, (*) adjusted for disposal effect (FY23), Dyloan impairment charge (FY23), and Goodwill amortization estimates

Balance Sheet & Cash Flow Statement

The large investment plan and recent M&A will require cash over the next 18 months, with Pattern expected to generate relevant FCF from 2026E, where we expect Net Debt down to €1.8mn, due to:

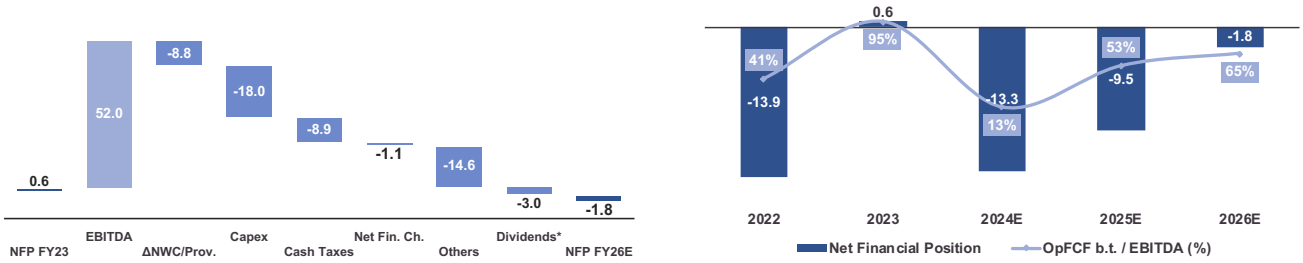
- **Cumulated 2024-26E NWC absorption** (incl. provision) at ca. **€8.8mn**, as we assume the working capital/ VoP ratio to "normalise" gradually, following a picture which appears exceptionally favourable as of December 2023 (partially due to the different impact of 4Q23 assets' disposal on FY23 Balance Sheet and P&L);
- **Cumulated 2024-26E €18.0mn CapEx** mainly related to the new headquarters. Here we split the total capex into two components, i.e. an estimate of Pattern normalised / "maintenance" capex level (i.e. ca €0.5mn / year) and a "development" capex, linked to the expansion project in Collegno and other sites, which requires cumulated €16.5mn over FY24-26E;
- **Other cash-out** related to UVM deal and SMT partial minorities buy-out in FY24E (€17.2mn, Gross of target's net cash), cumulated dividends (€5.8mn, of which €2.8mn to minorities), cumulated Taxes (€8.9mn) and Financial Charges (€1.1mn).

Pattern Group: FY22-26E VoP AND NWC/VoP (%, left) and Cash Conversion Cycle (days, right)



Source: Value Track analysis

Pattern Group: Net Financial Position bridge (left) and NFP & OpFCF/EBITDA Evolution (right)



Source: Value Track analysis, (*) Only dividends to shareholders, i.e. excluding cumulative ca. €2.8mn cumulative dividends paid to minorities (included in Others)

Pattern Group: Balance Sheet FY22-FY26E

(€, mn)	2022	2023	2024E	2025E	2026E
Net Fixed Assets	36.8	42.0	54.9	55.3	50.6
Net Working Capital	11.6	5.3	9.4	11.5	15.6
Provisions	4.9	5.4	6.4	7.4	8.5
Total Capital Employed	**43.5**	**41.9**	**58.0**	**59.4**	**57.8**
Group Net Equity	**29.6**	**42.5**	**44.6**	**49.9**	**56.0**
Net Financial Position	**-13.9**	**0.6**	**-13.3**	**-9.5**	**-1.8**

Source: Pattern Group, Value Track analysis

Pattern Group: Cash Flow FY22-FY26

(€, mn)	2022	2023	2024E	2025E	2026E
EBITDA	11.1	18.8	12.4	18.2	21.4
Δ NWC	-4.5	6.3	-4.2	-2.1	-4.1
Maintenance Capex	-0.7	-0.3	-0.5	-0.5	-0.5
Δ Provisions	2.1	0.5	0.4	0.5	0.6
OpFCF b.t. (before dev. Capex)	**7.9**	**25.3**	**8.2**	**16.2**	**17.4**
As a % of EBITDA	*71.4%*	*134.6%*	*65.9%*	*88.7%*	*81.2%*
Cash Taxes	-2.5	-4.7	-1.6	-3.4	-3.9
OpFCF a.t. (before dev. Capex)	**5.4**	**20.6**	**6.5**	**12.7**	**13.5**
Development Capex	-3.4	-7.4	-6.5	-6.5	-3.5
Capital Injections (gross)	0.0	0.0	0.0	0.0	0.0
Others (incl. Financial Inv. & div. to min.)	-17.7	10.3	-12.5	-1.0	-1.1
Net Financial Charges	-0.3	-0.6	-0.5	-0.4	-0.2
Dividends Paid	-1.0	-8.4	-1.0	-1.0	-1.0
Δ Net Financial Position	**-16.9**	**14.5**	**-14.0**	**3.8**	**7.7**

Source: Pattern Group, Value Track analysis

Valuation

We initiate coverage on Pattern with a €7.2 Fair Equity Value per share, including a risk adjusted premium for further M&A and minorities buyout optionalities. At fair value the stock would trade at 0.9x EV/Sales, 7.3x EV/EBITDA and 14.5x P/E Adj, for 2025E. with premium over peers justified by Pattern's superior growth prospects and by the value enhancing opportunities for cash reinvestment and re-leverage, supported by the strong track-record of management since IPO. PTR has a M&A firepower of further €50mn, before crossing the 2.0 Net Debt/ EBITDA threshold, to fund value-enhancing deals and we estimate the buyout of outstanding minorities would be equally enhancing.

Our valuation is fully supported by a cross check on M&A deals in the sector, which confirm that in the longer term a certain speculative appeal for Pattern's rare and valuable "B2B system" would certainly add further value to the share.

Valuation summary

We set fair Equity Value per share at **€7.20**, including a risk adjusted premium factoring the benefits of reinvesting cash and/or re-leveraging for M&A and minorities' buyout (very much in line with what already delivered by management in recent years). In more details the two steps are the following:

- Our **valuation starts from a floor of €6.6 p.s.**, obtained as an average of
  - **DCF model**, aimed at capturing PTR medium-term growth potential, cash generation capability and risk profile, leading at ca. €7.2 per share;
  - **Peers Analysis**, aimed at assessing PTR valuation based on its 2024E-25E expected performance compared to peers and leading to €6.0 per share.

- On top, **we add the value of a couple of optionalities for €0.6 p.s,** related to corporate developments, which is a differentiating feature of PTR and supported by its strong track-record. These are factored at 30% of their potential "face value", mostly due to the uncertain timing of next corporate actions, as management is still closing the last deals announced, and relate to
  - Potential **M&A** - hp. target(s) for €10mn EBITDA - adding **€0.26 p.s.** to Equity Value;
  - The **buyout of** the outstanding **minority interests** adding **€0.34 p.s.** to Equity Value.

Our valuation is fully supported by a **comparative analysis of M&A transactions** within the sector, averaging 9.2x FY1 EV/EBITDA: applying this multiple to PTR's 2025E financials would **imply a valuation above €9.5 per share.**

Pattern Group: Valuation Summary

Valuation Methodologies	Fair Equity Value p.s. (€)	Fair Equity Value (€, mn)
DCF Model	7.2	104.0
Peers' Relative Multiples	6.0	86.2
Base Valuation	**6.6**	**95.1**
+ value from M&A @70% Risk Factor	0.26	3.7
+ value from Minorities Buyout @77% Risk Factor	0.34	4.9
Fair Equity Value	**7.2**	**103.7**
M&A Cross Check	**>9.5**	**>135.0**

Source: Value Track analysis

At fair value the stock would trade at **1.1x - 0.9x EV/Sales**, **11.0x - 7.3x EV/EBITDA**, **22.8x - 11.9x EV/EBIT** and **22.5x - 14.5x P/E Adj**, for 2024E and 2025E respectively. Note that FY24 multiples are based on reported financials.

Pattern Group: Sensitivity of implicit stock trading multiples at fair value levels

Equity Value per share	EV / Sales (x)			EV / EBITDA (x)			EV / EBIT (x)			P/E Adj. (x)		
	24E	25E	26E	24E	25E	26E	24E	25E	26E	24E	25E	26E
€ 6.70	1.0	0.8	0.7	10.4	6.9	5.5	21.6	11.3	9.6	20.9	13.5	12.2
€ 6.95	1.1	0.9	0.7	10.7	7.1	5.7	22.2	11.6	9.9	21.7	14.0	12.7
€ 7.20	**1.1**	**0.9**	**0.8**	**11.0**	**7.3**	**5.9**	**22.8**	**11.9**	**10.3**	**22.5**	**14.5**	**13.2**
€ 7.45	1.1	0.9	0.8	11.3	7.5	6.0	23.4	12.3	10.5	23.3	15.0	13.6
€ 7.70	1.1	0.9	0.8	11.6	7.7	6.2	24.0	12.6	10.8	24.1	15.5	14.1

Source: Value Track analysis

Discounted Cash Flow Model

We run a DCF model and calculate a **Fair Equity Value p.s. of €7.2**, mid-point of two methodologies depending on Pattern capital structure. Our DCF assumptions are:

- Reference date Dec 2024, with 2025E-30E as explicit forecasts time horizon;
- 2.0% Risk Free Rate in line with medium term inflation target;
- TV calculated with perpetual growth model, which implies exit multiples broadly consistent with current FY25E market multiples, i.e. between 6.4x and 6.7x EV/EBITDA;
- Unlevered Beta at 0.94, (*Source: Damodaran, Apparel Europe);*
- 5.6% implied Italian equity risk premium (*Source: Damodaran*);
- 3.0% Pattern specific small-size risk premium;
- 5.0% pre-tax and 3.8% after-tax cost of debt.
- 1% Perpetuity Growth Rate ("g").
- Target Capital structure with Net Debt at 20% of the Capital Invested.

On a rolling capital structure, Pattern WACC starts from 9.5% in 2025E (5% Net Debt/Total Capital Employed) and lands at 9.8% in 2030E (Net Cash). At target 20% leverage structure, Pattern WACC is fixed at 9.4% for the whole period.

Pattern Group: DCF Model outcomes

€mn	@Rolling Capital Structure	@Target Capital Structure
PV of Future Cash-Flows 2025E-2030E	43.0	43.6
PV of Terminal Value 2030E	90.6	96.9
Fair Enterprise Value	**133.6**	**140.5**
Net Cash Position 2024E	-13.3	-13.3
Minorities	-19.7	-19.7
Fair Equity Value € p.s.	**7.0**	**7.5**
Fair Equity Value € p.s. (average)	**7.2**	

Source: Value Track analysis

Pattern Group: Sensitivity of DCF Model @ Target Capital Structure

Fair Equity Value p.s. (€)		Perpetuity Growth (%)				
		0.50%	0.75%	1.00%	1.25%	1.50%
WACC (%)	8.4%	8.4	8.7	8.9	9.2	9.6
	8.9%	7.7	7.9	8.2	8.4	8.7
	9.4%	7.1	7.3	**7.5**	7.7	7.9
	9.9%	6.5	6.7	6.9	7.1	7.3
	10.4%	6.0	6.2	6.3	6.5	6.7

Source: Value Track analysis

Peers Analysis

Choice of Comparables

Our clusters consist of a wide-ranging group of companies operating in the luxury apparel domain or closely related sectors, such as textiles, footwear, eyewear and other accessories. This selection spans from global players with strong brands and Direct-to-Consumer strategies (market cap between €3bn - €7bn), to domestic market participants operating in analogous sectors with models including B2B and wholesale (market cap between €50mn - €500mn). In more details, we built two clusters:

- **As for Global Brands**, International Companies operating with strong proprietary brands in the high-end fashion industry. The group deliberately excludes the iconic luxury names - the likes of Hermes, Kering or LVMH - which we see as differently positioned in terms of brands' strength, distribution networks, profitability, etc.;
- **As for SME domestic peers**, we include Small to Medium companies operating in related Branded Goods sectors, such as textiles (Gentili Mosconi), footwear (Geox), eyewear (Safilo Group), with a component of wholesale and/or B2B business, which we deem comparable on a stock market and financial performances perspective.

Pattern Group: Peers' Market Positioning

Peers	HQ	Mkt Cap (€mn)	Sales (€mn)	EBITDA Margin (%)
		Current	2024E	2024E
Global Brands				
Burberry	US	4,335.3	3,308.8	24.8
Capri Holdings	US	3,940.0	5,134.0	14.0
PVH Corp.	US	6,606.0	7,996.6	13.7
Hugo Boss	Germany	3,278.3	4,405.0	18.6
Ermenegildo Zegna	Italy	3,078.8	2,038.0	22.0
Average		**4,247.7**	**4,576.5**	**18.6**
ITA SME Branded Goods & B2B				
Gentili Mosconi	Italy	54.0	48.8	12.3
Safilo Group	Italy	479.9	1,033.0	9.2
Geox	Italy	162.3	688.0	8.3
Average		**232.1**	**589.9**	**9.9**
Pattern		**86.2**	**125.0**	**12.9**

Source: Market consensus as of 06/06/2024, Value Track analysis

Operating Benchmark: relative stronger growth and margin gap narrowing

In order to better evaluate the **relative positioning of Pattern** also from an industrial and capital structure point of view, here below we run a synthetic benchmarking comparing Pattern with its selected peers, pointing out the following consideration relative to four key elements:

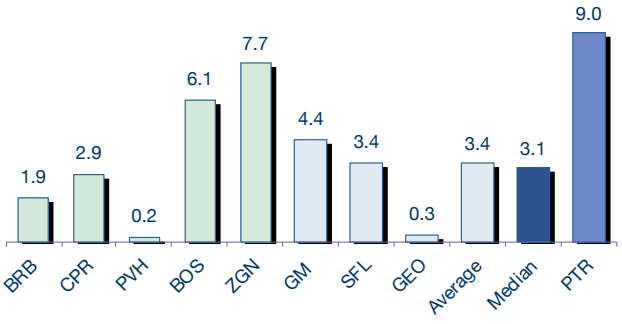
1. **Top Line Growth**. We expect the Company to grow at 3 times the speed of its peers, i.e. 2023PF-2026E CAGR 9.0% vs. 3.1% industry average, supported by consistent M&A path (UVM) and resilient organic growth;
2. **Operating Profitability**. Pattern is expected to improve its profitability, but margins are expected to remain in a narrow range (ca. 10-13% EBITDA Margin, ca. 5-8% EBIT Margin) and

below the average of peers (around 15% EBITDA Margin, 10% EBIT Margin), yet this gap is expected to narrow overtime from 470bp of FY24E to 130bp in FY26E;

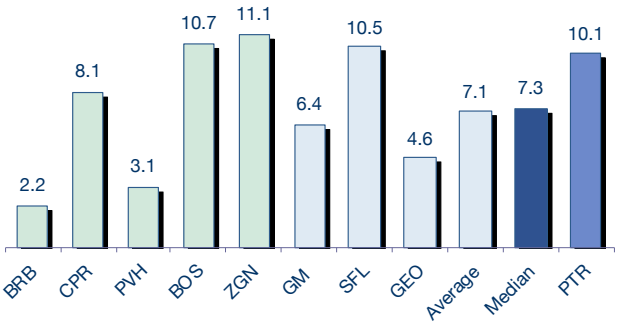
3. **Financial Leverage**. Despite the relevant investment plan, we expect Pattern to maintain a leverage **broadly in line with its competitors**, and de-leverage fast between 2025E-26E;
4. **Return on Capital**. We expect Pattern to report a ROCE Adj. (for Goodwill Amortization charge) of ca. 18%, i.e. above its peers despite the material Capex already undertaken.

Pattern Group: Benchmark vs. Peers (*)

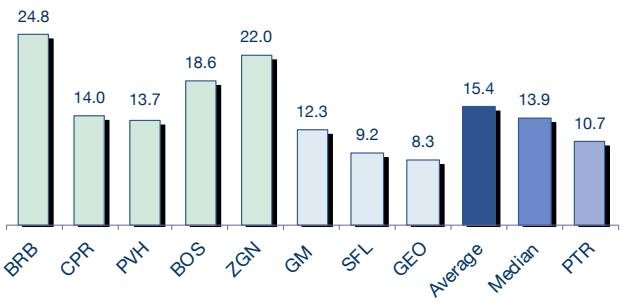
23-26E Revenue from Sales CAGR (%)



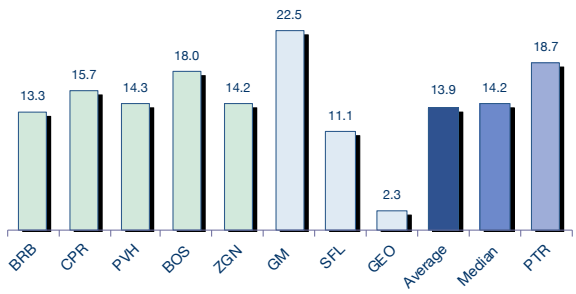
23-26E EBITDA CAGR (%)



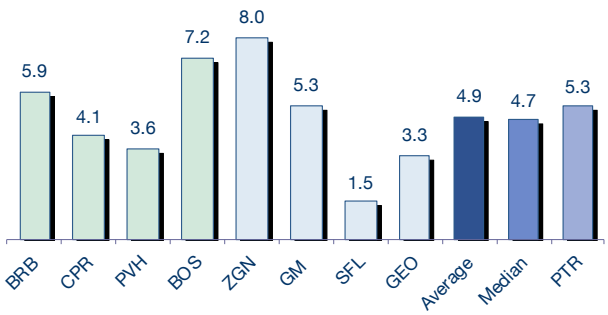
EBITDA Margin 2024E (%)



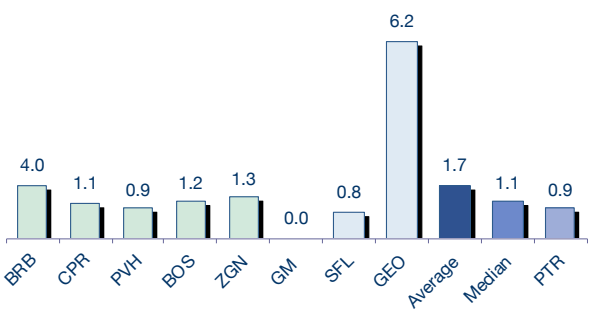
ROCE (b.t.) 2024E (%)



Capex / Sales 2024E (%)



Net Debt / EBITDA 2024E (x)



Source: Market Consensus as of 06/06/2024, Value Track analysis, (*) Pattern FY24E data are Pro-Forma and ROCE is adj. for Goodwill amortization

Valuing Pattern based on peers' market multiples: premium deserved

We take into consideration 2024E and 2025E as base valuation years, employing EV/Sales, EV/EBITDA and P/E Adj. as most relevant multiples, while excluding EV/EBIT from our analysis, deeming it disproportionately affected by the substantial Goodwill Amortization charge. We also point out that a) FY24E multiples for Pattern are affected by the partial consolidation of UVM Revenues and margins (6 months only), while b) in order to derive our fair equity value, we use Pro-Forma FY24E financial figures. Overall, we observe that:

- The multiples of both clusters are not excessively fragmented, except for Geox due to exceptionally low 2024 profitability, which is projected to rebound in 2025;
- Global Brands trade at 1.3x-1.1x EV/Sales, 6.7x-5.7x EV/EBITDA, 14.5x-11.9x P/E Adj;
- Domestic SME Peers trade at 0.7x-0.6x EV/Sales, 7.0x-5.0x EV/EBITDA, 16.1x-12.6x P/E Adj;
- We set as "fair" FY24E-25E multiples the average of the two clusters, i.e. 1.0x-0.9 EV/Sales, 6.9x-5.5x EV/EBITDA and 15.0x-12.1x P/E Adj;
- If we apply the above multiples to Pattern FY24E Pro-Forma and FY25E Revenues, EBITDA and Adj. Net Profit, we get to a **Fair Equity Value p.s. of €6.0**, broadly in line with the current market price.

In other words, PTR currently trades at a **premium to peers** (also on FY24E Pro-Forma basis), but we see this as **justified by higher growth prospects** into FY2026 compared to industry's average (VoP and EBITDA CAGR of 9% and 10% respectively vs. peers at 3% and 7%), as well as by the Company's very **strong execution track record**.

Pattern Group: Peers' Trading Multiples (x)

Peers	EV/Sales		EV/EBITDA		EV/EBIT		P/E Adj.	
	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Global Brands								
Burberry	1.7	1.6	7.0	6.0	14.5	11.0	16.7	12.7
Capri Holdings	0.9	0.8	6.6	5.3	8.7	7.1	9.1	7.9
PVH Corp.	1.0	0.9	7.0	6.2	9.3	8.0	10.9	9.9
Hugo Boss	0.9	0.9	5.1	4.3	9.2	7.5	11.6	9.4
Ermenegildo Zegna	1.8	1.6	8.2	7.0	15.8	12.9	24.5	19.6
Global Brands - Average	**1.3**	**1.1**	**6.7**	**5.7**	**11.5**	**9.3**	**14.5**	**11.9**
Global Brands - Median	**1.0**	**0.9**	**7.0**	**6.0**	**9.3**	**8.0**	**11.6**	**9.9**
ITA SME Branded Goods & B2B								
Gentili Mosconi	0.8	0.6	6.1	4.5	7.5	5.2	12.8	10.0
Safilo Group	0.5	0.5	5.9	4.9	10.2	7.9	19.3	15.1
Geox	0.8	0.7	9.1	5.6	nm	nm	nm	nm
ITA SME Branded Goods & B2B - Average	**0.7**	**0.6**	**7.0**	**5.0**	**8.8**	**6.6**	**16.1**	**12.6**
ITA SME Branded Goods & B2B- Median	**0.8**	**0.6**	**6.1**	**4.9**	**8.8**	**6.6**	**16.1**	**12.6**
Total Average	**1.0**	**0.9**	**6.9**	**5.5**	**10.7**	**8.5**	**15.0**	**12.1**
Total Median	**0.9**	**0.8**	**6.8**	**5.4**	**9.3**	**7.9**	**12.8**	**10.0**
Pattern multiples @ fair price (€6.0)	**1.0**	**0.8**	**9.6**	**6.3**	**19.9**	**10.4**	**18.7**	**12.1**
Premium (Discount) vs. Total Average	*-9%*	*-18%*	*40%*	*16%*	*85%*	*22%*	*25%*	*0%*

Source: Consensus, Value Track analysis

Optionalities

Below, we examine two potential value-accretive scenarios for PTR: further M&A activity and the buyout of remaining minority interests. We conservatively factor these optionalities at 30% of their "face value", mostly due to the uncertain timing of next corporate actions, as management is still closing the last deals announced on 30 May.

In summary, we estimate the combination of these actions (which we deem as very likely with a two/three years horizon) are **worth €0.60 p.s. (risk adjusted),** as new acquisition(s) bringing ca. €10mn in EBITDA would add €0.26 p.s to Equity Value (under the assumptions of our model/scenario) and buyout of minority interests would add other ca. €0.34 p.s.

#1 Impact on fair value of possible M&A deals

To quantify the value-enhancing effect of potential further M&A, we assume hypothetical target(s) generating €10.0mn EBITDA - with a typical industry margin of 15%, this corresponds to approximately €67mn in Revenues. We also take the following assumptions:

- The acquisition is closed at 5x FY1 EV/EBITDA, aligned to Pattern's guidelines;
- The deal is entirely debt financed, i.e. does not involve any issuance of PTR shares.

Following the acquisition, Pattern 2025E Pro-Forma data would record €215mn Total Revenues, €28mn EBITDA and ca. €60mn Net Debt Position (vs €9.5mn forecast), with a Net Debt/EBITDA ratio still under control (2.1x in FY25E, falling to 1.6x by FY26E).

Pattern Group: M&A simulation

	PTR "as is" 2025E	M&A Target 2025E	Deal(s) impact	PTR + Target 2025E PF
Total Revenues	148.0	66.7		214.7
EBITDA	18.2	10.0		28.2
EBITDA Margin (%)	*12.3%*	*15.0%*		*13.1%*
Net Financial Position	-9.5	0.0	-50.0	-59.5
Net Debt/EBITDA	0.5x			2.1x

Source: Value Track analysis

Assuming FY25E multiples in line with those deemed "fair" above, i.e. 6.3x EV/EBITDA, we calculate an Equity Value increase of ca. €0.86 per share or **€0.26 per share risk adjusted (by a 70% risk factor)**.

Pattern Group: Stock Value Post €50mn M&A

	€ mn
Fair EV post M&A @ 6.3x EV/EBITDA	177.7
Net Debt 2025E post M&A	-59.5
Minorities	-19.7
Fair Equity Value	98.5
N° of Ord. shares (mn)	14.4
Fair Equity Value p.s. (€)	**6.86**
Premium to Base Valuation p.s. (€)	**0.86**
Premium to Base Valuation p.s. (€) - Risk adjusted	**0.26**

Source: Value Track analysis

#2 Impact on fair value of Minorities Buyout

Below, we assume the acquisition of the remaining minority interests in SMT (20%) and Idee Partners (47%), which we estimate to positively impact the bottom line by lower minority interests for €2.6mn in 2025E, partially offset by higher financial charges, and reduce dividend leakage by approximately €1.0mn per year.

We also assume the following hypotheses on the deal:

- Minorities Equity Value is overall equal to €19.7mn, pricing SMT at 6.2x EV/EBITDA, which we see consistent with recently disclosed shareholders' agreements, and Idee Partners at 5.0x EV/EBITDA, reflecting the weaker performance and outlook of the leather segment;
- It is 50% paid in cash and debt financed, at a 4.5% interest rate, resulting in ca. €443k annual financial charges (€337k post taxes);
- The residual 50% of price is paid through a capital increase involving the issuance of 1.64mn shares (at current market price of €6.0).

Assuming market multiples at 12.1x FY25E P/E, as indicated by the peers' valuation, we calculate an Equity Value increase of ca. €1.1 per share or **€0.34 per share risk adjusted (by a 70% risk factor)**, which of course is dependent on negotiations which could impact the upside potential, but following the recent renewal of shareholders' agreement this risk is in our view reduced.

Pattern Group: Minorities Buyout simulation

	PTR "as is" 2025E	Minorities 2025E	Deal Adj. 2025E	PTR + Minorities 2025E
Net profit Adj.	7.1	2.6	-0.3	9.4
Net Financial Position	-9.5	1.0	-9.9	-18.4

Source: Value Track analysis

Pattern Group: Stock Value Post Minorities Buyout

	€mn
Net Profit Adj.	9.4
Fair Equity Value post buy-out @ 12.1x P/E	114.0
N° of Ord. shares (mn)(*)	16.0
Fair Equity Value p.s. (€)	**7.12**
Premium to Base Valuation (€ p.s.)	**1.12**
Premium to Base Valuation (€ p.s.) - Risk adjusted	**0.34**

Source: Value Track analysis, (*) Including 1.64mn Share Issued to pay 50% of minorities

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M&A Cross-Check

At last, we want to cross-check the outcome of our valuation exercise and the sustainability of the premium rating we attribute to the stock compared to peers, also due to the ca.10% extra-value we attribute to Pattern "optionalities", i.e. the Company's ability to create value through value enhancing corporate actions and M&A. In order to check this, we have built a sample of deals in the Italian market ("Made in Italy") with special focus on B2B segments, where value of corporates lies not in their brands and in their DTC presence, but in the quality and reliability of the supply-chain they represent.

M&A Multiples in Italian Supply Chain confirm strong speculative appeal

We have built a sample of M&A multiples related to deals with domestic targets of the Fashion Luxury Supply Chain: as from the table below, the average multiples implied by these M&A deals were **1.8x EV/Sales**, **9.2x EV/EBITDA and 14.8x P/E.** Also, the multiples have proven to be very much concentrated in the region 8-10x EV/EBITDA, with only two acquisitions closed with EV multiples below 7x EBITDA.

Cross Check: M&A in Italian Fashion Luxury Supply Chain

Bidder	Target	Stake (%)	Revenues FY0 (€mn)	EBITDA FY0 (€mn)	EV implied (€mn)	EV/Sales (x)	EV/EBITDA (x)	P/E (x)
Luxottica	Fedon	91%	51.4	4.3	42.9	0.8	9.9	nm
Palladio Holding	Nice Footwear	97%	31.7	3.4	27.3	0.9	8.0	19.5
Permira	Gruppo Florence	100%	600.0	126.0*	1300.0	2.2	10.3	nm
Xenon PE	Minerva Hub	75%	170.0	50.0	500.0	2.9	10.0	19.6
Richemont	Gianvito Rossi	70%	99.0	23.0	149.6	1.5	6.5	8.8
Minerva HUB	New and Best HF	100%	26.1	10.1	100.0	3.8	9.9	14.2
Fine Mito	Cover 50	75%	30.9	6.6	40.2	1.3	6.1	9.6
Minerva Hub	Interlinea2	100%	12.2	3.0	28.6	2.3	9.5	17.1
Gentili Mosconi	Tintoria Comacina	70%	3.1	0.1	1.7	0.6	12.3	nm
Average			**113.8**	**25.2**	**243.4**	**1.8**	**9.2**	**14.8**
Median			**31.7**	**6.6**	**42.9**	**1.5**	**9.9**	**15.7**

Source: Value Track analysis, (*) estimated at historical margin

All the deals considered above imply a control premium, and hence they are not directly applicable to the valuation of Pattern. Yet, these clearly indicate that if the stock started to incorporate any sort of "speculative appeal", given its extremely valuable mix of assets, the room for further re-rating would be material.

Assuming for Pattern a multiple of 9.2x EV/EBITDA, in line with the average above, would in fact point to values per share in the €9-12 range. Despite we do not see this as a scenario in sight as of today, it would definitely boost IRR of Pattern shareholders also in a two years horizon.

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Pattern Group: IRR from investing today with exit at 9.2x EV/EBITDA in 2026E

(€mn)	2025E	2026E
EBITDA (€mn)	18.2	21.4
Exit EV/EBITDA (M&A appeal scenario)	9.2x	9.2x
Implied Enterprise value (€mn)	**167.6**	**196.5**
Net Debt year-end (€mn)	9.5	1.8
Minorities	19.7	19.7
Equity value (€mn)	**138.2**	**175.0**
Nr. of shares (mn)	14.4	14.4
Equity value per share (€)	**9.6**	**12.2**
Annualized IRR (based on current mkt price, €6.0)	**61%**	**42%**

Source: Value Track analysis

#1 Appendix - Pattern Hubs

Pattern's operations are organized into 3 geographical hubs / productive district: 1) Clothing, based in the North-East; 2) Luxury Knitwear, located in the Emilian-Umbrian region; 3) Luxury Leather, situated in Tuscany. These operate autonomously, often overlapping in the overarching corporate group they serve but engaging with its separate subsidiaries, which function as wholly distinct unit.

#1 Men and Womenswear (Central/North-West Hub)

The Company's legacy business since its inception. It has subsequently expanded to encompass two entities within the luxury womenswear sector. Today, it includes

- **Pattern** (parent company, Turin): manage all the facets of the business, from engineering to sample creation and collection production: today, the collections created by Pattern walk the runways of London, Milan, Paris and New York;
- **Roscini Atelier** (Perugia): born in early '80s becoming one of the major Italian companies in pattern-making, development and production of womenswear collections for top luxury brands;
- **D'Ambrosio Confezioni** (Bari); small tailoring workshop, specializing in high-end workmanship for Lightweight Womenswear.

#2 Luxury Knitwear (Emilia-Umbria Hub)

In 2020, Pattern ventured into a new business sector, which sustained sales throughout the COVID-19 pandemic. With the ongoing trend towards more casual attire, knitwear is well-positioned to benefit from shifting fashion preferences. Following the expected June closing, **UVM** will also join this hub.

- **SMT** (Reggio Emilia): leading company in R&D-focused design and production of luxury knitwear. Counts ca. 120 knitting machines & 20 programmer technicians;
- **Zanni** (Reggio Emilia): historic knitwear weaving company boasting over 60 years of experience and specialized in knitwear accessories. At the forefront leaders in the use of *wholegarment* technology for the production of Made in Italy seamless knitwear;
- **Nuova Nicol** (Bologna): Production of Luxury Knitwear for Women with a top luxury customer portfolio. Boasts a large pool of in-house machineries and a network of external laboratories that develop a significant production capacity of 90,000 - 100,000 items per season and highest-level delivery timing.

#3 Leather Goods (Tuscan Hub)

Within the Pisa-Florence region, the leather district comprises 3 specialized entities dedicated to the design and production of leather goods and shoes. **Idee Partners** serves as the leading company, under which **RGB** and **Petri & Lombardi** have been grouped. With a total of 240 people staff and 10.000 sqm among the 3 sites (Scandicci, Bientina, Reggello), producing 250.000 units per year and developing more than 1.000 new projects per year, Idee Partners is one of the largest manufacturer and partner for the most renowned high-end brands in the world.

#4 Innovation & Semi-Finished Products (cross-function)

Pattern Group encompasses several specialized units within its structure:

- **Dyloan Bond Factory** (Chieti), an advanced production hub focusing on semi-finished and finished products, renowned for its leadership in innovative technologies and R&D in luxury;
- **D-House** (Milan), an internal creative and research lab;
- **ShapeMode** (Milan), an innovation centre specializing in 3D printing and digital fabrication

Noteworthy, Pattern also owns a **proprietary brand** (i.e, Esemplare) primarily functioning as a vehicle for R&D, allowing for experimentation with new materials and technologies. There is no intention to develop Esemplare as a standalone brand, and the focus remains on being subcontractors.

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IL PRESENTE DOCUMENTO È STATO REDATTO DA VALUE TRACK S.R.L. E VI È STATO CONSEGNATO UNICAMENTE PER VOSTRA INFORMAZIONE SU BASE CONFIDENZIALE E NON PUÒ ESSERE PERTANTO RIPRODOTTO, DISTRIBUITO O TRASMESSO, IN TUTTO O IN PARTE, A TERZI. IN PARTICOLARE IL PRESENTE DOCUMENTO O COPIA DELLO STESSO NON PUÒ ESSERE TRASMESSO O DISTRIBUITO, DIRETTAMENTE O INDIRETTAMENTE, IN CANADA, AUSTRALIA O GIAPPONE O AD ALCUN SOGGETTO IVI RESIDENTE NÈ NEGLI STATI UNITI D'AMERICA O ALCUNO DEI SUOI TERRITORI. LA DISTRIBUZIONE DEL PRESENTE DOCUMENTO IN ALTRE GIURISDIZIONI PUÒ ESSERE SOGGETTA A SPECIFICHE RESTRIZIONI DI LEGGE; È PERTANTO ONERE DEI SOGGETTI CUI ESSO PERVENGA INFORMARSI IN MERITO ALL'EVENTUALE ESISTENZA DI SPECIFICHE RESTRIZIONI E, IN TAL CASO, DI ATTENERSI ALLE STESSE. LA MANCATA OSSERVANZA DI TALI RESTRIZIONI POTREBBE COSTITUIRE UNA VIOLAZIONE DELLE LEGGI DEGLI STATI UNITI, CANADA, GIAPPONE O AUSTRALIA O DELLE ALTRE GIURISDIZIONI. IL PRESENTE DOCUMENTO NON COSTITUISCE O FORMA PARTE DI, NE' VA CONSIDERATO IN ALCUN MODO, UN'OFFERTA O UN INVITO PER LA SOTTOSCRIZIONE O L'ACQUISTO DI STRUMENTI FINANZIARI. NÈ IL PRESENTE DOCUMENTO NÈ QUANTO IN ESSO CONTENUTO NON COSTITUISCE INOLTRE UNA PROPOSTA CONTRATTUALE OVVERO UN'ASSUNZIONE DI OBBLIGHI DI QUALSIASI GENERE. IL PRESENTE DOCUMENTO NON E' STATO PUBBLICATO MA È SOLAMENTE STATO MESSO A DISPOSIZIONE DI INVESTITORI QUALIFICATI. QUALSIASI DECISIONE DI SOTTOSCRIVERE O ACQUISTARE LE AZIONI NELL'AMBITO DELL'OFFERTA DOVRÀ QUINDI FONDARSI ESCLUSIVAMENTE SULLE INFORMAZIONI CONTENUTE NEI DOCUMENTI DI OFFERTA PRODOTTI IN CONNESSIONE ALL'OFFERTA. IL PRESENTE DOCUMENTO PUÒ ESSERE DISTRIBUITO NEL REGNO UNITO UNICAMENTE (a) (I) A SOGGETTI RIENTRATI NEL CAMPO DI APPLICAZIONE DELL'ARTICOLO 19 O DELL'ARTICOLO 49 DEL FINANCIAL SERVICES AND MARKET ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (E SOLTANTO NELLA MISURA IN CUI LE CONDIZIONI PREVISTE NEI MENZIONATI ARTICOLI SIANO SODDISFATTE, OVVERO LO SARANNO AL MOMENTO DELLA DISTRIBUZIONE DEL PRESENTE DOCUMENTO) O (II) A QUALSIASI ALTRO SOGGETTO A CUI L PRESENTE DOCUMENTO POSSA ESSERE LEGALMENTE DISTRIBUITO; E (b) INVESTITORI QUALIFICATI AI SENSI DELL'ARTICOLO 2(1)(E) DEL REGOLAMENTO PROSPETTI (REGOLAMENTO(UE) 1129/2017) (UNITAMENTE CONSIDERATI, "SOGGETTI RILEVANTI"). IL PRESENTE DOCUMENTO NON DEVE ESSERE PRESO IN CONSIDERAZIONE NE' SU DI ESSO PUO' ESSERE FATTO AFFIDAMENTO DA PARTE DI SOGGETTI NON RILEVANTI. QUALSIASI INVESTIMENTO O ATTIVITÀ' DI INVESTIMENTO A CUI IL PRESENTE DOCUMENTO SI RIFERISCE VA EFFETTUATA ESCLUSIVAMENTE NEI CONFRONTI DI SOGGETTI RILEVANTI. IL PRESENTE DOCUMENTO PUÒ ESSERE DISTRIBUITO IN ITALIA SOLTANTO AGLI INVESTITORI QUALIFICATI, AI SENSI DELL'ARTICOLO 2 DEL REGOLAMENTO PROSPETTI. PERTANTO IL PRESENTE DOCUMENTO NON PUÒ IN ALCUN MODO ESSERE DISTRIBUITO: (I) AL PUBBLICO INDISTINTO; (II) ATTRAVERSO CANALI DI DIVULGAZIONE, ATTRAVERSO I QUALI LE INFORMAZIONI SIANO O E' PROBABILE CHE SIANO RESE PUBBLICHE, OSSIA CHE DIVENGANO ACCESSIBILI A UN GRAN NUMERO DI PERSONE; (III) A SOGGETTI NON RIENTRANTI NELLA SUDDETTA DEFINIZIONE DI INVESTITORI QUALIFICATI. RICEVENDO IL PRESENTE DOCUMENTO, VI IMPEGNATE A RISPETTARE LE RESTRIZIONI IVI PREVISTE. IL PRESENTE DOCUMENTO E' STATO PREDISPOSTO IN MODO AUTONOMO RISPETTO A SOLBIAN ENERGIE ALTERNATIVE S.R.L. (LA "SOCIETÀ"), AI SUOI AZIONISTI E ALLE SUE CONTROLLATE E LE PREVISIONI E VALUTAZIONI IVI CONTENUTE SONO ESPRESSE ESCLUSIVAMENTE DA VALUE TRACK S.R.L. NELL'AMBITO DELLA SUA NORMALE ATTIVITÀ DI RICERCA E NON SONO STATE AUTORIZZATE O APPROVATE DA TERZI SOGGETTI. VALUE TRACK S.R.L. NON È AUTORIZZATO A FORNIRE INFORMAZIONI O RILASCIARE DICHIARAZIONI O GARANZIE PER CONTO DELLA SOCIETÀ, DEI SUOI AZIONISTI O DELLE SUE CONTROLLATE, I LORO RISPETTIVI CONSULENTI O QUALSIASI ALTRO SOGGETTO A QUESTI CONNESSO. NONOSTANTE OPPORTUNE PRECAUZIONI SIANO STATE PRESE AFFINCHÉ' TUTTI I FATTI RAPPRESENTATI NEL DOCUMENTO SIANO CORRETTI E LE PREVISIONI, OPINIONI E VALUTAZIONI IVI CONTENUTE SIANO RAGIONEVOLI, TUTTAVIA VALUE TRACK S.R.L. NON HA EFFETTUATO ALCUNA VERIFICA INDIPENDENTE RISPETTO ALLE INFORMAZIONI CONTENUTE NEL PRESENTE DOCUMENTO E PERTANTO NE' VALUE TRACK S.R.L. NE' LA SOCIETA' NE' I SUOI AZIONISTI O E SUE CONTROLLATE, I LORO RISPETTIVI CONSULENTI O QUALSIASI ALTRO SOGGETTO A QUESTI CONNESSO, NE' I LORO RISPETTIVI AMMINISTRATORI, DIRIGENTI O IMPIEGATI SARANNO IN ALCUN MODO CONSIDERATI RESPONSABILI DEL CONTENUTO DEL PRESENTE DOCUMENTO E NESSUN AFFIDAMENTO DOVRA' ESSERE FATTO IN MERITO ALLA PRECISIONE, COMPLETEZZA O CORRETTEZZA DELLE INFORMAZIONI CONTENUTE NEL PRESENTE DOCUMENTO. NESSUN SOGGETTO POTRÀ PERTANTO ESSERE RITENUTO RESPONSABILE DEI DANNI DERIVANTI DALL'UTILIZZO DEL PRESENTE DOCUMENTO O DAL SUO CONTENUTO OVVERO DEI DANNI COMUNQUE CONNESSI AL PRESENTE DOCUMENTO. VALUE TRACK S.R.L. (O I SUOI DIRIGENTI, AMMINISTRATORI O IMPIEGATI) POTREBBE, NEI LIMITI CONSENTITI DALLA LEGGE, TROVARSI A DETENERE STRUMENTI FINANZIARI DELLA (OVVERO OPZIONI, WARRANT O ALTRI DIRITTI RELATIVI ALLA, OVVERO UN INTERESSE NELLE AZIONI O ALTRI STRUMENTI FINANZIARI DELLA) SOCIETA' E POTREBBE AGIRE SUL MERCATO O COME CONTROPARTE IN TRANSAZIONI RELATIVE A TALI STRUMENTI FINANZIARI.