

Pattern Group

Sector: Fashion Luxury Engineering



Analysts

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Solid results, very challenging luxury context

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.

FY24 in line with estimates, HQ investments advancing

FY24 Results came out in line with our estimates with PTR delivering on growth targets, while maintaining resilient margins and a very solid financial position. The significant investments in the new HQ in Collegno, ca. €16/17mn over 2024/2026, are progressing as planned, with completion expected by end 2025.

FY25E will be challenging, timing of recovery hard to predict

Given recent news flow and post result management indication, we adopt a cautious stance for FY25, with revenue deceleration across divisions, amid persistent sector headwinds, weak global demand, global brands' creative team reshuffling and regulatory uncertainty. Yet, Pattern is deploying targeted countermeasures including operational restructuring, product diversification, and potentially selective M&A. These initiatives will be formalized in a new business plan next quarter, alongside the confirmed trans-listing project, which remains in the cards more likely for FY26.

Estimates cut to reflect worsened trading and lower visibility

Given weaker demand, margin pressure, and capex commitments, we revise our FY25–26E forecasts downward by ~25% at top line and ~60% at EBITDA level. The revision reflects lower volumes in Knitwear, a partial stabilization in Leather Goods, and limited cost flexibility across the group. Net Debt is expected to peak at €22.0mn in FY25E (3.3x NFD/EBITDA), before gradually declining from 2026E as modest revenue growth (~3%) and operating leverage support margin recovery and cash generation.

Fair Value down at €5.8 per share (from €7.2)

Despite PTR solid investment case and track record, the current headwinds are expected to hit sector and PTR financial results and ratings in the short term. We cut our Fair Equity Value to €5.8 p/s, which still leaves some upside from current stock market price. It is now derived only from our DCF model and implies a multiple of 7.5x EV/"normalized EBITDA".

Fair Value (€) 5.80
Market Price (€) 4.90
Market Cap. (€m) 70.8

KEY FINANCIALS (€mn)	2024A	2025E	2026E
VALUE OF PRODUCTION	126.5	115.0	118.5
EBITDA	13.0	6.6	9.2
EBIT	3.5	-0.8	1.4
NET PROFIT ADJ.	3.7	-0.2	1.8
NET INV. CAP.	57.9	63.3	59.5
EQUITY	43.5	41.3	41.5
NET FIN. POS.	-14.4	-22.0	-18.0
EPS ADJ. (€)	0.26	<0.0	0.12

Source: Pattern Group (historical figures)

Value Track (2025-26E estimates)

KEY RATIOS (*)	2024A	2025E	2026E
EBITDA MARGIN (%)	10.3	5.8	7.8
EBIT MARGIN (%)	2.8	nm	1.2
NET DEBT / EBITDA (x)	1.1	3.3	1.9
NET DEBT / EQUITY (x)	0.3	0.5	0.4
EV/SALES (x)	0.8	0.9	0.9
EV/EBITDA (x)	8.1	16.2	11.2
EV/EBIT (x)	nm	nm	nm
P/E ADJ. (x)	19.4	nm	nm

Source: Pattern Group (historical figures)

Value Track (2025E-26E estimates)

STOCK DATA (*)	
MARKET PRICE (€)	4.9
SHS. OUT. (m)	14.5
MARKET CAP. (€m)	70.8
ENTERPRISE VALUE (€m)	107.3
FREE FLOAT (%)	26.3
AVG. -20D VOL. ('000)	2,377
RIC / BBG	PTR.MI / PTR IM
52 WK RANGE	4.50-6.65

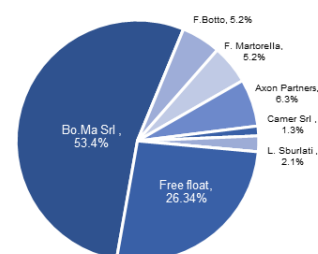
Source: Stock Market Data



Business Description

Pattern Group 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. The Company reported steady growth since inception (27% CAGR 2009-2024), on a mix of organic growth and solid M&A. It operates under three product segments: Men's and Womenswear, Knitwear, and Leather Goods and is still controlled by the two founders with a 32% stake each, with key managers owning another 5%.

Shareholders Structure (current)



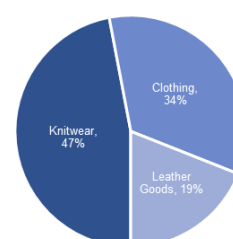
Source: Pattern Group

Key Financials

€mn	2023	2024	2025E	2026E
Value of Production	145.6	126.5	115.0	118.5
Chg. % y/y	33.3%	-13.1%	-9.1%	3.0%
EBITDA	18.8	13.0	6.6	9.2
EBITDA Margin (%)	12.9%	10.3%	5.8%	7.8%
EBIT	8.4	3.5	-0.8	1.4
EBIT Margin (%)	5.8%	2.8%	nm	1.2%
Net Profit	21.1	-1.0	-3.2	-1.2
Chg. % y/y	nm	nm	nm	nm
Adjusted Net Profit	7.9	3.7	-0.2	1.8
Chg. % y/y	nm	nm	nm	nm
Net Fin. Position	0.6	-14.4	-22.0	-18.0
Net Fin. Pos. / EBITDA (x)	nm	1.1	3.3	1.9
Capex	-7.7	-6.7	-12.0	-5.0
OpFCF b.t.	17.9	4.3	-6.2	5.2
OpFCF b.t. as % of EBITDA	95.1%	32.7%	nm	56.0%

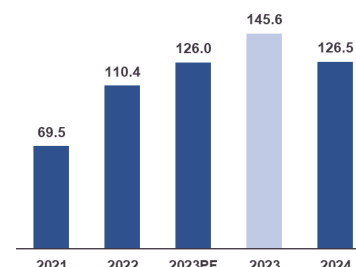
Source: Pattern Group (historical figures), Value Track (estimates)

FY24 Revenues by Segment



Source: Pattern Group

FY24 Revenues by Structure



Source: Pattern Group

Investment case

Strengths / Opportunities

- ◆ Hard-to-replicate engineering and “Made in Italy” manufacturing network, essential for luxury brands’ top-quality supply chain;
- ◆ Strong balance sheet and solid M&A track record (solid rationales at attractive multiples, i.e. <6x EV/EBITDA);
- ◆ Distinct positioning in a market in strong consolidation.

Weaknesses / Risks

- ◆ Luxury market is facing negative momentum, with expected weakness in Europe and US also in 2025E;
- ◆ The order-based *Cost-plus* approach limits B2B margins.

Stock multiples @ €5.80 Fair Value

	2025E	2026E
EV / SALES (x)	1.0	1.0
EV / EBITDA (x)	18.2	12.6
EV / EBIT (x)	nm	nm
EV / CAP.EMP. (x)	1.9	2.0
OpFCF Yield (%)	nm	4.4
P / E Adj. (x)	nm	nm
P / BV (x)	2.5	2.6
Div. Yield. (%)	0.0	0.0

Source: Value Track

FY24 Results

Introduction

FY24 results **are broadly in line with our estimates**, though they clearly reflect the very challenging conditions of the luxury sector. We also remind that: 1) in Q4 2023 Pattern divested part of its manufacturing operations (those related to Burberry ready-to-wear), and hence FY24 results are also compared to **FY23 on a pro-forma basis**, i.e. excluding the contribution to P&L of divested assets; 2) in June 2024 Pattern acquired the luxury knitwear manufacturer Umbria Verde Mattioli (UVM, see our Initiation of Coverage report for full details), which has been **consolidated in the Group accounts in 2H24**, contributing to P&L for 6 months and to the material increase in net debt, compared to Dec 2023, together with other few small deals.

Pattern Group: Key Financials FY23-FY24 vs FY24E

(€, mn)	FY23	FY23PF	FY24	FY24E	Δ FY24 A/E
Value of Production	145.6	126.4	126.5	125.0	+1.2%
EBITDA	18.8	16.6	13.0	12.4	+4.8%
<i>EBITDA Margin (%)</i>	12.9%	13.1%	10.3%	9.9%	+40bps
EBIT	8.4		3.5	5.9	-40.7%
<i>EBIT Margin (%)</i>	5.8%		2.8%	4.7%	-190bps
Net Profit	21.1		-1.0	2.3	n.m.
Net Profit Adj.	7.9		3.7	4.8	-22.9%
<i>Net Margin (%)</i>	5.4%		2.9%	3.8%	-90bps
Net Financial Position	0.6		-14.4	-15.0	+0.6mn

Source: Pattern Group, Value Track analysis (*) Reported NFP as of Dec 2023

Top line holds vs pro-forma on mix shift

Pattern Group has released its FY24 results, summarized as follows:

- ◆ **Value of Production at €126.5.mn**, flattish y/y vs. FY23PF, was impacted by a challenging market facing the slowdown in luxury good demand and a massive de-stocking process and on a like-for-like basis, revenues were down 7%. By segment, the mix changed: we estimate Knitwear represented 51% of total FY24 revenues (including the contribution of UVM), Clothing 30% (following the disposal of the Burberry segment), and Leather Goods 19%, witnessing a sharp difference in the trends: 1) **Clothing** was the most resilient segment, as it held up well and remained broadly flat y/y on a like-for-like basis, i.e. excluding the €19.2mn “deconsolidation effect”; 2) **Knitwear** witnessed a partial slowdown (especially in 2H) also due to a tough comps from the past two semesters. It posted an organic decline of 3% y/y in FY24, but benefited from the consolidation of UVM, contributing €8.7mn, driving a +11% on a reported basis; 3) **Leather goods** experienced the largest revenue drop among business units, down €7.5mn y/y (-24% y/y), which however has normalized over 2H.

Pattern Group: Revenues Breakdown by Segment FY23PF-FY24

(€, mn)	FY23	FY23 PF	FY24	Δ y/y vs PF
Clothing	57.5	38.3	38.4	+0.0%
Knitwear	58.9	58.9	65.6	11.4%
Leather Goods	31.5	31.5	24.0	-23.8%
Net Revenues	147.9	128.7	128.0	-0.5%

Source: Pattern Group, Value Track analysis

- ◆ **EBITDA at €13.0mn**, vs. ca. €16.6mn FY23PF, was the net outcome of the margin contraction on existing business (mostly due to the leather good segment and Dyloan) and the consolidation of UVM, which contributed in 2H with its high profitability (€1.9mn and >20% EBITDA Margin);
- ◆ **Bottom line closed with a loss of €1.0mn** (vs €21.1mn of FY23), while on adjusted basis (i.e. excluding goodwill amortization and extraordinary items) net result was €3.7mn vs €7.9mn (FY23) as despite the relatively low cost of debt (3.1% average), tax rate remained around 34%.

Pattern Group: P&L FY23-FY24

(€, mn)	FY23	FY24	Δ YoY vs Reported
Value of Production	145.6	126.5	-13.1%
Raw Materials, Δ Inventory (Raw Materials)	-28.8	-23.0	-20.3%
Gross Profit	116.7	103.5	-11.3%
Gross Margin (%)	80.2%	81.8%	164bps
Costs of Services	-56.2	-49.2	-12.6%
Costs of Rent	-3.2	-3.3	3.7%
G&A	-1.3	-1.1	-17.7%
Labour Costs	-37.2	-37.0	-0.7%
EBITDA	18.8	13.0	-30.8%
EBITDA Margin (%)	12.9%	10.3%	-263bps
D&A	-4.4	-9.0	105.3%
Provisions	-6.0	-0.5	-91.7%
EBIT	8.4	3.5	-58.2%
Interest Expenses	-0.6	-0.2	-67.6%
Other Non-Operating Income	20.3	0.0	-100.0%
Pre-Tax Profit	28.1	3.3	-88.2%
Taxes	-4.7	-3.0	-37.2%
Minorities	-2.3	-1.4	-39.1%
Net Profit	21.1	-1.0	-104.8%

Source: Pattern Group, Value Track analysis

Cash Flow & Balance Sheet

Balance Sheet and Cash Flow reflect UVM consolidation and the write down of Dyloan goodwill, in more details:

- ◆ **Net fixed assets** at €56.0m vs €42.0mn of Dec 2023, mostly due to acquisitions, with intangibles up by €9.5mn following the acquisition of U.V.M. (€14.7mn goodwill) and fixed assets up by €5.2mn (including capex and minor assets acquisitions in manufacturing subsidiaries);
- ◆ **Net Working capital** at 6.6% of VoP and up 58% y/y, but remains well under control, particularly when considering that FY23 was positively impacted by the deconsolidation of the sizeable inventory of the divested business unit (which contributed to VoP for 9 months), while FY24 data consolidate U.V.M. (whose contribution on VoP was for only 6 months);
- ◆ **Net Debt** at €14.4mn (€0.6mn cash as of December 2023), with the cash absorption mainly due to the M&A activity, while operating FCF funded also €6.7mn Capex (€3.7mn for the New HQ in Collegno) and €1mn dividends paid to subsidiaries' minorities. The recent deals have required ~€18mn, according to our estimates, namely: 1) €11mn in cash for U.V.M. acquisition; 2) ~€6mn for S.M.T. minorities buyout, and 3) small minorities' buy-out (Nuova Nicol, Zanni) and the purchase of a small manufacturing asset for the residual.

Pattern Group: Cash Flow Structure FY23 (Reported)-FY24

(€, mn)	FY23	FY24	Δ YoY
EBITDA	18.8	13.0	-30.8%
Δ NWC	6.3	-3.1	nm
Capex	-7.7	-6.7	nm
Δ Provisions	0.5	1.0	nm
OpCF b.t.	17.9	4.3	76.2%
<i>As a % of EBITDA</i>	<i>95.1%</i>	<i>17.5%</i>	<i>nm</i>
Taxes	-4.7	-3.0	-37.2%
OpFCF a.t.	13.2	1.3	-90.1%
Others (incl. Financial Inv.)	10.3	-16.1	nm
Net Financial Charges	-0.6	-0.2	-67.6%
Δ Net Financial Position	-8.4	15.0	-29.5mn

Source: Pattern Group, Value Track analysis

Pattern Group: Balance Sheet Structure FY23-FY24

(€, mn)	FY23	FY24	Δ YoY
Net Fixed Assets	42.0	56.0	33.4%
Net Working Capital	5.3	8.3	58.2%
Provisions	5.4	6.4	18.8%
Total Capital Employed	41.9	57.9	38.4%
Group Net Equity	42.5	43.5	2.5%
Net Financial Position	0.6	-14.4	-15.0mn

Source: Pattern Group, Value Track analysis

Key messages from conference call and overview

During the post-FY24 Conference Call, management provided an extremely cautious overview, while also outlining actions to preserve profitability and seize potential opportunities.

Key risk factors

- ◆ Management confirmed the well-known **troubles affecting the luxury good sector over the last quarters are likely to persist**, and global demand is due to remain weak;
- ◆ **Chinese demand is not seen back to post-Covid levels** also due to structural changes in local consumer behavior (growing preference for local brands and manufacturers) and uncertain trading and travelling patterns affect this consumption;
- ◆ Revenues along the whole supply chain of luxury goods are suffering not only from the severe de-stocking process at retailing level (not close to full normalization yet in all segments), but also from the **massive reshuffling in the creative teams of most of leading global brands**, as these events cause changes and delays in the whole supply chain;
- ◆ **Major uncertainties about the US trading and custom legislation** clearly massively reduce visibility and cause further damage to the whole manufacturing and distributing chain;
- ◆ The whole picture may potentially bring further **pressure on manufacturers**, especially on those providing more standardized products and services;
- ◆ As for segments, management expects **Leather Goods** to stabilize around FY24 levels after last year's decline, **Knitwear** to weaken following an exceptionally strong FY24, and **Ready-to-Wear** to show a broadly stable trend.

A few counter actions taken / identified

In response to the challenging environment, management outlined several countermeasures aimed at preserving competitiveness and laying the groundwork for future growth:

- ◆ **Restructuring**: the appointment of a new Head of Operations and targeted reorganization across industrial districts, including Dyloan, aim to streamline execution and increase operational flexibility in a less predictable market;
- ◆ **Widened product offer**: diversifying the portfolio allows the group to address evolving client needs and mitigate the impact of demand concentration from key accounts;
- ◆ **New brands/products**: introducing new product lines or repositioned offerings allows Pattern to access segments less affected by the slowdown in European luxury;
- ◆ **M&A activity** is expected to remain an area of focus, particularly in companies involved in product development. This is even more likely in the current market situation, as demand weakness and financial turmoil may lead to attractive M&A opportunities;
- ◆ **ESG focus**: reinforcing sustainability commitments strengthens positioning with key clients, as traceability and responsible sourcing become even more critical in brand procurement strategies.

All these strategic considerations are expected to be reflected in the **new business plan that Pattern intends to finalize over the coming quarter**. As part of this process, management also confirmed their intention to proceed with the trans-listing project, which remains the only outstanding step from the previous strategic roadmap.

Forecasts 2025E-26E

We revise our estimates to reflect a significantly weaker demand outlook, with continued volume contraction and sustained margin pressure expected in the domestic fashion market. While consensus anticipates a soft 1H followed by a gradual recovery in 2H, current visibility remains extremely limited, and we acknowledge that the downturn may persist throughout the full year. For now, we outline below our revised 2025E financial projections, while assuming a gradual recovery starting only from 2026E.

As such, **2025E** key financials should evolve as follows:

- ◆ **Value of Production at €115.0mn** in 2025E (-9.1% y/y). At divisional level:
 - i) *Ready-to-Wear* (34% of VoP) is expected to remain broadly stable;
 - ii) *Leather Goods* (18%) should stabilize after previous declines;
 - iii) *Knitwear* (48%) is projected to contract, normalizing after two exceptionally strong years;
- ◆ **EBITDA at €6.6mn** in 2025E (5.8% margin), with short-term margin compression driven by revenue contraction coupled with limited cost flexibility. That said, PTR is expected to implement restructuring and cost-saving measures, especially in underperforming units like Dyloan and the Leather Goods business segment;
- ◆ **Net Debt projected at €22.0mn** in 2025E, reflecting increased capex, including ~€9mn related to the new headquarters construction and ~€1.4mn for the acquisition of a business branch for SMT in Puglia.

From **2026E**, we expect that a modest return to growth (~3%) could drive operating leverage, gradually restoring the EBITDA margin to ~8%. Free cash flow is also projected to turn positive in 2026E, following two years of substantial investment in production infrastructure.

Pattern: Old vs. New Estimates FY24-FY26E

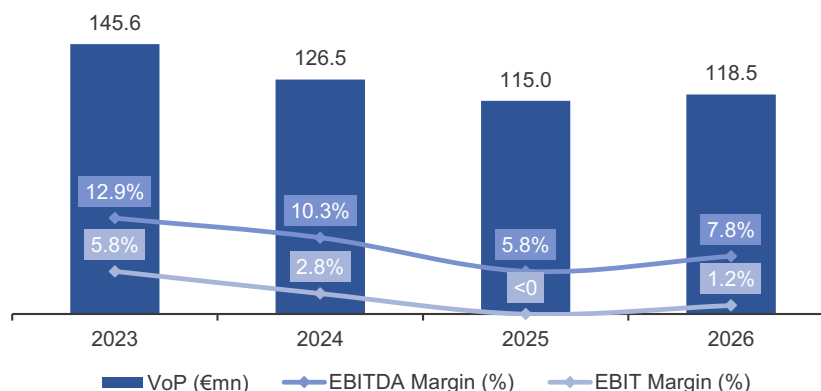
€mn	2024			2025E			2026E		
	Old	New	Δ(%)	Old	New	Δ(%)	Old	New	Δ(%)
Total Revenues	125.0	126.5	1.2%	148.0	115.0	-22.3%	163.0	118.5	-27.3%
EBITDA	12.4	13.0	5.1%	18.2	6.6	-63.6%	21.4	9.2	-56.8%
<i>EBITDA Margin (%)</i>	9.9%	10.3%	38 bps	12.3%	5.8%	-655 bps	13.1%	7.8%	-531 bps
EBIT	5.9	3.5	-41.0%	11.1	-0.8	-107.4%	12.2	1.4	-88.7%
<i>EBIT Margin (%)</i>	4.7%	2.8%	-198 bps	7.5%	nm	nm	7.5%	1.2%	-634 bps
Net Profit (Reported)	2.3	-1.0	nm	4.6	-3.2	nm	5.4	-0.9	nm
Net Fin. Position	-15.0	-14.4	0.6	-11.3	-22.0	-10.7	-3.6	-17.3	-13.7

Source: Value Track Analysis

Pattern Group: Key Financials FY23A-FY26E

(€, mn)	2023	2024	2025E	2026E	24A-26E (%)
Value of Production	145.6	126.5	115.0	118.5	-3.2%
EBITDA	18.8	13.0	6.6	9.2	-15.8%
<i>EBITDA Margin (%)</i>	12.9%	10.3%	5.8%	7.8%	-250bps
EBIT	8.4	3.5	-0.8	1.4	-37.2%
<i>EBIT Margin (%)</i>	5.8%	2.8%	-0.7%	1.2%	-160bps
Net Profit Adj.*	7.9	3.7	-0.2	1.8	-30.6%
<i>Net Margin Adj. (%)</i>	5.4%	2.9%	-0.2%	1.5%	-142bps
Net Financial Position	0.6	-14.4	-22.0	-17.3	-2.9mn

Source: Pattern Group, Value Track analysis, (*) Adj. for Goodwill amortization estimates

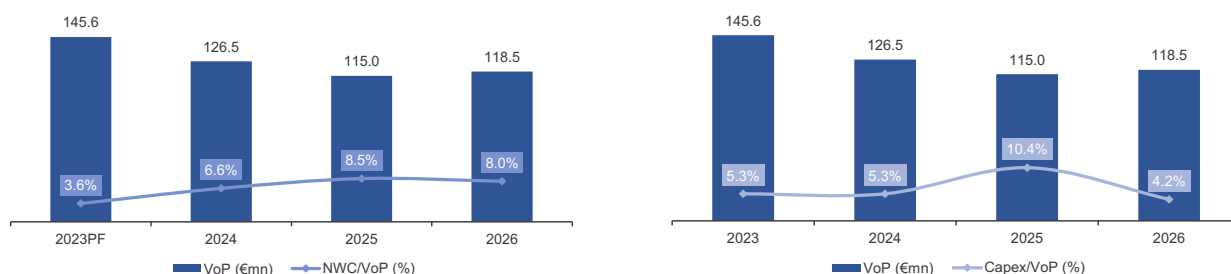
Pattern Group: VoP, EBITDA & EBIT Margins evolution FY23-FY26E


Source: Pattern Group, Value Track analysis

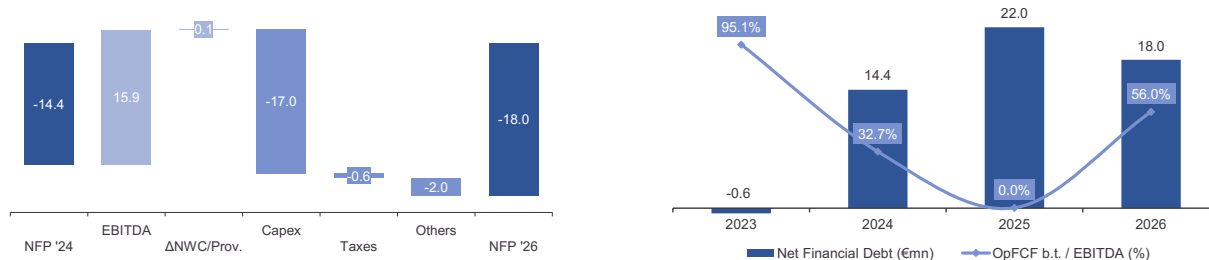
Pattern Group: P&L FY23-FY26E

(€, mn)	2023	2024	2025E	2026E
Value of Production	145.6	126.5	115.0	118.5
Raw Materials, Δ Inventory	-28.8	-23.0	-21.6	-22.3
Gross Profit	116.7	103.5	93.4	96.2
Gross Margin (%)	80.2%	81.8%	81.2%	81.2%
Costs of Services	-56.2	-49.2	-43.1	-43.2
Costs of Rent	-3.2	-3.3	-2.3	-1.8
G&A	-1.3	-1.1	-1.4	-1.2
Labour Costs	-37.2	-37.0	-40.0	-40.8
EBITDA	18.8	13.0	6.6	9.2
EBITDA Margin (%)	12.9%	10.3%	5.8%	7.8%
D&A	-4.4	-6.5	-7.4	-7.9
Provision	-6.0	-3.0	0.0	0.0
EBIT	8.4	3.5	-0.8	1.4
Interest Expenses	-0.6	-0.2	-0.7	-0.5
Other Non-Op. Income/Expenses	20.3	0.0	0.0	0.0
Pre-Tax Profit	28.1	3.3	-1.5	0.9
Taxes	-4.7	-3.0	-0.3	-0.3
Tax Rate (%)	-16.8%	-89.1%	-32.0%	-32.0%
Minorities	-2.3	-1.4	-1.4	-1.8
Net Profit	21.1	-1.0	-3.2	-1.2
Net Profit Margin (%)	14.5%	-0.8%	-2.8%	-1.0%
Net Profit Adj. (*)	7.9	3.7	-0.2	1.8
Net Profit Adj. Margin (%)	5.4%	2.9%	-0.2%	1.5%

Source: Pattern Group, Value Track analysis

Pattern Group: FY23-26E VoP & NWC/VoP (% , left) and VoP & Capex/VoP (% , right)


Source: Value Track analysis

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


Source: Value Track analysis

Pattern Group: Balance Sheet FY23-FY26E

(€, mn)	2023	2024	2025E	2026E
Net Fixed Assets	42.0	56.0	60.6	57.7
Net Working Capital	5.3	8.3	9.8	9.5
Provisions	5.4	6.4	7.1	8.1
Total Capital Employed	41.9	57.9	63.3	59.1
Group Net Equity	42.5	43.5	41.3	41.5
Net Financial Position	0.6	-14.4	-22.0	-17.6

Source: Pattern Group, Value Track analysis

Pattern Group: Cash Flow FY23-FY26E

(€, mn)	2023	2024	2025E	2026E
EBITDA	18.8	13.0	6.6	9.2
Δ NWC	6.3	-3.1	-1.5	0.3
Maintenance Capex	-0.3	-2.0	-1.2	-1.5
Δ Provisions	0.5	1.0	0.6	1.0
OpFCF b.t. (before dev. Capex)	25.3	9.0	4.6	9.1
As a % of EBITDA	134.6%	68.9%	69.6%	98.3%
Cash Taxes	-4.7	-3.0	-0.3	-0.3
OpFCF a.t. (before dev. Capex)	20.6	6.0	4.3	9.8
Development Capex	-7.4	-4.7	-10.8	-3.5
Others (incl. Financial Inv. & div. to min.)	10.3	-16.1	-0.4	-0.4
Net Financial Charges	-0.6	-0.2	-0.7	-0.5
Dividends Paid	-8.4	0.0	0.0	0.0
Δ Net Financial Position	14.5	-15.0	-7.6	4.4

Source: Pattern Group, Value Track analysis

Valuation

We revise our fair value estimate to **€5.80 per share** (from €7.20), relying on DCF as the most appropriate methodology to capture Pattern's medium-term potential in a context of elevated short-term volatility across the luxury manufacturing sector. Our valuation implies a **7.5x EV/EBITDA 2027E**, based on a normalized EBITDA margin assumption (11%), fully consistent with both Pattern's historical performance and the level historically observed across comparable peers.

Compared to our previous valuation, we note the following:

- ◆ **Peer multiples are no longer a reliable benchmark**, due to the combined effect of sector-wide de-rating and the deterioration in Pattern's short-term fundamentals — including margin compression from negative operating leverage and a capex cycle already committed, which weighs on the balance sheet;
- ◆ **We have removed previous corporate development optionalities** from our valuation (i.e. impact on fair value of possible M&A deals and further minorities buyout), as the current market uncertainty prompts a more prudent approach to future cash deployment (timing in primis);

On the positive side, the **luxury manufacturing space continues to be subject to the ongoing consolidation phase**, supporting a valuation floor and confirming the sector's strategic relevance and speculative appeal of the Made in Italy champions, despite near-term challenges.

Discounted Cash Flow Model

We run a DCF model and calculate a **Fair Equity Value p/s of €5.80**, 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;
- ◆ Unlevered Beta at 1.02, (Source: Damodaran, Apparel Europe);
- ◆ 5.37% 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") TV calculated with perpetual growth model, and implying an exit multiple of ~8x EV/EBITDA;
- ◆ Target Capital structure with Net Debt at 20% of the Capital Invested.

On a rolling capital structure, Pattern WACC starts from 9.3% in 2025E (~34% Net Debt/Total Capital Employed) and lands at 10.0% in 2030E (Net Cash). At target 20% leverage structure, Pattern WACC is fixed at 9.6% for the whole period.

Pattern Group: DCF Model outcomes

€mn	@Rolling Capital Structure	@Target Capital Structure
PV of Future Cash-Flows 2025E-2030E	22.7	23.0
PV of Terminal Value 2030E	86.9	92.8
Fair Enterprise Value	109.6	115.8
Net Cash Position 2024	-14.4	-14.4
Minorities	-14.5	-14.5
Fair Equity Value € p/s	80.7	86.4
Fair Equity Value € p/s (average)	5.80	

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 (%)	9.1%	6.2	6.4	6.6	6.9	7.1
	9.3%	5.9	6.1	6.3	6.5	6.8
	9.6%	5.6	5.8	6.0	6.2	6.4
	9.8%	5.4	5.6	5.7	5.9	6.1
	10.1%	5.1	5.3	5.5	5.7	5.9

Source: Value Track analysis

Peers Analysis

For reference purposes only, we include a peer valuation table, although we do not rely on this method in our assessment. Peer multiples are currently not meaningful due to **the sharp de-rating across the sector, -41% y/y and -26% since our last update** (October 2024). When combined with the deterioration in Pattern's short-term fundamentals, the resulting output from a peer-based valuation would not provide a reliable benchmark. Worthy to note, Pattern has shown a more limited declines of -10% y/y and -12% from our last update, respectively.

Pattern Group: Peers' Trading Multiples (x)

Peers	EV/EBITDA		EV/EBIT		P/E Adj.	
	2025E	2026E	2025E	2026E	2025E	2026E
Global Brands						
Burberry	4.5	3.6	16.7	9.3	32.7	15.9
Capri Holdings	10.4	8.5	23.1	15.0	12.1	8.4
Ermenegildo Zegna	7.1	6.4	16.6	14.1	26.3	21.9
PVH Corp.	4.3	3.9	5.6	5.1	6.1	5.7
Hugo Boss	4.0	3.5	7.8	6.8	9.7	8.6
Global Brands - Average	6.1	5.2	14.0	10.1	17.4	12.1
Global Brands - Median	4.5	3.9	16.6	9.3	12.1	8.6
ITA SME Branded Goods & B2B						
Gentili Mosconi	8.3	4.8	15.9	6.4	26.8	11.2
Safilo Group	3.6	3.0	6.4	4.9	9.7	7.3
Geox	5.4	4.7	>40	22.2	<0	49.6
ITA SME Branded Goods & B2B - Average	5.8	4.1	11.1	11.2	18.3	22.7
ITA SME Branded Goods & B2B- Median	5.4	4.7	11.1	6.4	18.3	11.2
Total Average	5.9	4.8	13.2	10.5	17.6	16.1
Total Median	5.0	4.3	15.9	8.1	12.1	9.9

Source: Market Consensus, Value Track analysis

Consolidation Momentum in ITA Supply Chain confirms enduring speculative appeal

We continue to observe a **high level of M&A activity** within the Italian fashion luxury supply chain, confirming the ongoing strategic interest in vertically integrated, high-quality manufacturing assets. Transactions involved the usual mix of consolidators, such as industrial platforms (e.g. Florence) Group, Luxury Maisons (e.g. Chanel), and financial investors (e.g. Equita Capital, Arca)

Recent M&A in the Italian Luxury Fashion Supply Chain

Completion Date	Target	Buyer	Sales (~€mn)	Employees (#)
07/04/2025	Mantero Seta SpA	Chanel	85	12
06/03/2025	Leofrance SpA	Chanel	216	302
31/01/2025	Conceria Guerino Srl	Conceria Stefania SpA	11	12
19/12/2024	G.T. Emme SRL	Equita Capital Sgr	5	30
29/10/2024	Corrado Maretto Srl	Nice Footwear SpA	29	116
29/10/2024	Dyva Srl	Nice Footwear SpA	7	68
23/09/2024	Maglificio Ites Spa	Mantero Seta SpA	7	38
05/08/2024	Calzaturificio Maruska Srl	Equita Capital Sgr	17	59
05/08/2024	Everyn Srl	Equita Capital Sgr	13	56
25/06/2024	Bulgarelli Production Srl	Arca Fondi	7	28
02/05/2024	Gruppo Logama Srl	Gruppo Florence SpA	10	99

Source: Value Track analysis

Although deal values and valuation multiples for these transactions are not publicly available - we refer to a set of prior transactions with disclosed data that remain relevant and indicative, particularly for medium-sized targets. The average multiples implied by these M&A deals (2021-2024) 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

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