



Interim report

January – March 2021



Strong start to 2021

January – March 2021

- Net revenue increased by 20% to SEK 369 (308) million. The increase in local currencies was 25%. Growth was good within both Offroad and Onroad.
- EBITDA was SEK 19 (10) million. Adjusted EBITDA was SEK 29 (10) million, equivalent to a margin of 7.9% (3.4%).
- Operating profit (EBIT) totaled SEK 8 (1) million. Adjusted operating profit amounted to SEK 18 (2) million and the adjusted operating margin was 4.9% (0.6%).
- Cash flow for the period was SEK 345 (-33) million, with this improvement primarily explained by the new share issue proceeds received in conjunction with the stock exchange listing in March.
- Earnings per share before dilution was SEK 0.01 (-0.39) and SEK 0.01 (-0.39) after dilution.
- Profit/loss for the period amounted to SEK 0 (-13) million.

Significant events during the quarter

- Pierce Group AB (publ) was listed on Nasdaq Stockholm Mid Cap on 26 March 2021.
- During the quarter, the Company entered into a new financing agreement with one of the major Swedish banks amounting to SEK 300 million, which, after the end of the period, replaced the previous financing structure.

Financial development during the second quarter 2021

- During April and May 2020, the Company had very strong growth in net sales, almost 50% in local currencies. The growth was clearly positively impacted by Covid-19 related effects. So far, around halfway into the second quarter, profit after variable costs is aligned with previous year while net revenue in local currencies are marginally lower.

SEKm (unless stated otherwise)	Jan-Mar		Apr 2020-	Jan-Dec
	2021	2020	Mar 2021	2020
Net revenue	369	308	1,584	1,523
Growth (%) ¹	20%	15%	23%	23%
Growth in local currencies (%) ¹	25%	13%	27%	24%
Gross profit	176	138	749	711
Profit after variable costs ^{1 2}	88	65	380	358
Overhead costs ¹	-58	-55	-224	-221
Adjusted EBITDA ¹	29	10	156	137
Adjusted operating profit (EBIT)^{1 3}	18	2	113	97
Items affecting comparability ¹	-10	-1	-26	-17
EBITDA ¹	19	10	130	121
Operating profit (EBIT) ³	8	1	87	81
Profit/loss for the period	0	-13	13	-1
Gross margin (%) ¹	47.8%	44.9%	47.3%	46.7%
Profit after variable costs (%) ¹	23.7%	21.1%	24.0%	23.5%
Adjusted EBITDA (%) ¹	7.9%	3.4%	9.9%	9.0%
Adjusted operating margin (EBIT) (%) ¹	4.9%	0.6%	7.2%	6.4%
Cash flow for the period	345	-33	359	-19

¹ Alternative performance measures (APM), see pages 20 - 24 for definitions and purpose of these measurements.

² Variable costs refers, in addition to cost of goods sold, to variable sales and distribution costs. These include direct marketing costs and other direct costs.

Other direct costs mainly consist of freight, invoicing and packaging.

³ Operating profit (EBIT) includes depreciation and amortisation. Amortisation attributable to business acquisitions¹ were SEK 1,5 million during the last twelve months and financial year.

CEO's comments on the financial development

"After several years of successfully building a customer base and a strong position in the European market through significant growth in sales, the strategy since the end of 2019 has been to focus on increased profitability together with more controlled growth and improved operative cash flow. Developments in the financial year 2020 and first quarter 2021 have shown very positive results from this change in strategic focus. During the first quarter, net revenue grew by 25 percent in local currencies. Adjusted EBIT grew significantly from SEK 2 million to SEK 18 million, equivalent to a margin of 4.9 percent. The result improvement was driven by good sales development within both Offroad and Onroad, an improved gross margin, and continued scalability effects on overhead costs."

CEO's comments

Strong start to 2021

After several years of successfully building a customer base and a strong position in the European market through a significant growth in sales, the strategy since the end of 2019 has been to focus on increased profitability together with a more controlled growth and improved operative cash flow. Developments in the financial year 2020 and first quarter 2021 have shown very positive results from this change in strategic focus.

During the first quarter, net revenue for the Group increased by 20 percent, i.e., 25 percent in local currencies. Adjusted EBIT, EBIT excluding items affecting comparability such as IPO costs, grew significantly from SEK 2 million to SEK 18 million, equivalent to a margin of 4.9 percent. The result improvement was driven by good sales development within both Offroad and Onroad, improved gross margin, and continued scalability effects on overhead costs. In conjunction with the stock exchange listing, we refinanced the Company, meaning that we will now have both a significantly lower level of debt and lower interest expenses.

Within the Offroad segment, net revenue grew by 22 percent to SEK 221 million during the first quarter, corresponding to about 27 percent in local currencies. The main drivers behind the growth were the markets outside the Nordics, which accounts for around 80 percent of total net revenue within Offroad, and sales of private brands. For instance, we launched our new Raven Verve collection which is a further step in our work to broaden our own brand offering and reach target groups in a higher price segment.

In the Onroad segment, net revenue grew by 20 percent, equivalent to approximately 26 percent in local currencies. For some time, we have worked to strengthen the assortment within Onroad which is a less mature segment for us than Offroad. The aim is to make the XLMOTO store even more competitive throughout all of Europe. During the quarter, we expanded the assortment by entering into agreements with further external brands, such as Shark, RAM, Turtlewax, X-lite and Nolan. Additional brands are incoming. We are also working on strengthening the assortment of our private brands as we see a strong demand for these products. For example, sales of our private brands within Onroad grew by 35 percent during the first quarter.

The segment Other is comprised of Sledstore, our online business for snowmobile riders, and our only physical store located at the headquarters in Stockholm. Net revenue grew by 12 percent with a notably higher gross margin than the same period last year as the relatively positive access to snow during portions of the quarter decreased the need to offer reduced prices, and, in addition, we had a higher portion of sales of private brands. However, the segment was somewhat hit during the quarter by stock shortages.

Our KPIs also developed well during the first quarter. Customer satisfaction, which we measure through Trustpilot, is stable at a good level (4.2/5). We have undertaken a number of process and systems improvements but still have more to do in these areas in order to further improve customer experience. The number of customers grew to 1,174,000, an increase of 30 percent compared with Q1 2020. An increasing active customer base is, of course, important for continued growth. The average order value (AOV) was stable at SEK 864 compared with 2020.

We continue to take steps forward in our sustainability journey. In March, we published an upgraded Sustainability report which can be found on our website.

Pandemic impacts and high Q2 comparative figures

Looking forward, we see that the Covid-19 pandemic continues to affect the operations. During the last year, we took several measures to ensure the personnel's health and well-being and we follow recommendations of local authorities; hence a large portion of the personnel continue to work from home. We also see the continuation of certain disruptions in the flow of goods, such as stock shortages, delivery delays and increased cost for shipping to our distribution warehouse in Szczecin due to the global shortage of containers.

The pandemic also makes it more difficult than usual to plan for sales. During April and May 2020, we had very strong growth in net revenue, almost 50 percent in local currencies, which drove the Q2 growth of 39 percent. The growth was positively affected by the outbreak of the pandemic in combination with a number of internal decisions to increase short term sales volume.

All in all, this made the second quarter 2020 an exceptional period historically and the comparative figures for net revenue during the second quarter 2021 will therefore be challenging. So far, around halfway into the second quarter, profit after variable costs is aligned with previous year while net revenue in local currencies are marginally lower.

We continue to be confident with the underlying growth and the long-term focus — our customer offering is stronger than ever, and we are working intensively to strengthen both the customer experience and to achieve further economies of scale to continue to deliver profitable growth.

Beginning of the Stock market journey

On 26 March, we began our journey as a listed company on Nasdaq. This is, of course, a major event for us and is the result of preparatory activities which have been ongoing for a relatively long time. I wish to thank all the fantastic personnel and advisers for their hard work in this context, which has also helped us to become a stronger and better company. At the same time, I wish to welcome all new shareholders (which I note with pleasure are rapidly increasing in number) and promise that we will do everything we can to live up to your trust.

Stockholm, 26 May 2021



Henrik Zadig
CEO, Pierce Group AB



Performance measures – Group

SEKm (unless stated otherwise)	Jan-Mar		Apr 2020-	Jan-Dec
	2021	2020	Mar 2021	2020
Revenue measures				
Net revenue per geographical area				
Nordics	127	112	523	507
Outside the Nordics	242	196	1,062	1,016
Net revenue	369	308	1,584	1,523
Growth per geographical area				
Nordics (%) ¹	14%	15%	13%	13%
Outside the Nordics (%) ¹	23%	15%	29%	28%
Growth (%)¹	20%	15%	23%	23%
Performance measures				
Gross margin (%) ¹	47.8%	44.9%	47.3%	46.7%
Profit after variable costs (%) ¹	23.7%	21.1%	24.0%	23.5%
Overhead costs (%) ¹	15.8%	17.8%	14.2%	14.5%
Adjusted EBITDA (%) ^{1 2}	7.9%	3.4%	9.9%	9.0%
Adjusted operating margin (EBIT) (%) ¹	4.9%	0.6%	7.2%	6.4%
Earnings per share before dilution (SEK)	0.01	-0.39	0.38	-0.02
Earnings per share after dilution (SEK)	0.01	-0.39	0.38	-0.02
Cash flow- and other financial measures				
Operating profit (EBIT)	8	1	87	81
Investments ³	-6	-12	-23	-29
Operating profit (EBIT) minus investments	1	-11	64	52
Changes in working capital	-2	-23	65	45
Other non-cash items ^{1 4}	6	1	25	20
Operative cash flow¹	5	-33	154	117
Net change in loans	—	—	-115	-115
Paid blocked funds	—	—	-14	-14
Other cash flow ^{1 5}	340	0	333	-8
Cash flow for the period	345	-33	359	-19
Cash and cash equivalents ⁶	435	82	435	87
Net debt excluding IFRS 16 ^{1 6}	-24	290	-24	312
Net debt/EBITDA ^{1 7}	-0.2	2.6	-0.2	2.8
Inventory ⁴	350	347	350	334
Other current operating assets ^{1 6}	39	38	39	29
Other current operating liabilities ^{1 6}	-270	-198	-270	-244
Net working capital^{1 6}	119	187	119	120
Operating measures				
Number of orders (thousands) ¹	427	354	1,797	1,724
Average order value (AOV) (SEK) ¹	864	869	882	884
Net revenue from private brands ¹	157	116	612	571
Active customers last 12 months (thousands) ¹	1,174	902	1,174	1,118

¹ Alternative performance measures (APM), see pages 20 - 24 for definitions and purpose of these measurements.

² Adjusted EBITDA, excluding IFRS 16, amounted during the last twelve months' period to SEK 132 (38) million.

³ Other non-cash items refers in all significance to amortisation and depreciation, excluding depreciation of right-of-use assets, and change in current provision.

⁴ Investments regards cash flow from investments excluding paid blocked funds.

⁵ Other cash flow mainly regards received/paid tax, financial net and new share issues and issue of warrant excluding paid issue costs.

⁶ Measures correspond to each period end.

⁷ Net debt refers to the APM net debt excluding IFRS 16, and EBITDA refers to the APM adjusted EBITDA excluding IFRS 16.



Pierce – Riders in e-Commerce

Pierce is a leading and fast-growing e-commerce company selling gear, parts and accessories to riders across all of Europe via some forty websites adapted to local markets. Pierce has two major segments, Offroad – sales to motocross and enduro riders, and Onroad – sales to high road riders. Pierce also has a smaller segment, Other, which primarily focuses on sales to snowmobile riders. With a large and unique product assortment, including several private brands, an excellent customer experience and attractive prices, Pierce is changing the motorcycle enthusiast market in Europe. Headquarters are located in Stockholm, the central warehouse is in Szczecin in Poland and, in addition, the major portion of our customer support services is located in Barcelona. The Company has approximately 430 employees.

Comments to the Group's profit/loss for the period

(Figures in parentheses refer to the equivalent period last year)

January – March 2021

Net revenue

Net revenue increased by 20 percent to SEK 369 (308) million. Growth was positive within both Offroad and Onroad and amounted to 22, respective, 20 percent. Growth in local currencies was 25 percent, despite certain availability shortages of products in the market and delivery delays impacted by the Covid-19 pandemic.

Gross profit/loss and gross margin

Gross profit amounted to SEK 176 (138) million, equivalent to a gross margin of 47.8 (44.9) percent. Gross profit improved primarily due to an increase in sales in combination with higher gross margins.

The margin improvement was, amongst other, attributable to positive exchange rate effects related to the weakened USD against EUR from the third quarter 2020. Overtime, this implied a positive margin impact as the Company has outflows only in USD related to goods purchases. In addition, the changed price strategy, implemented during the fourth quarter 2020, and a lower portion of price reduced sales, are deemed to have positively affected the gross margin.

Increased freight costs from Asia, related to the global shortage of containers have only marginally impacted the gross margin during the first quarter. The negative impact is expected to increase during the second quarter.

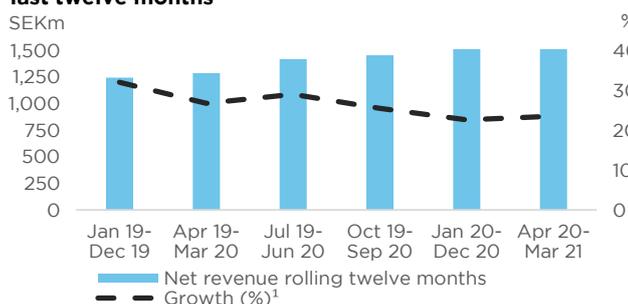
Exchange rate differences related to cost of goods sold, primarily regarding the revaluation of working capital items, impacted gross profit by SEK -4 (-5) million.

Operating costs

Sales and distribution costs amounted to SEK -120 (-103) million and include, mainly, variable costs for marketing and freight. In relation to net revenue, these costs declined to 32.5 (33.3) percent.

Administration costs were SEK -47 (-34) million. The change related primarily to increased items affecting comparability, which amounted to SEK -10 (-1) million, mainly referring to costs for the stock market listing.

Net revenue and growth (%)¹, last twelve months



¹ Alternative performance measures (APM), see pages 20 - 24 for definitions and purpose of these measurements.

Adjusted EBIT and EBIT

Adjusted operating profit (EBIT) was SEK 18 (2) million, equivalent to a margin of 4.9 (0.6) percent. The improvement was primarily related to a higher gross margin and reduced overhead costs in relation to net revenue. The latter were mainly due to realised scalability effects and cost savings programs implemented during the winter 2019/2020.

Operating profit amounted to SEK 8 (1) million and was, all in all, somewhat negatively impacted by exchange rate changes referring to the weakened EUR, which reduced net revenue. This is deemed to have been partially compensated for by positive effects on gross margin and overhead costs.

Financial items

Financial items amounted to SEK -14 (-15) million, of which SEK 3 (-5) million related to exchange rate differences related to the revaluation of financial balance sheet items. In addition, financial items included SEK -8 (-) million attributable to early redemption of the bond loan which, amongst other, included previously capitalised set-up fees of SEK -5 million.

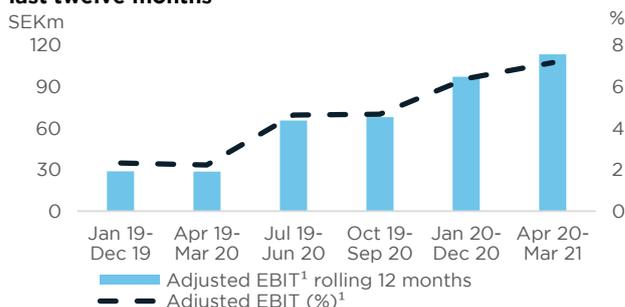
Other financial items totaling SEK -9 (-11) million related primarily to interest expenses on bond and shareholder loans and interest expenses on leasing liabilities.

The Company's debt level reduced notably after the end of the period and, as a result, ongoing interest expenses are expected to continue to amount to, on average, a couple of SEKs million per quarter. For more information, see the section, "Comments to the Group's financial position", below.

Taxes

Tax income amounted to SEK 7 (1) million and the net result for the period was SEK 0 (-13) million. Tax income during the quarter related primarily to deferred tax receivables on previous years' non-deductible interest expenses, as a result of the implementation of new interest deduction regulations in 2019. These expenses are deemed to be able to be treated as deductible in future income tax returns. The changed assessment is based on a significantly lower level of expected interest expenses attributable to the new financing structure implemented shortly after the stock exchange listing.

Adjusted EBITDA¹ and adjusted EBITDA (%)¹, last twelve months



Comments to the Group's cash flow

(Figures in parentheses refer to the equivalent period last year)

January – March 2021

Cash flow from operating activities was SEK 11 (-18) million. The difference compared with the same period in the previous year is explained primarily by changes in working capital, SEK -2 (-23) million and by an improved operating profit of SEK 8 (1) million.

The variance in changes in working capital is primarily explained by the inventory and operating liabilities increasing by nearly the same amount, in contrast to the previous year when operating assets increased more than liabilities.

Cash flow from investments amounted to SEK -6 (-12) million. Investments related primarily to internal systems and tools, and purchasing of equipment for the distribution warehouse. During the same period last year, investments also included the new e-commerce platform, which was completed during the second quarter 2020.

Cash flow from financing activities was SEK 341 (-3) million. The increase was attributable to the stock exchange listing and refers to the new share issue proceeds received and the issue of warrants with deduction of paid issue costs.

Cash flow for the period was SEK 345 (-33) million. With consideration of exchange rate differences in cash and cash equivalents, which totaled SEK 3 (4) million, cash and cash equivalents amounted to SEK 435 (82) million at the end of the period.

As seen below, operative cash flow improved notably on a twelve month rolling basis during the most recent four quarters, and amounted to SEK 154 (-94) million at the end of the period. This is mainly due to an improved operating profit and reduced working capital, which were largely positively impacted by Covid-19 related effects during the second quarter 2020.

Net revenue and working capital (%)¹, last twelve months



¹ Alternative performance measures (APM), see pages 20 - 24 for the definitions and purposes of these measurements.

Operative cash flow¹, last twelve months



Comments to the Group's financial position

(Figures in parentheses refer to the equivalent period last year)

Working capital at the end of the period was SEK 119 (187) million and decreased mainly due to increased operating liabilities, to some extent affected by unpaid costs regarding the stock market listing. These amounted to SEK 15 (-) million at the end of the quarter.

Right-of-use assets increased by SEK 3 million to SEK 76 million, compared with the same point in time last year, primarily due to expansion and extension of the rental contract for the distribution warehouse in Poland. Leasing liabilities increased by SEK 7 million to SEK 85 million.

Net debt, excluding IFRS 16, amounted to SEK -24 (290) million at the end of the period. The reduction, since the end of the same period last year, totaling SEK 314 million, is explained by increased cash and cash equivalents of SEK 353 million and increased interest-bearing liabilities of SEK 40 million. The latter related primarily to capitalised interest expenses regarding the bond and shareholder loans and to costs related to the early redemption of the bond loan which was carried out after the end of the interim period.

Cash and cash equivalents amounted to SEK 435 (82) million at the end of the reporting period. Shortly after the quarter end, the previous financing structure was replaced by a credit facility of SEK 300 million. Assuming that the new financing structure had been implemented at the end of this first quarter, and that all expenses related to the stock market listing had been paid at that point in time, the Company assesses that net debt would have totaled approximately SEK 70 million. This is lower than the SEK 100 million referred to in the prospectus and is primarily explained by temporary fluctuations in working capital.

At the end of the quarter, the Group's equity totaled SEK 414 (48) million, an increase of SEK 356 million during the quarter. The change in equity is explained by total comprehensive income of SEK 2 million, new share issue of SEK 337 million and issue of warrants of SEK 17 million, both issues including issue costs.

Development per segment

(Figures in parentheses refer to the equivalent period last year)

Pierce's operations are, in all essential aspects, carried out in Europe and primarily within the segments Offroad and Onroad. Offroad refers to sales to motocross and enduro riders and these products are sold under the brand 24MX. Onroad refers to sales to motorcyclists primarily using high roads and the products are sold under the brand XLMOTO. Within Offroad, Pierce has significantly larger market shares compared to Onroad. The Company's addressable market within Onroad is significantly larger and more exposed to competition compared to Offroad. Pierce's sales consist of gear, parts and accessories. Pierce has one more segment, Other, which primarily focuses on sales to snowmobile riders.

Overall summary

SEKm	Jan-Mar		Apr 2020- Mar 2021	Jan-Dec 2020
	2021	2020		
Offroad	221	182	992	952
Onroad	101	84	478	461
Other	47	42	115	110
Net revenue	369	308	1,584	1,523
Offroad	111	89	482	460
Onroad	44	35	205	195
Other	25	19	56	50
Intra-group costs ¹	-4	-5	6	5
Gross profit	176	138	749	711
Offroad	61	48	266	254
Onroad	17	12	79	73
Other	13	10	29	26
Intra-group costs ¹	-4	-5	6	5
Profit after variable costs^{2 3}	88	65	380	358

¹ Intra-group costs refers mainly to exchange rate revaluation of working capital items that are not divided between segments.

² Alternative performance measures (APM), see pages 20 - 24 for definitions and purpose of these measurements.

³ Variable costs refers, in addition to cost of goods sold, to variable sales and distribution costs. These include direct marketing costs and other direct costs.

Other direct costs mainly consist of freight, invoicing and packaging.

For more information about the segments, see note 4 - Segment reporting.

Offroad  24MX

SEKm (unless stated otherwise)	Jan-Mar		Apr 2020- Mar 2021	Jan-Dec 2020
	2021	2020		
Net revenue	221	182	992	952
Growth (%) ¹	22%	22%	30%	30%
Gross profit	111	89	482	460
Gross margin (%) ¹	50.1%	48.9%	48.6%	48.3%
Profit after variable costs ^{1 2}	61	48	266	254
Profit after variable costs (%) ¹	27.3%	26.5%	26.8%	26.7%
Number of orders (thousands) ¹	258	206	1,097	1,045
Average order value (AOV) (SEK) ¹	858	886	904	911
Net revenue from private brands ¹	94	72	382	360
Active customers last 12 months (thousands) ¹	667	487	667	630

¹ Alternative performance measures (APM), see pages 20 - 24 for definitions and purpose of these measurements.

² Variable costs refers, in addition to cost of goods sold, to variable sales and distribution costs. These include direct marketing costs and other direct costs.

Other direct costs mainly consist of freight, invoicing and packaging.

For more information about the segment, see note 4 - Segment reporting.

January - March 2021

During the first quarter, net revenue increased by 22 percent to SEK 221 (182) million compared with the equivalent period last year. Growth in the Nordics and outside the Nordics was 4 and 26 percent respectively. The development in the Nordics has been negatively impacted by the late arrival of strong snow conditions in the winter which delayed the start of the season, and by the restrictions related to the pandemic in Finland which limited competitions and training.

Profit after variable costs amounted to SEK 61 (48) million, which is equivalent to a margin of 27.3 (26.5) percent. The margin improvement is explained largely by a higher gross margin which was positively affected by a higher portion of net revenue from private brands and by exchange rate differences as the USD weakened against the EUR compared to the same period in the previous year.



SEKm (unless stated otherwise)	Jan-Mar		Apr 2020- Mar 2021	Jan-Dec 2020
	2021	2020		
Net revenue	101	84	478	461
Growth (%) ¹	20%	0%	15%	11%
Gross profit	44	35	205	195
Gross margin (%) ¹	44.0%	41.5%	42.8%	42.3%
Profit after variable costs ^{1 2}	17	12	79	73
Profit after variable costs (%) ¹	17.2%	13.8%	16.5%	15.9%
Number of orders (thousands) ¹	123	114	596	588
Average order value (AOV) (SEK) ¹	822	734	802	785
Net revenue from private brands ¹	39	29	172	162
Active customers last 12 months (thousands) ¹	435	359	435	428

¹ Alternative performance measures (APM), see pages 20 - 24 for definitions and purpose of these measurements.

² Variable costs refers, in addition to cost of goods sold, to variable sales and distribution costs. These include direct marketing costs and other direct costs.

Other direct costs mainly consist of freight, invoicing and packaging.

For more information about the segment, see note 4 - Segment reporting.

January - March 2021

Net revenue increased by 20 percent to SEK 101 (84) million compared to the same period last year. Growth in the Nordics and outside the Nordics was 27 and 15 percent respectively. During 2020, the growth-rate was negatively impacted by the re-routing of traffic during the first quarter 2020 from the acquired site Motobuykers to XLMOTO.

Profit after variable costs amounted to SEK 17 (12) million, which is equivalent to a margin of 17.2 (13.8) percent. The margin improvement related mainly to an increased gross margin but also to somewhat lower distribution costs, largely due to an increased average order value. The latter was positively impacted by a lower portion of price reduction sales activities compared with the previous year. The gross margin increased due to, amongst other, this, a higher portion of net revenue from private brands and due to the positive exchange rate differences as the USD weakened against the EUR compared with the same period last year.

Other sledstore

SEKm (unless stated otherwise)	Jan-Mar		Apr 2020- Mar 2021	Jan-Dec 2020
	2021	2020		
Net revenue	47	42	115	110
Growth (%) ¹	12%	20%	11%	14%
Gross profit	25	19	56	50
Gross margin (%) ¹	52.7%	45.5%	49.0%	46.1%
Profit after variable costs ^{1 2}	13	10	29	26
Profit after variable costs (%) ¹	28.3%	24.3%	25.3%	23.7%

¹ Alternative performance measures (APM), see pages 20 - 24 for definitions and purpose of these measurements.

² Variable costs refers, in addition to cost of goods sold, to variable sales and distribution costs. These include direct marketing costs and other direct costs.

Other direct costs mainly consist of freight, invoicing and packaging.

For more information about the segment, see note 4 - Segment reporting.

January - March 2021

Net revenue increased by 12 percent to SEK 47 (42) million compared to the same period last year, which is on level with the growth-rate during the last twelve-month period.

This segment sees the largest share of its activity during the first and fourth quarters as the business essentially sells to snowmobile riders.

The margin during 2020 was clearly negatively impacted by extensive clearance sales activities due to the lack of snow during the winter months.

The share

At an extraordinary meeting on 20 January 2021, a resolution was adopted regarding a division of Pierce Group AB's (publ) shares, a so-called share split with a 300:1 ratio. In conjunction with the change of company form from private to public company, it was resolved to increase the share capital through a bonus issue of SEK 0.5 million.

The Pierce share was listed on the Nasdaq Stockholm Mid Cap on 26 March and is traded under the ticker symbol PIERCE with ISIN code SE0015658364. In conjunction with the listing, a total of 5,468,750 shares were issued. The number of registered shares, as well as votes, as of 31 March 2021, totaled 39,152,450, equivalent to a quota value of SEK 0.02.

The share price at listing was SEK 64, and was SEK 79 on the last trading day of the period. The number of shareholders was 685, of which the largest were Procuritas (33.3%), Daniel Petersen via company (7.0%), Stefan Rönn via company (7.0%), Handelsbanken Fonder (4.9%), and Fjärde AP-fonden (AP4) (4.0%).

The Company has launched warrant programs, long term incentive programs — LTIP, (right to acquire shares according to certain terms and conditions). See the additional information provided below.

LTIP 2020/2025

During 2020, a warrant program was launched for the CEO. The CEO subscribed to 1,782 warrants at market value, calculated using the Black & Scholes model. The subscription period ran from 30 January 2025 to 13 February 2025, alternatively earlier in the case of an ownership change.

In connection with the listing in March 2021 all warrants were utilised, whereby 534,600 shares¹ were subscribed at a subscription price of SEK 24.84. The new share issue was registered in April, after the end of the reporting period, and contributed SEK 10,692 in share capital to Pierce Group.

During the first quarter 2021, and the most recent twelve-month period, the Group has reported positive net results. The average price of the Company's share these periods was, as at reporting date, greater than the redemption amount. Thus, the warrants in LTIP 2020/2025 have been included in calculating the earnings per share after dilution.

LTIP 2021/2024

LTIP 2021/2024 was issued in March 2021 directed to the Group's senior executives and certain key employees. The program is comprised of 376,443 warrants with all warrants subscribed as at 31 March 2021. Each warrant grants the right to subscribe for one (1) ordinary share in the Company. The warrants were subscribed at market value, calculated using the Black & Scholes model, equivalent to SEK 4 million.

The warrants can be utilised from the date after publication of the interim report for the period 1 January to 30 June 2024, however not earlier than 1 April 2024, up to and including 31 August 2024, at a pre-determined share price of SEK 73.60. With full utilisation of the warrants, the Company's share capital can increase with a maximum of SEK 7,528.86, based on the current quota value.

The average price of the Company's share during the period and during the last twelve-month period was, at reporting date, less than the redemption amount of the warrants, hence the subscription warrants in LTIP 2021/2024 have not been included in the calculation of earnings per share after dilution.

Significant events after the end of the reporting period

On 6 April 2021, a total of 534,600 shares were registered through a new share issue based on the exercise of warrants from LTIP 2020/2025.

After the end of the reporting period, the Group has been granted a credit facility of SEK 300 million from one of the major Swedish banks.

In conjunction with the new financing, the previous financing structure, comprised of a SEK 414 million bond loan and shareholder loans of SEK 64 million, was repaid. Furthermore, a contingent consideration/earn-out of SEK 30 million was paid to Stefan Rönn and Daniel Petersen, founders of and shareholders in Pierce Group via companies.

Impact of currency effects

In all material aspects, net revenue and the sum of total costs and investments are equivalent to payments received and payments made. During the last twelve months, EUR, SEK and NOK accounted for 57, 16 and 9 percent respectively of total payments received. Of payments made, EUR, SEK, USD and PLN amounted to 50, 24, 12 and 9 percent respectively. To reduce exposure to significant exchange rate fluctuations, the Group purchases, since 2020, currency derivatives for certain selected currencies, including EUR and USD.

Furthermore, operating assets and liabilities in foreign currencies are revalued at the end of each month. This revaluation relates primarily to operating liabilities including trade payables. Exchange rate fluctuations arising due to the revaluations of operating balance sheet items are reported net, primarily as a part of the cost of goods sold.

If leasing agreements have been signed in a currency other than the functional currency of each Group company, the leasing liability is revalued at each month-end close. These revaluation effects, as well as the revaluation of financial balance sheet items, are reported in financial net.

Change of functional currency in subsidiary

From 1 January 2021, the subsidiary Pierce AB has EUR as its functional currency. The background to this is the increased operations outside the Nordics which means that the subsidiary's operating assets and liabilities, as well as its purchases and sales, are, primarily, in currencies other than SEK. The currency having the single largest impact on the underlying transactions is EUR. With the change of functional currency from SEK to EUR in the subsidiary, exchange rate effects will have a more limited effect on the Group's financial reporting. However, upon consolidation of the subsidiary, the translation exposure of the profit and loss and net assets from EUR to SEK will increase and affect other comprehensive income. See Note 8 for a description of the effects on the Group's reporting and key ratios as a result of this change.

Employees

The average number of employees during the first quarter was 436 (423). Of these, 151 (137) worked at the distribution warehouse in Poland, and 285 (286) were white-collar workers in Sweden, Poland and Spain.

¹ Number of warrants adjusted for the 300:1 share split that took place in January 2021.

Seasonal variations

As "Black Week" and Christmas occur in the fourth quarter, this quarter most often shows the highest net revenue, while the first quarter often shows the lowest. Together, these two quarters account for about 50 percent of annual sales.

Parent Company

Pierce Group AB (publ), Corporate ID No. 556967-4392, is the Parent Company in the Pierce Group, and is a public company registered in Sweden. Since 26 March 2021, Pierce Group AB (publ) is listed on Nasdaq Stockholm Mid Cap.

The Parent Company undertakes no business activities, and is comprised of owning and managing the subsidiaries.

Net revenue during the first quarter amounted to SEK 4 (3) million and was entirely attributable to sales to Group companies. Financial net mainly relate to interest expenses regarding bond loan and shareholder loans. Profit/loss before tax during the quarter amounted to SEK -19 (-4) million. The Parent Company's equity at the end of the period was SEK 394 (76) million. This change is mainly attributable to the new share issue which took place in March 2021 in conjunction with the listing of the Company.

The CEO and CFO are employed in the Parent Company.

Risks and factors of uncertainty

The Group's operations and result are affected by several external factors. The Pierce Group is primarily exposed to operational risks which are largely comprised of competition and market developments in local markets, quality of delivered goods mainly from Asia, inventory and product assortment risks, IT-related risks, and dependency on key individuals. A more detailed description of risks and risk management is found in Pierce's Annual Report for 2020 and in the Company's listing prospectus.

Covid-19 has primarily affected the Group indirectly via the pandemic's effects on the macroeconomic development in the markets in which Pierce operates. Some of Pierce's main markets have been affected due to strict quarantine restrictions that have applied at certain times, and which affect the possibility of motorbike riding.

The Group has not experienced any overall sales decline during the most recent twelve-month period due to the pandemic. During the second quarter 2020, the Company's sales growth, which was 39 percent, was clearly positively impacted by the Covid-19 related closing of physical stores with product offerings similar to Pierce's. During the third quarter, net revenue was impacted somewhat negatively because of stock availability shortages due to the unexpected high level of net revenue experienced during the second quarter, as well as being a result of Covid-19 related production problems in the supply chain.

During the first quarter 2021, growth in local currencies was 25 percent, despite certain availability shortages of products in the market and delivery delays impacted by the Covid-19 pandemic. Shipping costs from Asia have increased due to the global shortage in containers. This has only marginally affected the gross margin during the first quarter but is expected to have a negative effect during the second quarter when the sale of these purchases is expected to take place.

Related party transactions

During the quarter, costs for consulting fees to Stefan Rönn and Daniel Petersen, founders and shareholders in Pierce Group via companies, totalling SEK 188 (496) were charged against the Group's earnings. All transactions with related parties have been entered into arms-length terms. For further information regarding related parties, see Note 6.

Financial goals

The Board of Directors of Pierce has adopted the following financial goals¹:

- Growth: In the medium to long term, grow net revenue by 15-20% in average per annum.
- Adjusted operating margin (EBIT): In the medium to long term, reach an adjusted operating margin (EBIT) of around 8 percent.
- Capital structure: Net debt/EBITDA² not exceeding 2,0x, subject to temporary flexibility for strategic initiatives.
- Dividend policy: In the coming years, free cash flows³ are planned to be used for the continued development⁴ of the Company and hence not distributed to the shareholders.

¹The Board adopted the financial goals in December 2020. Medium to long term refers to 3-5 years.

² Alternative performance measures (APM), see pages 20-24 for the definitions and purposes of these measurements.

³ Free cash flow refers to cash flow from operating activities and operations and investment activities.

⁴ Development of the company refers to e.g. investments in IT-hardware, IT-development, expansion of distribution warehouses, marketing, customer acquisition and business and asset acquisitions.

Q1: 2021

Other

The interim report has not been reviewed in accordance with ISRE 2410 by the Company's auditors.

Upcoming financial reports

25 August 2021

Interim report January – June 2021

24 November 2021

Interim report January – September 2021

16 February 2022

Year-end report January– December 2021

Telephone and web conference in conjunction with the publication of quarterly reports

On 26 May at 09.00 CET, CEO Henrik Zadig and CFO Tomas Ljunglöf will hold a web telephone conference in English in conjunction with the publication of the quarterly report.

To participate in the conference, please call in on any of the following telephone numbers.

SE: +46 8 5664 2695

UK: +44 3333 009 272

US: +1 6467 224 957

The presentation and conference can be followed via the following web link: <https://tv.streamfabriken.com/pierce-group-q1-2021>

The presentation material will be available prior to the start of the conference on Pierce Group's website via the following web link:
<https://www.piercegroup.com/en/reports-presentations/>

Contact information, Pierce

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Tomas Ljunglöf, CFO and Head of IR, +46 73 378 01 54

The information in this Interim report comprises information which Pierce Group AB (publ) is obliged to disclose under the EU Market Abuse Regulation. The information was submitted for publication by the above-mentioned contact individuals on 26 May 2021 at 08.00 CET.

The CEO certifies that the quarterly report provides a true and fair view of the Parent Company's and Group's operations, financial positions and results, and that it describes the significant risks and uncertainties to which the Parent Company, and the companies included in the Group, are exposed.

Stockholm, 26 May 2021

Henrik Zadig
CEO



Q1: 2021

Condensed consolidated statement of profit/loss

SEKm (unless stated otherwise)	Note	Jan-Mar		Apr 2020- Mar 2021	Jan-Dec 2020
		2021	2020		
Net revenue	3	369	308	1,584	1,523
Cost of goods sold		-193	-170	-835	-812
Gross profit		176	138	749	711
Sales and distribution costs		-120	-103	-490	-473
Administration costs		-47	-34	-167	-154
Other operating income		0	0	2	1
Other operating expenses		-2	-1	-7	-5
Operating profit		8	1	87	81
Financial net		-14	-15	-72	-73
Profit/loss before tax		-7	-14	15	8
Tax		7	1	-2	-8
Profit/loss for the period		0	-13	13	-1
Attributable to shareholders of the parent company		0	-13	13	-1
Earnings per share					
Earnings per share before dilution (SEK) ¹		0.01	-0.39	0.38	-0.02
Earnings per share after dilution (SEK) ¹		0.01	-0.39	0.38	-0.02
Average number of shares before dilution (thousands) ¹		34,048	33,648	33,762	33,663
Average number of shares after dilution (thousands) ¹		34,377	33,648	34,067	33,663

¹ Adjusted for the share split (300:1) that occurred in January 2021.

Consolidated statement of comprehensive income

SEKm	Note	Jan-Mar		Apr 2020- Mar 2021	Jan-Dec 2020
		2021	2020		
Profit/loss for the period		0	-13	13	-1
Items that may subsequently be reclassified to income statement					
Translation difference		2	1	-3	-3
Other comprehensive income for the period		2	1	-3	-3
Comprehensive income for the period		2	-12	10	-4
Attributable to shareholders of the parent company		2	-12	10	-4

Q1: 2021

Condensed consolidated statement of financial position

SEKm	Note	Mar 31 2021	Mar 31 2020	Dec 31 2020
Assets				
Non-current assets				
Intangible assets		354	355	353
Property, plant and equipment		15	14	14
Right-of-use assets		76	73	79
Financial assets		2	4	16
Deferred tax assets		13	8	6
Total non-current assets		461	454	469
Current assets				
Inventory		350	347	334
Other receivables	5	69	43	30
Cash and cash equivalents		435	82	87
Total current assets		855	471	451
Total assets		1,316	925	920
Equity and liabilities				
Equity attributable to shareholders of the parent company				
		414	48	57
Non-current liabilities				
Liabilities to credit institutions		—	372	399
Shareholder loans		—	168	—
Leasing liabilities		63	59	64
Contingent consideration	5	—	24	—
Deferred tax liabilities		29	27	29
Total non-current liabilities		92	650	492
Current liabilities				
Liabilities to credit institutions		411	—	—
Shareholder loans		64	—	63
Leasing liabilities		22	19	22
Contingent consideration	5	30	—	27
Trade payables		92	54	86
Other liabilities	5	190	153	172
Total current liabilities		810	227	371
Total equity and liabilities		1,316	925	920

Condensed consolidated statement of changes in equity

SEKm	Mar 31 2021	Mar 31 2020	Dec 31 2020
Opening balance beginning of period	57	59	59
Profit/loss for the period	0	-13	-1
Other comprehensive income for the period	2	1	-3
Comprehensive income for the period	2	-12	-4
Transactions with shareholders			
New share issue	350	0	1
Issue costs referring to new share issue	-13	0	0
Issue of warrants	18	2	2
Issue costs referring to warrants	0	—	0
Closing balance end of period	414	48	57

Q1: 2021

Condensed consolidated statement of cash flow

SEKm	Note	Jan-Mar		Apr 2020- Mar 2021	Jan-Dec 2020
		2021	2020		
Operating activities					
Operating profit		8	1	87	81
Adjustments for non-cash items		12	6	50	44
Paid interest		-5	-2	-13	-9
Received interest		0	1	0	1
Received/paid tax		-2	-1	-6	-5
Cash flow from operating activities before changes in working capital		13	5	119	111
Changes in working capital		-2	-23	65	45
Cash flow from operating activities		11	-18	184	156
Investing activities					
Investments in non-current assets		-6	-12	-23	-29
Paid blocked funds		—	—	-14	-14
Cash flow from investing activities		-6	-12	-37	-42
Financing activities					
New share issue including issue cost		343	0	344	1
Issue of warrants including issue cost		3	2	3	2
Repayment of shareholder loans ¹		—	—	-115	-115
Repayment of leasing liabilities		-5	-5	-21	-21
Cash flow from financing activities		341	-3	211	-133
Cash flow for the period		345	-33	359	-19
Cash and cash equivalents beginning of period		87	111	82	111
Exchange rate difference		3	4	-5	-4
Cash and cash equivalents end of period		435	82	435	87

¹ Of which SEK -70 million referred to capitalised interest during the last twelve months and last year period.

Q1: 2021

Condensed Parent Company statement of profit/loss

SEKm	Jan-Mar		Jan-Dec
	2021	2020	2020
Net revenue	4	3	11
Gross profit	4	3	11
Administration costs	-11	-3	-25
Operating profit	-7	0	-14
Financial net	-12	-4	-23
Profit/loss after financial items	-19	-4	-37
Appropriations	—	—	15
Profit/loss before tax	-19	-4	-22
Tax	—	—	—
Profit/loss for the period	-19	-4	-22

Profit/loss for the period equals comprehensive income for the period.

Condensed Parent Company balance sheet

SEKm	Mar 31	Mar 31	Dec 31
	2021	2020	2020
Assets			
Non-current assets			
Shares in group companies	308	308	308
Receivables from group companies	106	329	236
Total non-current assets	414	637	544
Current assets			
Receivables from group companies	146	11	19
Other receivables	15	1	2
Cash and cash equivalents	347	1	3
Total current assets	509	13	23
Total assets	922	650	567
Equity and liabilities			
Total equity	394	76	59
Non-current liabilities			
Liabilities to credit institutions	—	372	399
Shareholder loans	—	168	—
Contingent consideration	—	30	—
Total non-current liabilities	0	570	399
Current liabilities			
Liabilities to credit institutions	411	—	—
Shareholder loans	64	—	63
Contingent consideration	30	—	30
Other liabilities	22	3	15
Total current liabilities	528	3	109
Total equity and liabilities	922	650	567

Note 1 – Accounting principles

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. The Group's interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the applicable parts of the Swedish Annual Accounts Act.

The interim report for the Parent Company has been prepared in accordance with Chapter 9 of the Annual Accounts Act, interim reports, and RFR 2 Accounting for legal entities.

For the Group and the Parent Company, the same accounting principles, grounds for calculation and assessments have been applied as applied in the Annual Report for 2020. For a description of the Group's applied accounting principles, see Note 1 and 2 in the Annual Report for 2020.

Disclosures in accordance with IAS 34.16A are shown, in the financial statements and associated Notes in the interim information, in addition to pages 1-11, which form an integral part of this financial report.

All amounts in this report are stated in millions of Swedish kronor (SEKm) unless stated otherwise. Rounding variances may occur.

Information on future standards

The application of a number of new standards and interpretations which will be compulsory from the next financial year have not been applied in the preparation of these financial statements. None of the IFRS or IFRIC interpretations that are yet to come into force are expected to have any significant impact on the Group.

Note 3 – Revenue

The Group's revenue consists exclusively of the sale of goods via the Group's websites and a physical store. Revenue is reported at a given point in time as the conditions for control being transferred over time are not met. In addition to the segments, geographical area is also an important attribute when specifying revenue, and this is shown in the table below.

SEKm	Jan-Mar		Apr 2020- Mar 2021	Jan-Dec 2020
	2021	2020		
Sweden	21	21	118	118
Other Nordics	16	14	86	84
Outside the Nordics	185	147	788	750
Revenue Offroad	221	182	992	952
Sweden	17	15	86	84
Other Nordics	26	19	118	111
Outside the Nordics	57	50	274	266
Revenue Onroad	101	84	478	461
Sweden	28	27	68	67
Other Nordics	19	15	47	43
Outside the Nordics	—	—	—	—
Revenue Other	47	42	115	110
Sweden	66	63	272	269
Other Nordics	61	48	251	238
Outside the Nordics	242	196	1,062	1,016
Revenue group	369	308	1,584	1,523

Note 2 – Estimations and assessments

The preparation of the interim report requires that the Company's management make assessments and estimates, as well as assumptions, that affect the application of the accounting principles and the reported amounts of assets, liabilities, income, and expenses. The actual outcome may differ from these estimates.

Pierce offers customers the option to return any unsuitable products for refund or exchange. To assess the size of the provision, several parameters have been used, such as the actual return rate over the last twelve months, as well as the average number of days from sale to return from customers based on the same period last year.

The critical assessments and sources of uncertainty in estimates, including estimates regarding the contingent consideration (see Note 5) is otherwise the same as in the latest Annual Report, page 20.

Note 4 – Segment reporting

SEKm	Jan-Mar		Apr 2020- Mar 2021	Jan-Dec 2020
	2021	2020		
Offroad	221	182	992	952
Onroad	101	84	478	461
Other	47	42	115	110
Net revenue	369	308	1,584	1,523
Offroad	111	89	482	460
Onroad	44	35	205	195
Other	25	19	56	50
Intra-group costs	-4	-5	6	5
Gross profit	176	138	749	711
Offroad	-50	-41	-216	-206
Onroad	-27	-23	-126	-122
Other	-11	-9	-27	-25
Variable sales and distribution costs¹	-89	-73	-369	-353
Offroad	61	48	266	254
Onroad	17	12	79	73
Other	13	10	29	26
Intra-group costs	-4	-5	6	5
Profit after variable costs^{1 2}	88	65	380	358
Other expenses in the operation ^{1 3}	-80	-64	-293	-277
Operating profit	8	1	87	81
Financial net ³	-14	-15	-72	-73
Profit/loss before tax	-7	-14	15	8

¹ Alternative performance measures (APM), see pages 20 - 24 for definitions and purpose of these measurements.

² Variable costs refers, in addition to cost of goods sold, to variable sales and distribution costs. These include direct marketing costs as well as other direct costs and correlates essentially with net revenue.

³ Other direct costs mainly consist of freight, invoicing and packaging.

³ Other expenses in the operation and financial net regards intra-group costs.

The segments' results are followed up by the CEO, who is the Chief Operating Decision Maker (CODM), to Profit after variable costs, in other words gross profit less variable sales and distribution costs. Variable sales and distribution costs refers to direct marketing costs as well as other direct costs. Other direct costs essentially include costs for freight, invoicing and packaging.

See the section titled "Definitions of Alternative Performance Measures not defined in accordance with IFRS" for more information.

Pierce sells gear, parts and accessories to riders. The operating segments into which the Group's operations are divided are:

- **Offroad:** sales to motocross and enduro riders under the 24MX brand.
- **Onroad:** sales to customers who ride motorcycles on highroads. Sales are under the XLMOTO brand.
- **Other:** sales to snowmobile riders under the Sledstore brand and sales via a physical store in Stockholm.
- **Intra-group transactions:**
 - Intra-group transactions included under Gross profit and, therefore, in Profit after variable costs, refer to the revaluation of working capital items, mainly included in cost of goods sold. These are not allocated to segments.
 - Intra-group costs, after Profit after variable costs, refers to expenses for group-wide functions, such as central administration, which are not allocated to segments.

No information is provided on segment assets or liabilities as no separate segmentation is performed in reporting the consolidated financial position.

Note 5 – Financial instruments – fair value

Contingent consideration and currency derivatives are the only instruments reported at fair value through profit/loss. Other financial instruments are valued at amortised cost in the statement of financial position and the reported values corresponded in all material respects with the fair value.

The liability regarding the contingent consideration is attributable to level 3 and the currency derivatives to level 2 in the fair value hierarchy, in accordance with IFRS 13.

The valuation of currency derivatives is based on official market data for exchange rates. At the end of the period, fair value amounted to SEK 0 (3) million and these derivatives have been classified as current assets.

Change in level 3 financial liabilities

	Mar 31 2021	Mar 31 2020	Dec 31 2020
Contingent consideration, SEKm			
Beginning of period	27	23	23
Recalculation through profit/loss for the period	3	1	4
At period end	30	24	27

Applied input data for the valuation of financial liabilities in level 3

As the contingent consideration was paid after the end of the reporting period, the liability was valued at its full value of SEK 30 million at the end of the period.

	Mar 31 2021	Mar 31 2020	Dec 31 2020
SEKm			
Discount rate	N/A	10.2%	10.3%
Probability	N/A	95%	95%
Expected payment date of contingent consideration	N/A	Dec 2021	2021 ¹

¹ Expected time of change of ownership is divided 60% in March 2021, and 40% in December 2021.

Sensitivity analysis

As the contingent consideration was paid after the end of the reporting period, and thus fully valued as of 31 March 2021, no sensitivity analysis has been performed for this period.

	Mar 31 2021	Mar 31 2020	Dec 31 2020
- Other operating expenses/+ other operating income			
Change of discount factor, +/- one percentage points	N/A	+/- 0	+/- 0
Change of probability: -/+ five percentage points	N/A	+/- 1	+/- 1
Change of expected date of payment: +/- one year	N/A	+/- 2	+/- 3

Note 6 – Related party transactions

Shareholder loans

As at 31 March 2021, there were eight loans from shareholders to Pierce Group AB, of which three were also Board Members. The total loan amount at the end of the quarter was SEK 64 (168) million, of which SEK 2 (62) million referred to accrued interest. During the quarter, capitalised interest expenses amounted to SEK 1 (3) million. The decrease in debt compared to the same period last year is explained by capitalised interest expenses, less the partial repayment of shareholder loans at the end of last year, which amounted to SEK -115 million. The interest rate was 8 percent and was capitalised annually. All shareholder loans were repaid after the end of the reporting period.

Contingent consideration

A contingent consideration was agreed upon when Pierce Group acquired the group in which Pierce AB was included. The liability refers to the Company's founders, one of whom is a Board Member in Pierce Group.

The contingent consideration was paid after Pierce Group was listed on the stock exchange, after the end of the reporting period. Consequently, the debt was valued at its full value of SEK 30 million at the end of the first quarter. See Note 5 for more information.

Applied input data for the valuation of financial liabilities in level 3

The valuation of the contingent consideration takes place in two steps; a probability adjustment is assigned to an assumed value in the case of a listing or sale, as well as a date for payment and, then, this probability-adjusted value is discounted to present value based on a discount rate. The contingent consideration has been classified as a current liability since the end of the financial year 2020.

The contingent consideration/earn-out has been paid after Pierce Group's stock exchange listing, after the end of the reporting period. Accordingly, the debt was valued at its full value of SEK 30 million at the end of the first quarter.

Other related party transactions

The Group has consulting agreements with Stefan Rönn and Daniel Petersen, who are founders as well as shareholders in Pierce Group, and these agreements relate primarily to the provision of advisory services in conjunction with business development and strategic decision-making. These costs amounted to SEK 188 (496) thousand during the quarter. In addition, the sale of goods has taken place to the above related parties and these costs amounted to SEK 6 (0) thousand during the quarter. For further information, see Note 30 in the Annual Report for 2020.

Warrant program

The Group has a warrant program which is directed to the Group's senior executives and certain key employees. See page 9 for more information on this.

All transactions are based on market terms.

Note 7 – Pledged assets

SEKm	Mar 31 2021	Mar 31 2020	Dec 31 2020
To credit institutions for own liabilities and provisions			
Group's share of net assets in group companies	329	274	303
Deposits for fulfillment of payments	2	2	2
Paid blocked funds	14	—	14
Total pledged assets	345	276	319

Pledged assets related primarily to the shares in Pierce AB provided as collateral for the bond loan. After the end of the reporting period, the bond loan was redeemed and the pledge was released.

After the end of the reporting period, in connection with the receipt of a credit facility of SEK 300 million, blocked bank funds were released.

Note 8 – Change of functional currency

As of 1 January 2021, the subsidiary Pierce AB has changed its functional currency from SEK to EUR, as EUR has become the dominant currency in the Company's transactions and net assets. The following table shows the most significant effects on the Group's financial statements and key figures as a result of this change.

SEKm	Effect on the Group
Consolidated statement of profit/loss	
Net revenue	0
Gross profit	0
Operating profit (EBIT)	2
Profit/loss for the period	5
Gross margin (%) ¹	0.0%
Operating margin (EBIT) (%) ¹	0.4%
Consolidated statement of financial position	
Non-current assets	2
Inventory	4
Other current assets	0
Equity	-6
Non-current liabilities	0
Current liabilities	0

¹ Alternative performance measures (APM), see pages 20 - 24 for definitions and purpose of these measurements.

Note 9 – Significant events after the end of the reporting period

On 6 April 2021, a total of 534,600 shares were registered through a new share issue based on the exercise of warrants from LTIP 2020/2025.

After the end of the reporting period, the Group has been granted a credit facility of SEK 300 million from one of the major Swedish banks.

In conjunction with the new financing, the previous financing structure, comprised of a SEK 414 million bond loan and shareholder loans of SEK 64 million, was repaid. Furthermore, a contingent consideration/earn-out of SEK 30 million was paid to Stefan Rönn and Daniel Petersen, founders of and shareholders in Pierce Group via companies.

Alternative Performance Measures

Financial measures not defined in accordance with IFRS

Pierce applies financial measurements in its interim reports which are not defined in accordance with IFRS. The Company believes that these measurements provide valuable supplementary information to investors and the Company's management. As not all companies calculate Alternative Performance Measures in the same manner, these measures are not always comparable with measures used by other companies. These financial measurements should, therefore, not be seen to comprise a replacement for measures defined according to IFRS.

Definitions

The interim report contains financial performance measures in accordance with the applied framework for financial reporting, which is based on IFRS. In addition, there are other performance measures and indicators which are used as a supplement to the financial information. These performance measures are applied to provide the Group's stakeholders with financial information for the purpose of analysing the Group's operations and goals. The various performance measures applied which are not defined according to IFRS are described below.

Financial Performance Measures – Group

Performance measure	Definition	Purpose
Adjusted EBITDA	EBITDA, excluding items affecting comparability.	This measure is used to measure the profit from the ongoing operations, excluding items affecting comparability, amortisation, depreciation, and impairment.
Adjusted EBITDA (%)	Adjusted EBITDA in relation to net revenue.	The performance measure is used to assess the profitability generated by the ongoing operations, excluding items affecting comparability, amortisation, depreciation and impairment.
Adjusted EBITDA excluding IFRS 16	Operating profit (EBIT) excluding depreciation, amortisation and items affecting comparability, less rental costs for leasing agreements reported in the statement of financial position. Rental costs essentially correspond to depreciation on right-of-use assets and interest expenses on leasing liabilities.	The measure aims to measure the profit generated by the ongoing operations, including expenses for office rent but excluding items affecting comparability, amortisation, depreciation, and impairment.
Adjusted operating margin (EBIT) (%)	Adjusted operating profit (EBIT) in relation to net revenue.	The performance measure is used to monitor the Company's profitability generated by the operating activities, including depreciation and amortisation, but excluding items affecting comparability.
Adjusted operating profit (EBIT)	Operating profit (EBIT) excluding items affecting comparability.	This measure is used to measure the profit generated by the ongoing operations, including amortisation, depreciation, and impairment, but excluding items affecting comparability.
Amortisation attributable to business acquisitions	Amortisation less amortisation excluding business acquisitions.	The purpose is to measure the performance measure's impact on operating profit.
EBITDA	Operating profit (EBIT), excluding amortisation, depreciation, and impairment.	The measure is used to measure the profit generated by ongoing operations before amortisation, depreciation, and impairment.
Gross margin (%)	Gross profit in relation to net revenue.	This measure is used to measure profitability after deduction of cost of goods sold.
Growth (%)	Net revenue for the period compared with net revenue during the corresponding period last year.	This performance measure makes it possible to analyse the Group's and the segments' growth in net revenue.
Growth in local currencies (%)	Change in net revenue, adjusted for exchange rate changes and business acquisitions, in comparison with the corresponding period last year.	This measure enables follow-up of the development of net revenue excluding exchange rate effects and business acquisitions.
Growth per geographical area (%)	Net revenue for the period for a geographical area compared to net revenue for the same geographical area during the corresponding period last year.	This measure makes it possible to analyse net revenue growth for the Group specified according to geographical area.

Performance measure	Definition	Purpose
Items affecting comparability	<p>Items affecting comparability refers to material transactions lacking a clear connection to the ordinary operations and which are not expected to occur regularly.</p> <p>These transactions include, for instance, relocations of group-wide functions to Poland and Spain, advisory and integration costs in conjunction with acquisitions, IPO costs, and changes in fair value regarding contingent consideration.</p>	This measure is excluded in calculating adjusted measures which are used to monitor the Company's adjusted earnings trend over time.
Net debt/EBITDA	Net debt excluding IFRS 16 in relation to adjusted EBITDA excluding IFRS.	This measure is used to measure the debt/equity ratio and to follow up on Pierce's financial targets on capital structure.
Net debt excluding IFRS 16	<p>Liabilities to credit institutions, decreased by cash and cash equivalents at the end of the period.</p> <p>Pierce's assessment of the Groups' actual net debt corresponds to liabilities to credit institutions, and that is why shareholder loans and leasing liabilities are excluded.</p>	This measure is used to monitor the indebtedness, financial flexibility, and capital structure.
Operative cash flow	Cash flow from the ongoing operations, excluding received/paid interest and received/paid tax, with deduction for cashflow from investment activities excluding business acquisitions and paid blocked funds, amortisation of leasing liabilities and interest expenses on leasing liabilities.	This measure shows the underlying cash flow generated from the operating activities.
Other operating costs	Overhead costs, amortisation, depreciation, impairment and items affecting comparability.	This measure shows the costs for intra-Group functions such as central administration costs which are not distributed over the segments.
Overhead costs	<p>Operating costs, excluding variable sales and distribution costs, amortisation, depreciation and impairment and items affecting comparability.</p> <p>Operating costs refer to sales and distribution costs, administration costs, other operating revenue and operating costs.</p>	Costs that are not allocated to segments, but which each segment contributes to cover. These costs are largely fixed and semi-fixed. The measure is used to calculate the scalability of this part of the cost mass, see overhead costs (%) below for more information.
Overhead costs (%)	Overhead costs in relation to net revenue.	This measure shows the scalability of the Company's semi-fixed and fixed cost structure.
Other non-cash items	Non-cash items less repayment of leasing liabilities and interest expenses on leasing liabilities.	This measure excludes other non-cash flow impacting items and is used to calculate the operative cash flow.
Other cash flow	Cash flow from financing activities, less interest expenses on leasing liabilities, net changes in loans and repayment of leasing liabilities, as well as deductions for paid interest and paid tax.	This measure is used, together with operative cash flow and net changes in loans, to calculate the cash flow for the period.
Profit after variable costs	Gross profit less variable sales and distribution costs.	The measure is used to measure contribution after all variable costs.
Profit after variable costs (%)	Profit after variable costs in relation to net revenue.	This measure is used to illustrate profitability after deduction of all variable costs.
Variable sales and distribution costs	<p>Sales and distribution costs less non-variable sales and distribution costs.</p> <p>Variable sales and distribution costs refers to direct marketing costs and other direct costs. Other direct costs essentially include costs for freight, invoicing, and packaging.</p>	This measure is monitored at Group and segment level in order to calculate results after variable costs.
Working capital	Inventory and other operating assets less other operating liabilities.	This measure is used to analyse the Company's short-term tied up capital.
Working capital (%)	Working capital in relation to net revenue.	This measure is a measure of how efficiently working capital is managed.

Operating performance measures – Group

Performance measure	Definition	Purpose
Active customers during the last 12 months	Number of customers making purchases on at least one occasion during the last 12 months in one of the online stores. One customer can be counted several times if they make purchases in different stores.	This measure is primarily relevant at segment level and illustrates the number of individual customers choosing to order goods on several occasions, which shows the Company's capability to attract customers.
Average order value (AOV)	Net revenue for the period divided by the number of orders.	This measure is used as an indicator of revenue generation per customer.
Net revenue from private brands	Net revenue for the period less the net revenue for the period from external brands, net revenue from Motobuyers and net revenue not attributable to brands such as revenue from freight and accrued income.	Interesting to follow over time as these products are unique and can often be sold at attractive prices and at a relatively high gross margin.
Number of orders	Number of orders handled during the period.	This measure is used to measure customer activity generating sales.

Reconciliation of Alternative Performance Measures from the statement of comprehensive income

	Jan-Mar		Apr 2020-	Jan-Dec
SEKm (unless stated otherwise)	2021	2020	Mar 2021	2020
Gross profit	176	138	749	711
Variable sales and distribution costs	-89	-73	-369	-353
Profit after variable costs	88	65	380	358
Operating profit (EBIT)	8	1	87	81
Reversal of depreciation and amortisation	11	8	43	40
EBITDA	19	10	130	121
Reversal of items affecting comparability	10	1	26	17
Adjusted EBITDA	29	10	156	137
Operating profit (EBIT), last twelve months	87	27	87	81
Reversal of depreciation and amortisation, last twelve months	43	31	43	40
Reversal of items affecting comparability, last twelve months	26	2	26	17
Rental costs, last twelve months, regarding leasing agreements reported in the statement of financial position ¹	-24	-21	-24	-24
Adjusted EBITDA excluding IFRS 16	132	38	132	113
¹ Refers in all significance to depreciation of right-of-use assets and interest expenses on leasing liabilities.				
Operating profit (EBIT)	8	1	87	81
Reversal of items affecting comparability	10	1	26	17
Adjusted operating profit (EBIT)	18	2	113	97
Sales and distribution costs	-120	-103	-490	-473
Reversal of non-variable sales and distribution costs	31	30	121	120
Variable sales and distribution costs	-89	-73	-369	-353
Sales and distribution costs	-120	-103	-490	-473
Administration costs	-47	-34	-167	-154
Other operating income	0	0	2	1
Other operating expenses	-2	-1	-7	-5
Operating costs	-169	-137	-662	-630
Reversal of variable sales and distribution costs	89	73	369	353
Other expenses in the operation	-80	-64	-293	-277
Reversal of depreciation and amortisation	11	8	43	40
Reversal of items affecting comparability	10	1	26	17
Overhead costs	-58	-55	-224	-221
Amortisation	-5	-2	-17	-14
Reversal of amortisation excluding business acquisitions	4	2	15	12
Amortisation attributable to business acquisitions	0	0	-2	-1
IPO-costs	-7	0	-20	-13
Change in fair value, contingent consideration	-3	-1	-6	-4
Items affecting comparability	-10	-1	-26	-17

Reconciliation of Alternative Performance Measures from the statement of financial position

SEKm (unless stated otherwise)	Jan-Mar		Apr 2020- Mar 2021	Jan-Dec 2020
	2021	2020		
Inventory	350	347	350	334
Other receivables	69	43	69	30
Reversal of:				
Blocked funds	-14	—	-14	—
Receivables for warrants	-15	—	-15	—
Current tax receivables	-1	-2	-1	0
Current investments	0	-3	0	—
Other current operating assets	39	38	39	29
Trade payables	-92	-54	-92	-86
Other liabilities	-190	-153	-190	-172
Reversal of:				
Current tax liabilities	2	1	2	1
Current investments	—	—	—	1
Current provisions	11	8	11	12
Other current operating liabilities	-270	-198	-270	-244
Working capital	119	187	119	120
Liabilities to credit institutions	411	372	411	399
Cash and cash equivalents	-435	-82	-435	-87
Net debt excluding IFRS 16	-24	290	-24	312
Net debt excluding IFRS 16 (A)	-24	290	-24	312
Adjusted EBITDA excluding IFRS 16, last twelve months (B)	132	113	132	113
Net debt/EBITDA (A) / (B)	-0.2	2.6	-0.2	2.8

Reconciliation of Alternative Performance Measures from the statement of cash flow

SEKm (unless stated otherwise)	Jan-Mar		Apr 2020- Mar 2021	Jan-Dec 2020
	2021	2020		
Cash flow from operating activities	11	-18	184	156
Investments in non-current assets	-6	-12	-23	-29
Repayment of leasing liabilities	-5	-5	-21	-21
Interest expense on leasing liabilities	-1	-1	-4	-4
Reversal of:				
Paid interest	5	2	13	9
Received interest	0	-1	0	-1
Received/paid tax	2	1	6	5
Operative cash flow	5	-33	154	117
Adjustments for non-cash items	12	6	50	44
Repayment of leasing liabilities	-5	-5	-21	-21
Interest expense on leasing liabilities	-1	-1	-4	-4
Other non-cash items	6	1	25	20
Cash flow from financing activities	341	-3	211	-133
Paid interest	-5	-2	-13	-9
Received interest	0	1	0	1
Received/paid tax	-2	-1	-6	-5
Reversal of:				
Interest expense on leasing liabilities	1	1	4	4
Net change in loans ¹	—	—	115	115
Repayment of leasing liabilities	5	5	21	21
Other cash flow	340	0	333	-8

¹ Net change in loans refers to changes in loans from shareholders.

Reconciliation of other Alternative Performance Measures

SEKm (unless stated otherwise)	Jan-Mar		Apr 2020- Mar 2021	Jan-Dec 2020
	2021	2020		
Net revenue (A)	369	308	1,584	1,523
Number of orders (thousands) (B)	427	354	1,797	1,724
Average order value (AOV) (SEK) (A) / ((B) / 1000)	864	869	882	884
Net revenue	369	308	1,584	1,523
Reversal of net revenue from external brands	-199	-177	-887	-865
Reversal of Motorbuyers ¹ and non-branded net revenue	-13	-15	-85	-87
Net revenues from private brands	157	116	612	571

¹ Motorbuyers only refers to the comparison year as the company was liquidated in December 2020.

Reconciliation of performance measures concerning growth

SEKm (unless stated otherwise)	Jan-Mar		Apr 2020- Mar 2021	Jan-Dec 2020
	2021	2020		
Net revenue for the period (A)	369	308	1,584	1,523
Net revenue for the period previous year (B)	308	268	1,283	1,243
Growth (%) (A) / (B) -1	20%	15%	23%	23%
Net revenue for the period in local currencies ¹ (A)	386	304	1,628	1,545
Net revenue for the period previous year (B)	308	268	1,283	1,243
Acquired growth (%) (C)	-%	-%	-%	-%
Growth in local currencies (%) (A) / (B) -1	25%	13%	27%	24%
<small>¹ Net revenue for both the period and the period last year in local currencies, converted to SEK using previous year's exchange rates.</small>				
Net revenue Nordics for the period (A)	127	112	523	507
Net revenue Nordics for the period previous year (B)	112	97	461	447
Net revenue Nordics (%) (A) / (B) -1	14%	15%	13%	13%
Net revenue outside the Nordics for the period (A)	242	196	1,062	1,016
Net revenue outside the Nordics for the period previous year (B)	196	170	822	796
Growth outside the Nordics (%) (A) / (B) -1	23%	15%	29%	28%