

# Pattern Group Inc. (PTRN)

## April 7<sup>th</sup>, 2026. Ticker Analysis

### What do they do?

They are an e-commerce acceleration and execution platform. Unlike traditional SaaS or 3PLs that just provide software or shipping for a fee, Pattern operates a massive first-party (1P) wholesale model. They actually buy inventory directly from major brands (Panasonic, TUMI, etc.), take on the balance sheet risk, and fully execute the sales, marketing, and global logistics across 70+ marketplaces (Amazon, Walmart, TikTok Shop).

### The price action is awful this year:

- 52wk High: \$20.10
- 52wk Low: \$8.92
- Current: \$12.10
- YTD: -11.3%
- Post-IPO Performance: A textbook "broken IPO" chart. It debuted hot, crashed in early 2026 as lock-ups approached and tech rotated, but has recently established a hard floor around \$9 and is rebounding.

### Metrics

- Market Cap: \$2.19B
- EV: \$1.93B
- Debt Profile: Pristine. \$289M in cash and cash equivalents, absolute **zero** outstanding debt.
- LTM Net Debt/EBITDA: Negative (Net cash position of \$258M)

### Growth (Actuals & Forward estimates):

- 1yr Rev (FY25): 39%
- 1yr Adj. EBITDA: 52%
- Fwd 2yr Rev CAGR: 23.8%
- Fwd 2yr EBITDA CAGR: 22.6%

### Valuation

- Wall St. Target Price: \$21.11 (Implies approx. 70% upside)
- NTM EV/Rev: 0.62x
- NTM EV/EBITDA: 10.75x
- NTM P/E: 26.54x
- NTM MC/FCF: 18.87x

## Q4 & FY 2025 Performance

- FY Gross Revenue: \$2.5B (+39% YoY)
- FY Adjusted EBITDA: \$153M (+52% YoY)
- FY Free Cash Flow: \$79M (+58% YoY)
- Net Revenue Retention (NRR): 124%
- Guidance: "Middle-of-the-road" 2026 guidance forecasting roughly 25% top-line growth (a deceleration from 39%, which spooked the market).

Valuation metrics look incredibly cheap for a company growing top-line at 30%+ with an impenetrable balance sheet.

## Platform Concentration & Capital Intensity

What is their main engine of growth? 1P Execution and "Agentic Commerce" tailwinds. Brands are terrified of the shift to AI shopping agents (where algorithms pick the best-priced, fastest-shipping product, ignoring standard marketing). Pattern uses a 66-trillion data point engine to automate marketplace bids and ensure flawless 1.5-day delivery, making their brand partners "visible" to AI.

The catch is twofold:

1. **Capital Intensity:** Buying inventory traps cash. However, Pattern has engineered a masterclass in capital efficiency, compressing their Cash Conversion Cycle to just 39 days. They stretch payables while turning inventory fast.
2. **The Amazon Overhang:** Historically, about 94% of their revenue came from Amazon. If Amazon changes its algorithm or hikes FBA fees, Pattern feels the squeeze. (Though they are rapidly diversifying: non-Amazon revenue grew 60% YoY in 2025).

## Peer Comparison (vs. SaaS Enablement)

A comparison to traditional e-commerce SaaS platforms highlights the core market debate:

- **SaaS Enablement (Shopify, BigCommerce):** Zero inventory risk, 80%+ gross margins. The market rewards them with 20x-30x forward EBITDA multiples.
- **Pattern (PTRN):** High inventory risk, lower gross margins (because they recognize the full GMV of the product sold as revenue).

The market is currently penalizing PTRN like a low-margin legacy retailer, pricing it at **10.75x EV/EBITDA** and a microscopic **0.62x EV/Sales**. This completely discounts their proprietary AI tech stack, global logistics moat, and absurd 124% NRR.

## Margin of Safety Analysis

Is there any floor if this goes wrong?

- **Balance Sheet (Extremely High Safety):** With \$258M in Net Cash and zero debt, the risk of insolvency is effectively zero. They are self-funding hyper-growth.
- **Business Model (Medium-High Safety):** A 124% NRR means that even if they sign zero new brands next year, their existing cohort will organically grow revenue by 24%. Furthermore, the founders maintain a dual-class voting structure. You have no say, but they are deeply aligned owner-operators who bootstrapped this without salaries for 3 years.
- **Valuation (High Safety):** This is the kicker. At 10.75x EBITDA, downside is highly capped. Furthermore, management just authorized a **\$100M share buyback**. Because the public float is tiny (20% of shares out), that \$100M can theoretically buy up and retire **over 21% of the entire tradable public float**. This provides a massive, concrete floor under the stock.

## Investment Thesis

### Bulls say:

- **The Valuation Disconnect:** The market is mispricing a highly cash-generative, AI-driven market leader as a low-margin distributor.
- **The Buyback Squeeze:** Retiring 20%+ of the public float while growing FCF by 58% will dramatically accelerate EPS.
- **Agentic Commerce:** As AI takes over shopping, brands will have no choice but to outsource their marketplace execution to data-dense operators like Pattern to survive the "hyper-transparent" AI filter.

### Bears say:

- **Amazon Risk:** Despite 60% growth off-Amazon, they are still fundamentally tethered to the Bezos ecosystem (92% of total revenue).
- **Deceleration:** Top-line growth stepping down from 39% to 25% is a red flag for momentum investors.
- **Governance:** The dual-class structure means minority shareholders are just along for the ride.

## My Take

If you strip down everything, this is the entire trade: **Buy an aggressively growing, FCF-positive e-commerce monopoly at a value-stock multiple, backed by an enormous float-shrinking buyback.**

I see a severe **bull renaissance** for PTRN over the next 12 to 18 months. The stock was unfairly punished as a "broken IPO" because Wall Street analysts modeled a straight line of 40% growth into perpetuity and freaked out when management conservatively "sandbagged" 2026 guidance down to 25%.

At Foliotrail, we look for asymmetric setups. PTRN is trading at roughly 10x EBITDA with a 124% Net Revenue Retention rate and a balance sheet so flush with cash they are buying

This content is not financial advice; see full disclaimer at [app.foliotrail.com/legal.html](http://app.foliotrail.com/legal.html)

their own stock hand over fist. The downside risk from the current \$12.40 level is heavily buffered by the \$100M buyback, while the upside to the \$21+ consensus target is fundamentally supported by their pivot into TikTok Shop and Agentic AI integrations.

For investors comfortable with the Amazon platform dependency, this is a phenomenal opportunity to acquire an apex predator in e-commerce infrastructure at an absolute discount. It's vastly undervalued, and any earnings beat in the next 18 months will force a violent multiple re-rating.