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Pierce Group publishes its preliminary results for the third quarter 2021

Preliminary net revenue for the third quarter amounted to SEK 361 million, an increase of 10 percent compared with the third quarter 2020. In local currencies the increase was 11 percent. Adjusted operating profit (EBIT) is expected to total SEK 3 million compared with SEK 12 million in the same quarter last year. The decrease in EBIT is explained primarily by higher shipping costs from Asia, which increased by SEK 9 million.

The Company deems that the total market demand during Q3 was lower than in the equivalent quarter in 2020, partly as a consequence of reduced pandemic restrictions in Europe, which is assessed as having reduced the level of online activity and demand. However, at the end of the quarter, the market appeared to show positive growth figures as regards online traffic. In spite of the initial downturn, Pierce has compensated reduced online traffic with a higher conversion rate and an increase in the average order value. Seasonally, the third quarter is usually much weaker in terms of net revenue compared with Q2, which is when the start of the season takes place for customers. The third quarter is also usually weaker than Q4 as Q4 includes strong campaign offerings, not the least in conjunction with the Black Friday and Christmas trading.

The effects of the pandemic continued to negatively impact the operations during Q3 through markedly increased shipping costs from Asia, as well as due to weaknesses in access to products. Shipping costs increased by SEK 9 million compared with the third quarter 2020. Costs for this shipping will likely increase as a portion of net revenue during the forthcoming quarters. The weak access to products referred primarily to the lack of clearance deals from suppliers to the Offroad segment, which impacted the possibilities of offering price-reduced external brands at a higher margin. This was linked to production problems in the suppliers' chains, as well as to the delayed launch of new collections.

Net working capital increased by SEK 49 million during Q3 and amounted to SEK 200 million at the end of the quarter. The increase is a consequence of, amongst other things, the Company ensuring access to products prior to the fourth quarter campaigns, in particular, the Black Friday campaign. Net debt amounted to SEK 105 million at the end of the quarter, which was an increase of SEK 50 million during the quarter.

CEO Henrik Zadig comments on the quarter's developments:

"It is positive to experience, again, a growth in sales, as we have seen during the third quarter. Still, we continue to be impacted by a number of challenging external factors associated with the pandemic, and these have a negative effect on both sales and operating profit. The largest impact on our results comes from the current, well-documented high costs for container shipping from Asia. Work is underway to compensate, to the greatest degree possible, for these increased costs through, amongst other things, price adjustments vis á vis the end customer. In addition, the online traffic in the market decreased compared with Q3 last year, even if we deem that total traffic growth in the market successively improved during the quarter. Finally, we have continued to see weaknesses in access to products due to disruptions in the global flow of goods. All in all, the situation will continue to be difficult to navigate in the short-term.

During the quarter, we have worked intensively with preparing for the important campaign season which starts with Black Friday in November. We continue to work with extra safety margins and, therefore, during the quarter, we have built up the inventory with, primarily, our private brand products to ensure a strong customer offering prior to the start of the campaigns."

All figures in this press release are preliminary and unaudited. The full report for the third quarter will be published on 11 November 2021. Pierce will not provide further comments or details until after the full report has been published.

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About Pierce

Pierce is a leading and fast-growing e-commerce company which, with its online shops, 24MX, XLMOTO and Sledstore, sells gear, parts, accessories and streetwear to riders across all of Europe through some forty locally adapted websites. The Company has two major segments, Offroad – sales to motocross and enduro riders, and Onroad – sales to high road riders. In addition, Pierce 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, Sweden, the central warehouse in Szczecin in Poland, and the major portion of our customer support services are located in Barcelona. The Company has approximately 450 employees.

This information is information that Pierce Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person[s] set out above, at 2021-10-15 18:01 CEST.

Attachments

[Pierce Group publishes its preliminary results for the third quarter 2021](#)