

Pandemic challenges weighed down the fourth quarter

October - December 2021

- Net revenue totaled SEK 413 (414) million, which was in line with the equivalent period last year. In local currencies, growth was 1%.
- EBITDA totaled SEK 18 (37) million. Adjusted EBITDA was SEK 18 (50) million, equivalent to a margin of 4.2% (12.0%).
- Operating profit (EBIT) was SEK 6 (26) million. Adjusted operating profit (EBIT) was SEK 6 (39) million and the adjusted operating margin was 1.4% (9.3%). This decline was primarily due to higher shipping costs from Asia, a lower gross margin level and increased costs for online traffic-driven marketing activities.
- Cash flow for the period was SEK -5 (-105) million. Last year's cash flow was impacted by the repayment of shareholders loans of SEK -115 million.
- Profit/loss for the period amounted to SEK 6 (6) million.
- Earnings per share before dilution was SEK 0.14 (0.17) and SEK 0.14 (0.17) after dilution.

January - December 2021

- Net revenue increased by 5% to SEK 1,594 (1,523) million. In local currencies, growth was 7%. The previous year was positively impacted by Covid-19 related effects.
- EBITDA amounted to SEK 93 (121) million. Adjusted EBITDA was SEK 104 (137) million, equivalent to a margin of 6.5% (9.0%).
- Operating profit (EBIT) amounted to SEK 46 (81) million. Adjusted operating profit (EBIT) amounted to SEK 58 (97) million and the adjusted operating margin was 3.6% (6.4%). The change was mainly due to increased shipping costs from Asia, of SEK 29 million.
- Cash flow for the year was SEK -71 (-19) million, primarily due to increased inventory levels.
- Financial net was -20 (-73) MSEK of which improvement was largely due to the change in financing structure undertaken in conjunction with the listing. Profit/loss for the year amounted to SEK 26 (-1) million.
- Earnings per share before dilution was SEK 0.68 (-0.02) and 0.68 SEK (-0.02) after dilution.
- The Board of Directors' proposal to the annual meeting of shareholders is that no dividend will be distributed for the financial year 2021.

SEKm (unless stated otherwise)	Oct-Dec		Jan-Dec	
	2021	2020	2021	2020
Net revenue	413	414	1,594	1,523
Growth (%) ¹	0%	20%	5%	23%
Growth in local currencies (%) ¹	1%	25%	7%	24%
Gross profit	184	206	728	711
Profit after variable costs ^{1 2}	81	110	343	358
Overhead costs ¹	-63	-60	-239	-221
Adjusted EBITDA ¹	18	50	104	137
Adjusted operating profit (EBIT)^{1 3}	6	39	58	97
Items affecting comparability ¹	0	-12	-12	-17
EBITDA ¹	18	37	93	121
Operating profit (EBIT) ³	6	26	46	81
Profit/loss for the period	6	6	26	-1
Gross margin (%) ¹	44.5%	49.8%	45.7%	46.7%
Profit after variable costs (%) ¹	19.5%	26.5%	21.5%	23.5%
Adjusted EBITDA (%) ¹	4.2%	12.0%	6.5%	9.0%
Adjusted operating margin (EBIT) (%) ¹	1.4%	9.3%	3.6%	6.4%
Cash flow for the period	-5	-105	-71	-19

¹ Alternative performance measures (APM), see pages 21 - 25 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.

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

³ Operating profit (EBIT) includes depreciation and amortisation. Amortisation attributable to business acquisitions¹ was SEK 1.5 million during the current and the previous financial year.

This is a translation of the Swedish original of Pierce Group's interim report for the period 1 January - 31 December 2021. In the event of any discrepancies between the two versions, the original Swedish version shall apply.

CEO's comments

Continued pandemic challenges weighed down the fourth quarter

The quarter was characterised by a lower level of online-traffic in the market together with increased shipping and purchase costs. We deem that these effects are of a transitional nature related to the pandemic, and we continue to feel confident with the potential for long-term growth in the online market, as well as Pierce.

In Q4, net revenue totaled SEK 413 million, which was an increase of 1 percent in local currencies. Stock availability in the market was, in general, positive but our assessment is that the total European online market decreased compared with the same quarter last year. This led to price-aggressive offerings in the market, especially during Black Week. We therefore chose to reduce the prices on selected assortment and increase our investments in marketing activities to drive online-traffic. In this manner, we successively increased the growth rate during the quarter, however, at lower margins.

Online-traffic growth on our sites was somewhat negative, while the conversion was in line with last year's rate. Sales growth in local currencies was thereby driven by a 4 percent increase in the average order value compared with previous year. This was primarily an effect of targeted activities focused on increasing the total value of customers' shopping carts.

In local currencies, Onroad grew by approximately 9 percent and Offroad decreased by approximately 4 percent compared with Q4 2020. Developments within Offroad were primarily a result of the weak online-traffic following a fantastic year in 2020. Within Onroad, we drove growth through a stronger customer offering, including, amongst other things, an improved assortment and more competitive pricing.

During the quarter, we had a major focus on handling sales during Black Week. Amongst other things, we recruited a great number of temporary staff to our distribution warehouse in Poland. Furthermore, we undertook several measures to secure our IT infrastructure in advance of the high level of visits to our web sites. In spite of the pressure on the organisation and IT system, we delivered without disruption and the customer satisfaction, which we measure via TrustPilot, has reached record high levels.

Pressured profitability

The need to stimulate growth, together with increased costs, pressured the profitability and therefore adjusted EBIT totaled SEK 6 million, a decrease from last years' SEK 39 million. The adjusted EBIT margin declined with 7.9 percent to 1.4 percent. The following five items affected the EBIT margin:

- Increased shipping costs from Asia, which totaled SEK -19 (-12) million, corresponding to -1.8 percentage points.
- Less favourable revaluation of working capital items of SEK 2 (6) million, corresponding to -1.1 percentage points.
- Other gross margin items, mainly adjusted prices to customers and somewhat higher purchase prices, corresponding to approximately -2.3 percentage points.
- Increased variable costs primarily related to marketing to drive traffic, corresponding -1.8 percentage points.
- Increased overhead costs primarily related to investments within IT, corresponding to -1,0 percentage point.

At the beginning of the quarter, we saw indications that the price levels in the market had somewhat increased and we also implemented certain price increases, primarily on products containing a major portion of shipping costs from Asia.

However, these were offset by volume-driven price adjustments. During the second half of the year, particular focus was placed on optimising sales growth vis-à-vis price and margin development.

Prior to the campaign season in the fourth quarter, the inventory was adapted to a higher growth level and included an increased buffer inventory due to the uncertainty in the production chain. Hence, the lower growth affected the net working capital increase to SEK 260 million at quarter end.

Continued uncertainty in forthcoming quarters

The latest quarters have been challenging and difficult to forecast given a volatile market and we believe that these uncertainties will remain during the forthcoming quarters. Our current primary focus is to increase sales and decrease the inventory, even if we are also working with the transfer of cost increases to the customer. This is accomplished by, amongst other things, focused price increases when the markets allow, amended campaign activities and amended purchasing routines.

Our long-term targets are not affected

Our long-term growth target is to grow on average 15-20 percent per year. It is expected that this growth will be driven by a continued channel shift in the market when sales move from physical stores to online. In the long-term, the pandemic is deemed to not have negatively impacted this development as a larger number of customers, primarily on the Continent, discovered e-commerce during the recent restrictions. A comparison with 2020 is clearly difficult due to the effects of the pandemic. If we extend the perspective and make a comparison with 2019, we see that the average annual growth (CAGR) for Pierce during the two last quarters, was just under 15 percent in local currencies, in spite of all of the external challenges.

Profitability has been affected by pandemic-related effects for some time, but our long-term target of an adjusted operating margin of around 8 percent remains unchanged. Some of the cost increases impacting us are of a transitional nature and we expect that with time the market will adapt to the cost level. Going forward, we also see good opportunities to improve profitability through reduced overhead costs in relation to net revenue as we, amongst other actions taken, in recent years launched a new and scalable platform.

Our leading position in the European market, with a broad assortment and competitive prices, represents a good timing. We know that motorcycle riding is a passion and that it is a prioritised activity with our customers. All things considered, we are carefully optimistic in our view of the future, as well as in regards to the good opportunities for continued profitable growth in the near future.

Finally, I would like to thank all of our personnel in Poland, Spain and Sweden who, every day, and in the most excellent manner, deal with all of the challenges we face and who succeed in improving our customers' experience.

Stockholm, 16 February 2022



Henrik Zadig
CEO, Pierce Group AB



Performance measures – Group

SEKm (unless stated otherwise)	Oct-Dec		Jan-Dec	
	2021	2020	2021	2020
Revenue measures				
Net revenue per geographical area				
Nordics	137	125	563	507
Outside the Nordics	276	289	1,031	1,016
Net revenue	413	414	1,594	1,523
Growth per geographical area				
Nordics (%) ¹	10%	14%	11%	13%
Outside the Nordics (%) ¹	-5%	23%	1%	28%
Growth (%)¹	0%	20%	5%	23%
Performance measures				
Gross margin (%) ¹	44.5%	49.8%	45.7%	46.7%
Profit after variable costs (%) ¹	19.5%	26.5%	21.5%	23.5%
Overhead costs (%) ¹	15.3%	14.5%	15.0%	14.5%
Adjusted EBITDA (%) ^{1 2}	4.2%	12.0%	6.5%	9.0%
Adjusted operating margin (EBIT) (%) ¹	1.4%	9.3%	3.6%	6.4%
Earnings per share before dilution (SEK)	0.14	0.17	0.68	-0.02
Earnings per share after dilution (SEK)	0.14	0.17	0.68	-0.02
Cash flow- and other financial measures				
Operating profit (EBIT)	6	26	46	81
Investments ³	-9	-6	-26	-29
Operating profit (EBIT) minus investments	-3	21	20	52
Changes in net working capital	-57	-7	-137	45
Other non-cash items ^{1 4}	8	9	21	20
Operating cash flow¹	-52	23	-96	117
Net change in loans	48	-115	-331	-115
Paid/received blocked funds	0	-14	14	-14
Other cash flow ^{1 5}	-1	0	342	-8
Cash flow for the period	-5	-105	-71	-19
Cash and cash equivalents ⁶	18	87	18	87
Net debt excluding IFRS 16 ^{1 6}	160	312	160	312
Net debt/EBITDA ^{1 7}	2.0	2.8	2.0	2.8
Inventory ⁶	534	334	534	334
Other current operating assets ^{1 6}	30	29	30	29
Other current operating liabilities ^{1 6}	-305	-244	-305	-244
Net working capital^{1 6}	260	120	260	120
Operating measures				
Number of orders (thousands) ¹	445	464	1,735	1,724
Average order value (AOV) (SEK) ¹	928	893	919	884
Net revenue from private brands ¹	157	173	609	571
Active customers last 12 months (thousands) ¹	1,148	1,118	1,148	1,118

¹ Alternative performance measures (APM), see pages 21 - 25 for definitions and purpose of these measurements.

² Adjusted EBITDA, excluding IFRS 16, amounted during the financial year period to SEK 81 (113) million.

³ Investments regards cash flow from investments excluding paid/received blocked funds.

⁴ Other non-cash items refers in all significance to amortisation and depreciation, excluding depreciation of right-of-use assets, and change in current short term provisions.

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

⁶ Measures correspond to each period end.

⁷ Net debt refers to the alternative performance measure net debt excluding IFRS 16, and EBITDA refers to the measure adjusted EBITDA excluding IFRS 16.



Pierce – Riders in eCommerce

Pierce is a leading e-commerce company selling gear, parts, accessories and streetwear 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 450 employees.

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

(The figures in parentheses refer to the equivalent period last year)

October – December 2021

Net revenue

Net revenue amounted to SEK 413 (414) million, which was the same level as last year. The increase in local currencies was 1 percent. Net revenue for Onroad increased by 8 percent. Within Offroad, net revenue decreased by 6 percent.

The Company's assessment is that total traffic in the European online market declined compared with the equivalent quarter last year. This decline was primarily visible during the campaign season, "Black Week" and the Christmas trade. For Pierce, the average order value increased compared to last year and the Company could, in spite of lower online-traffic volumes, achieve a certain degree of growth in local currencies.

Gross profit and gross margin

Gross profit amounted to SEK 184 (206) million, which is equivalent to a gross margin of 44.5 (49.8) percent.

The decline in the margin is explained by two larger items. Higher shipping costs from Asia, SEK -19 (-12) million, and a less favourable revaluation of net working capital items, of SEK 2 (6) million. The effect on the margin of these two items was -1.8 percentage points, respective -1.1 percentage. The remaining decline in the margin of -2.3 percentage referred to lower prices to the customers and increased purchasing costs, amongst other things, as regards raw materials.

The effect of net working capital revaluation of SEK 2 million was positively impacted by SEK 5 million arising from the change of Pierce AB's functional currency from SEK to EUR.

It is expected that costs for shipping will continuously be on a high level the forthcoming quarters. This is since higher shipping costs initially increase the value of the inventory, and impact the cost of goods only when the products are sold. The cost/sales ratio decreased slightly compared with the third quarter. This was partly due to a changed product mix.

Operating costs

Sales and distribution costs amounted to SEK -137 (-128) million and include, primarily, variable costs for marketing and freight costs to customers. In relation to net revenue, these costs were equivalent to 33.2 (30.9) percent. The increase was explained mainly by online traffic-driving marketing activities.

Administration costs were SEK -43 (-50) million. Excluding items affecting comparability, these costs totaled SEK -43 (-39) million. This increase was explained mainly by investments within IT.

Adjusted EBIT and EBIT

Adjusted operating profit (EBIT) was SEK 6 (39) million, equivalent to a margin of 1.4 (9.3) percent. This decrease was primarily explained by higher shipping prices from Asia, a lower gross margin level and increased costs for online traffic-driving marketing activities. Operating profit (EBIT) amounted to SEK 6 (26) million.

Financial items

Financial items amounted to SEK 3 (-19) million, of which SEK 1 (-4) million referred to exchange rate differences related to revaluation of financial balance sheet items. In addition, exchange rate effects on cash hedges totaled SEK 4 (-2) million.

Other financial items, SEK -2 (-14) million, referred, largely, to interest expenses on external financing. These expenses reduced notably as the Company's borrowing decreased, shortly after the listing, and was replaced by a credit facility with a significantly lower interest rate than previously.

Taxes and result for the period

Tax expenses totaled SEK -3 (-1) million and the result for the period was SEK 6 (6) million.

January - December 2021

Net revenue

Net revenue increased by 5 percent to SEK 1,594 (1,523) million. In local currencies growth was 7 percent. Growth within Offroad, respective Onroad, was 2 percent, respective 8 percent.

All in all, the assessment of last year is that the Company was positively impacted by Covid-19 effects, primarily with regards to the second quarter's high increase in sales of 39 percent. Offroad is deemed to have been impacted more positively than Onroad.

Gross profit and gross margin

Gross profit amounted to SEK 728 (711) million, equivalent to a margin of 45.7 (46.7) percent.

The decline in the margin was primarily attributable to increased costs for shipping from Asia, SEK -70 (-42) million, and price adjustments during Q4. The negative effect of these items has been partially offset by less price-aggressive clearance deals during Q2 and Q3, compared with the same quarter last year.

Exchange rate differences, attributable to the revaluation of net working capital items, impacted gross profit by SEK -2 (5) million. This item was positively affected in 2021 by Pierce AB's change of functional currency of SEK 4 million.

Operating costs

Sales and distribution costs amounted to SEK -512 (-473) million, equivalent to 32.1 (31.0) percent of net revenue. This increase in relation to net revenue referred to, amongst other things, higher variable costs for online traffic-driving marketing activities.

Administration costs were SEK -169 (-154) million. Excluding items affecting comparability, administration costs totaled SEK -160 (-141) million. The increase was primarily explained by activities within product development and IT.

Adjusted EBIT and EBIT

Adjusted operating profit (EBIT) amounted to SEK 58 (97) million, equivalent to a margin of 3.6 (6.4) percent. The decrease in profit of SEK 39 million was explained mainly by SEK 29 million in higher shipping costs from Asia, SEK 32 million in increased variable sales- and distribution costs, and SEK 18 million in increased overhead costs. These cost increases were compensated, to a certain degree, by the increased sales of SEK 71 million.

Roughly assessed, adjusted operating profit (EBIT) during 2020 was positively impacted by Covid-19-related effects in an amount of SEK 15 million.

Operating profit (EBIT) amounted to SEK 46 (81) million and was negatively impacted by items affecting comparability totaling SEK -12 (-17) million attributable to the Company's stock market listing in March 2021.

Financial items

Financial items totaled SEK -20 (-73) million, of which SEK 1 (-14) million referred to exchange rate differences related to the revaluation of financial balance sheet items, and SEK 4 (-3) million was attributable to exchange rate effects on cash hedges. In addition, SEK -8 (-) million referred to the early repayment of bond loans.

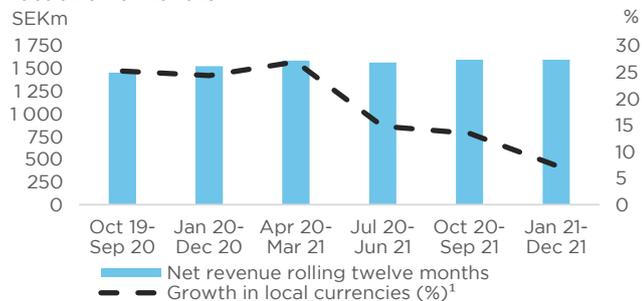
Other financial items of SEK -17 (-56) million, was primarily attributable to interest expenses on the Company's bond and shareholders loans. The decrease compared to last year was due to the previous financing structure being repaid at the beginning of the second quarter in conjunction with the listing and was replaced by a credit facility totaling SEK 300 million.

Taxes and result for the period

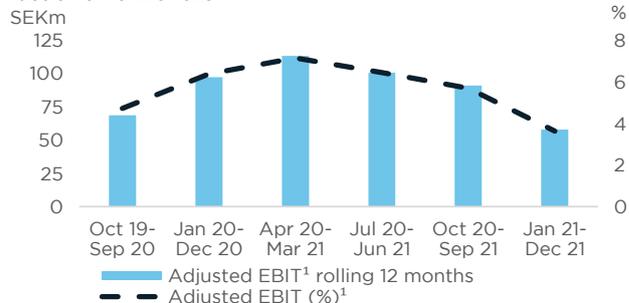
Tax costs totaled SEK 0 (-8) million and the result for the year was SEK 26 (-1) million.

Tax costs of SEK 0 million, comprised of tax income of SEK 5 million and tax costs of SEK -5 million. The first of these amounts referred primarily to deferred tax receivables on previous years' non-deductible interest expenses. These expenses are deemed to be able to be treated as deductible costs in future income tax returns. The changed assessment is based on significantly lower expected interest expenses due to the new financing structure implemented in conjunction with the stock exchange listing.

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



Adjusted EBIT¹ and adjusted EBIT (%)¹, last twelve months



¹ Alternative Performance Measures (APM), see pages 21 - 25 for definitions and the purpose of these measures

Comments to the Group's cash flow

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

October – December 2021

Cash flow from operating activities was SEK -39 (34) million. The change compared with the same period in 2020 was mainly due to changes in working capital of SEK -57 (-7) million, and operating profit (EBIT) totaling SEK 6 (26) million.

Changes in working capital were primarily attributable to an increase in inventory of SEK 56 million, while operating liabilities were in line with the end of the previous quarter. This was explained, mainly by the inventory being adapted to a higher level of growth than experienced in the actual outcome, and included a buffer inventory.

During the third quarter, a new European VAT regulation was introduced, the "One-stop-shop", which implies that VAT is paid quarterly instead of monthly. This impacted operating liabilities at quarter end positively by SEK 29 million.

Cash flow from investments amounted to SEK -9 (-19) million, of which SEK - (-14) million referred to blocked funds. Investments of SEK -9 (-6) million referred primarily to the development of internal systems and the purchase of equipment for the distribution warehouse.

Cash flow from financing activities was SEK 43 (-120) million and referred primarily to changes in the utilised credit facility. In the previous year, this was mainly explained by the repayment of shareholders loans.

Cash flow for the period was SEK -5 (-105) million and cash and cash equivalents totaled SEK 18 (87) million.

January – December 2021

Cash flow from operating activities was SEK -61 (156) million and was explained primarily by changes in working capital of SEK -137 (45) million, and operating profit (EBIT) which was SEK 46 (81) million.

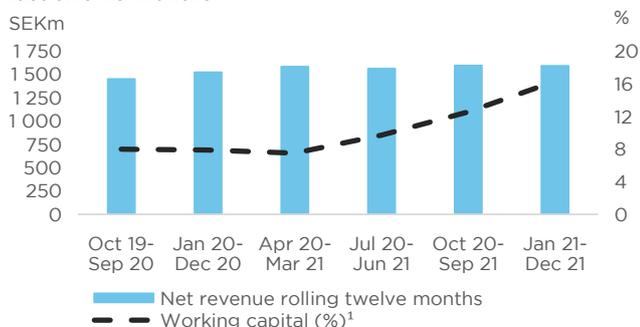
Cash flow from investments totaled SEK -12 (-42) million, of which received/paid blocked funds amounted to SEK 14 (-14) million. Investments of SEK -26 (-29) million, referred primarily to internal systems and purchase of equipment for the distribution warehouse. Last year, the equivalent figure also included investments in the new e-commerce platform which was completed during the second quarter 2020.

Cash flow from financing activities was SEK 2 (-133) million, primarily attributable to the repayment of the previous financing structure, proceeds from the new share issue in conjunction with the listing and the utilised credit facility.

The year's cash flow was SEK -71 (-19) million. Considering exchange rate differences of SEK 2 (-4) million, cash at the end of the financial year totaled SEK 18 (87) million.

Operating cash flow amounted, for the entire year, to SEK -96 (117) million. In the previous year, the cash flow was positively impacted by a decrease in net working capital referring to the second quarter's high level of sales and, thereby, reduced inventory levels. The cash flow for the current year was negatively impacted by increased net working capital, primarily as result of the increased inventory which had been adapted to a higher level of growth during the third and fourth quarter. In addition, the current year was impacted by payment of SEK -17 million related to the listing.

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



Operating cash flow¹, last twelve months



Comments to the Group's financial position

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

Net working capital was SEK 260 (120) million and increased primarily due to higher inventory levels.

Right-of-use assets decreased by SEK 16 million to SEK 63 million, compared with last year, primarily as a result of depreciations. Leasing liabilities increased by SEK 15 million to SEK 71 million.

Net debt, excluding IFRS 16, amounted to SEK 160 (312) million at period end. The decrease, since end-2020, of SEK 152 million, was explained by a lower level of cash and cash equivalents of SEK 69 million and reduced interest-bearing liabilities of SEK 221 million. Net debt/ EBITDA¹ amounted to 2.0x. The Group's target is not to exceed 2.0x, subject to temporary flexibility for strategic initiatives.

In the second quarter of the current financial year, the previous financing structure was replaced by a SEK 300 million credit facility, of which SEK 179² million was utilised at the end of the period. Of the utilised credit facility, SEK 154 million referred to short-term loans, and SEK 26 million to the utilised overdraft facility. Cash and cash equivalents at the end of the period amounted to SEK 18 (87) million.

The Group's equity amounted to SEK 441 (57) million at the end of the period which was an increase of SEK 384 million during the financial year. The change in equity was explained by total comprehensive income of SEK 28 million, new share issues of SEK 350 million and the issue of warrants totaling SEK 4 million. Said issues included issue costs.

¹ Alternative Performance Measures (APM), see pages 21 - 25 for definitions and the purpose of these measures.

² The difference between "Utilised credit facility" in the Group's statement of cash flow and "Liabilities to credit institutions" in the balance sheet is explained by capitalised loans and interest expenses.

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 motorcycle riders 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, accessories and streetwear. Pierce has one more segment, Other, which primarily focuses on sales to snowmobile riders.

Overall summary

SEKm	Oct-Dec		Jan-Dec	
	2021	2020	2021	2020
Offroad	260	276	974	952
Onroad	99	92	500	461
Other	54	46	119	110
Net revenue	413	414	1,594	1,523
Offroad	118	138	462	460
Onroad	39	40	209	195
Other	25	22	59	50
Intra-group costs ¹	2	6	-2	5
Gross profit	184	206	728	711
Offroad	57	77	238	254
Onroad	11	15	78	73
Other	11	12	29	26
Intra-group costs ¹	2	6	-2	5
Profit after variable costs^{2 3}	81	110	343	358

¹ Intra-group costs, consists of revaluation of net working capital items which are not divided between segments. These amounted in Q1 to SEK -4 (-5) million, Q2 SEK 0 (5) million, Q3 SEK 0 (-1) million and in Q4 to SEK 2 (6) million.

² Alternative performance measures (APM), see pages 21 - 25 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 as well as other direct costs and correlates essentially with net revenue. Other direct costs mainly consist of freight, invoicing and packaging.

For more information about segments, see Note 4.

Offroad  24MX

SEKm (unless stated otherwise)	Oct-Dec		Jan-Dec	
	2021	2020	2021	2020
Net revenue	260	276	974	952
Growth (%) ¹	-6%	30%	2%	30%
Gross profit	118	138	462	460
Gross margin (%) ¹	45.4%	49.9%	47.5%	48.3%
Profit after variable costs ^{1 2}	57	77	238	254
Profit after variable costs (%) ¹	21.8%	28.0%	24.5%	26.7%
Number of orders (thousands) ¹	281	302	1,064	1,045
Average order value (AOV) (SEK) ¹	928	914	916	911
Net revenue from private brands ¹	97	110	381	360
Active customers last 12 months (thousands) ¹	660	630	660	630

¹ Alternative performance measures (APM), see pages 21 - 25 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.

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

For more information about the segment, see Note 4.

October - December 2021

Net revenue decreased by 6 percent to SEK 260 (276) million compared with the equivalent period in 2020. The decrease in local currencies was approximately 4 percent. The decline in sales was primarily attributable to a lower level of online-traffic in the market.

In the Nordics, net revenue increased by 3 percent, and decreased by 8 percent outside the Nordics. In local currencies, the change was approximately 3 and -5 percent, respectively. Increased costs and challenges within distribution after Brexit, implied reduced net revenue in the UK. Adjusted for the UK and currency effects, the decrease outside the Nordic was approximately 3 percent.

Profit after variable costs amounted to SEK 57 (77) million, which is equivalent to a margin of 21.8 (28.0) percent. The decline in margin referred mainly to increased shipping costs from Asia, price adjustments to drive growth and increased costs for online traffic-driving marketing activities.

January - December 2021

Net revenue increased by 2 percent to SEK 974 (952) million compared with 2020 as the previous year, in particular the second quarter, had been positively impacted by Covid-19 related effects.

Profit after variable costs amounted to SEK 238 (254) million, equivalent to a margin of 24.5 (26.7) percent. The decrease in the margin was primarily attributed to the increased shipping costs from Asia, higher costs for online traffic-driving marketing activities and adjustments to more competitive prices.

SEKm (unless stated otherwise)	Oct-Dec		Jan-Dec	
	2021	2020	2021	2020
Net revenue	99	92	500	461
Growth (%) ¹	8%	4%	8%	11%
Gross profit	39	40	209	195
Gross margin (%) ¹	39.4%	43.3%	41.8%	42.3%
Profit after variable costs ^{1 2}	11	15	78	73
Profit after variable costs (%) ¹	11.6%	16.0%	15.6%	15.9%
Number of orders (thousands) ¹	120	123	568	588
Average order value (AOV) (SEK) ¹	825	749	881	785
Net revenue from private brands ¹	32	38	166	162
Active customers last 12 months (thousands) ¹	414	428	414	428

¹ Alternative performance measures (APM), see pages 21 - 25 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. Other direct costs mainly consist of freight, invoicing and packaging.

For more information about the segment, see Note 4.

October - December 2021

Net revenue increased by 8 percent to SEK 99 (92) million compared with the equivalent period in 2020. Growth in local currencies totaled approximately 9 percent. Growth in the Nordics and outside the Nordics was 10 and 6 percent, respectively. In local currencies, the growth was approximately 9 percent in both regions. Increased costs and challenges within distribution after Brexit implied a decline in net revenue in UK. Adjusted for UK and currency effects, growth outside the Nordics was approximately 12 percent.

This growth has primarily been driven by an improved assortment, improved product availability and price adjustments.

Profit after variable costs amounted to SEK 11 (15) million, which was equivalent to a margin of 11.6 (16.0) percent. The decline in margin mainly referred to increased costs for shipping, price adjustments to drive growth and increased costs for online traffic-driving marketing activities.

January - December 2021

Net revenue increased by 8 percent compared to 2020, totaling SEK 500 (461) million. Growth in the Nordics and outside the Nordics amounted to 19 and 1 percent respectively.

Onroad is deemed to have been less positively affected by Covid-19 effects last year compared with Offroad.

Profit after variable costs amounted to SEK 78 (73) million, equivalent to a margin of 15.6 (15.9) percent. The decrease in the margin was mainly due to increased shipping costs, costs for online traffic-driving marketing activities and price adjustments vis-à-vis the customers during the fourth quarter. However, these factors were largely offset by fewer price-aggressive offerings during the second and third quarters compared with the previous year.

Other sledstore

SEKm (unless stated otherwise)	Oct-Dec		Jan-Dec	
	2021	2020	2021	2020
Net revenue	54	46	119	110
Growth (%) ¹	17%	7%	9%	14%
Gross profit	25	22	59	50
Gross margin (%) ¹	46.9%	48.3%	49.4%	46.1%
Profit after variable costs ^{1 2}	11	12	29	26
Profit after variable costs (%) ¹	19.9%	25.0%	24.2%	23.7%

¹ Alternative performance measures (APM), see pages 21 - 25 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. Other direct costs mainly consist of freight, invoicing and packaging.

For more information about the segment, see Note 4.

October - December 2021

Net revenue increased by 17 percent to SEK 54 (46) million compared with the same period last year. Growth was driven by an improved stock availability.

The margin reduction from 25.0 to 19.9 percent was related to increased shipping costs from Asia, and increased costs for online traffic-driven marketing. In addition, more campaigns took place during the fourth quarter of 2021, compared with the same period last year when there was a lack of products.

January - December 2021

Net revenue increased by 9 percent to SEK 119 (110) million compared with the previous year.

The margin after variable costs increased from 46.1 to 49.4 percent and was positively impacted by fewer clearance deals compared with the snow-poor winter of 2020. However, this was partially offset by shipping costs from Asia, and costs for traffic-driving marketing activities during the fourth quarter.

The Pierce share

At an extraordinary general 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 a private to a 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 trades under the ticker symbol PIERCE with ISIN code SE0015658364. In conjunction with the listing, a total of 5,468,750 shares were issued.

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. The number of registered shares, and votes, as of 31 December 2021 amounted to 39,687,050, equivalent to a quota value of SEK 0.02.

The share price at listing was SEK 64.0, and was SEK 68.6 on the last trading day of the period. The number of shareholders was 1,183, of which the largest were Procuritas (32.9%), Handelsbanken Fonder (9.9%), Daniel Petersen via company (7.0%), Stefan Rönn via company (7.0%), and Fourth AP fund (6.1%).

The Company has launched warrant programs, long term incentive programs – LTIP, (entailing the 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 conjunction with the listing in March 2021, all warrants were exercised, whereby 534,600 shares¹ were subscribed at a subscription price of SEK 24.8. The new share issue registered in April added SEK 10,692 in share capital to Pierce Group.

LTIP 2021/2024

LTIP 2021/2024 was issued in March 2021 as part of an incentive program for certain senior executives and key employees of the Group. The program comprises 376,443 warrants, all warrants were subscribed as of 31 March 2021. Each warrant grants the right to subscribe to 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 exercised from the date after publication of the interim report for the period 1 January to 31 March 2024, however not earlier than 1 April 2024, up to and including 31 August 2024, at a pre-determined share price of SEK 73.6. With full subscription of the warrants, the Company's share capital can increase with a maximum of SEK 7,528.9, based on the current quota value.

The Company has reserved the right to repurchase warrants if, amongst other circumstances, the Participant's employment with the Company is terminated.

Significant events after the end of the reporting period

No significant events have taken place after the end of the reporting period.

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. Payments received during the last 12-month period totaled EUR, SEK and NOK accounted for 56, 17 and 11 percent respectively. With regards to payments, EUR, SEK, USD and PLN accounted for 46, 26, 13 and 9 percent respectively. To reduce exposure to significant exchange rate fluctuations, the Group purchases, since 2020, currency derivatives for certain currencies, including EUR and USD.

Furthermore, operating assets and operating liabilities in foreign currency are revalued at the end of each month. This revaluation refers primarily to operating liabilities including trade payables. Exchange rate fluctuations arising from 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 uses EUR as its functional currency. The background to this is the successively 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 quarter was 445 (429). Of these, 158 (141) worked at the distribution warehouse in Poland and 275 (276) were white collar workers in Sweden, Poland and Spain.

Excluding customer service staff and certain production staff, the number of white-collar workers was 208 (206).

Seasonal variations

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

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

Parent Company

Pierce Group AB (publ), Corp. ID number 556967-4392, is the Parent Company in the Pierce Group, and is a public company with registered office in Stockholm, Sweden. Since 26 March 2021, Pierce Group AB (publ) is listed on the Nasdaq Stockholm Mid Cap.

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

Net revenue during the quarter amounted to SEK 3 (4) million and during the financial year to SEK 12 (11) million and was fully attributable to sales to Group companies. Financial net mainly comprised of interest expenses regarding bond and shareholders' loans up until April in the current year when the previous financing structure was repaid. Profit/loss before tax during the quarter was SEK 27 (-4) million and SEK 6 (-22) million during the financial year.

At the end of the period, the Parent Company's equity was SEK 419 (59) million. This change was mainly attributable to the new share issue in conjunction with the listing of the Company.

The CEO and CFO are employed by the Parent Company.

Risks and factors of uncertainty

The Group's operations and results 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 can be 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.

During the second quarter 2020, the Company's sales growth, which totaled 39 percent, was clearly positively impacted by Covid 19-related closures of physical stores with offerings similar to Pierce's. This took place in combination with the Company's internal decisions to drive short-term sales volume. During the third quarter 2020, net revenue was impacted somewhat negatively because of stock availability shortages due to the unexpectedly high level of net revenue experienced during the second quarter, and Covid-19 related production problems in supply chains.

During 2021, the Covid-19 pandemic impacted operations through certain product availability shortages in the market and delivery delays. Shipping costs from Asia have increased due to the global shortage in containers. This only marginally affected the gross margin during the first quarter, but it had a significantly negative effect during the rest of the year when the sale of these purchases took place. This negative impact is expected to continue in the forthcoming quarters. Continuous uncertainties exist in the supply chain in the form of shortages of products and delays which challenges stock availability and purchase prices. The pandemic's effect on customer behavior and demand constitutes a factor of uncertainty.

Financial risks include e.g., currency risks (see previous page), interest rate risks and the risk of not being able to obtain sufficient financing. E-commerce is characterised, among other things, by a sharp increase in sales during certain campaign periods. If Pierce's sales do not develop in line with the Group's expectations during these periods, it may affect both the result and financial position negatively.

At the beginning of the second quarter, the Group received a credit facility from one of the major Swedish banks of SEK 300 million.

The credit facility contains certain financial covenants, stipulating that the Group's leverage ratio¹ may not exceed 3.5 times (3.0 times, during the period within one year from the termination of the facility), and that the Group's interest coverage ratio² may not be less than 4.0 times. Pierce fulfills the covenant terms associated with this credit facility.

For further information, see Note 7.

Related party transactions

During the financial year, costs for consulting fees to Stefan Rönn and Daniel Petersen, founders and shareholders in Pierce Group via companies, totaling SEK 197 (1,961) thousand, were charged against the Group's earnings. All transactions with related parties have been concluded on market terms. For further information regarding related parties, see Note 6.

Annual General Meeting 2022

The Board of Directors has decided that the Annual General Meeting for 2021 will be held on 3 June 2022. More information will be provided together with the notice of the Annual General Meeting. The Board is expected to propose that no dividend be distributed.

Financial targets

The Board of Directors of Pierce has adopted the following financial targets³, which are unchanged compared with the previous quarter.

Growth - 15-20%

In the medium to long term, grow net revenue by 15–20% in average per annum.

Adjusted operating margin - around 8%

In the medium to long term, reach an adjusted operating margin of around 8 percent.

Capital structure - 2.0x

Net debt/EBITDA⁴ not exceeding 2.0x, subject to temporary flexibility for strategic initiatives.

Dividend policy

In the coming years, free cash flows⁵ are planned to be used for the continued development⁶ of the Company and will, therefore, not be distributed to the shareholders.

¹ Calculated according to the definition in the credit facility agreement, which differs slightly from the Net debt/EBITDA found in the Company's Alternative Performance Measures.

² The measure is equivalent to the Group's EBITDA excluding IFRS 16, in the same manner as the measure defined in the credit facility agreement, which differs slightly from the Company's definition.

³ The Board adopted the financial goals in December 2020. Medium to long term should be understood as 3-5 years.

⁴ Alternative performance measures (APM) - see pages 21 - 25 for the definitions and purposes of these measurements.

⁵ Free cash flow refers to cash flow from operating activities and operations and investment activities.

⁶ 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.

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Other

The interim report was not subject to review by the Company's auditors.

Upcoming financial reports

6 May 2022

Annual report 2021

11 May 2022

Interim report January–March 2022

3 June 2022

Annual General Meeting 2021

24 August 2022

Interim report January–June 2022

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

On 16 February at 9.00 am 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: +46 850 558 373

UK: +443 333 009 267

US: +16 467 224 902

The presentation and conference can be followed via the following web link:

<https://tv.streamfabriken.com/pierce-group-q4-2021>

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

Henrik Zadig, CEO, +46 73 146 14 60

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

The information was submitted for publication by the above-mentioned contact persons on 16 February 2022 at 8:00 am CET.

Signatures

The undersigned certifies that the interim 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, 16 February 2022

Henrik Zadig

CEO

Q4/2021

Condensed consolidated statement of profit/loss

SEKm (unless stated otherwise)	Note	Oct-Dec		Jan-Dec	
		2021	2020	2021	2020
Net revenue	3.4	413	414	1,594	1,523
Cost of goods sold		-229	-208	-866	-812
Gross profit	4	184	206	728	711
Sales and distribution costs		-137	-128	-512	-473
Administration costs		-43	-50	-169	-154
Other operating income- and expenses		2	-2	-1	-3
Operating profit	4	6	26	46	81
Financial net		3	-19	-20	-73
Profit/loss before tax	4	9	7	26	8
Tax		-3	-1	0	-8
Profit/loss for the period		6	6	26	-1
Attributable to shareholders of the parent company		6	6	26	-1
Earnings per share					
Earnings per share before dilution (SEK) ¹		0.14	0.17	0.68	-0.02
Earnings per share after dilution (SEK) ¹		0.14	0.17	0.68	-0.02
Average number of shares before dilution (thousands) ¹		39,687	33,684	38,289	33,663
Average number of shares after dilution (thousands) ¹		39,687	34,004	38,378	33,663

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

Consolidated statement of comprehensive income

SEKm	Note	Oct-Dec		Jan-Dec	
		2021	2020	2021	2020
Profit/loss for the period		6	6	26	-1
Items that may subsequently be reclassified to income statement					
Translation difference		1	-2	1	-3
Other comprehensive income for the period		1	-2	1	-3
Comprehensive income for the period		6	3	28	-4
Attributable to shareholders of the parent company		6	3	28	-4

Q4/2021

Condensed consolidated statement of financial position

SEKm	Note	Dec 31 2021	Dec 31 2020
Assets			
Non-current assets			
Intangible assets		351	353
Property, plant and equipment		18	14
Right-of-use assets		63	79
Financial assets	7	2	16
Deferred tax assets		10	6
Total non-current assets		445	469
Current assets			
Inventory		534	334
Other current assets	5	38	30
Cash and cash equivalents		18	87
Total current assets		591	451
Total assets		1,035	920
Equity and liabilities			
Total equity attributable to shareholders of the parent company			
		441	57
Non-current liabilities			
Liabilities to credit institutions	7	—	399
Leasing liabilities		48	64
Deferred tax liabilities		28	29
Total non-current liabilities		76	492
Current liabilities			
Liabilities to credit institutions	7	178	—
Shareholder loans	6	—	63
Leasing liabilities		23	22
Contingent consideration	5.6	—	27
Trade payables		147	86
Other current liabilities	5	169	172
Total current liabilities		517	371
Total equity and liabilities		1,035	920

Condensed consolidated statement of changes in equity

SEKm	Dec 31 2021	Dec 31 2020
Opening balance beginning of period	57	59
Profit/loss for the period	26	-1
Other comprehensive income for the period	1	-3
Comprehensive income for the period	28	-4
Transactions with shareholders		
New share issue	363	1
Issue costs referring to new share issue	-14	0
Issue of warrants including issue costs	4	2
Tax effect of issue cost	3	—
Closing balance end of period	441	57

Condensed consolidated statement of cash flow

SEKm	Note	Oct-Dec		Jan-Dec	
		2021	2020	2021	2020
Operating activities					
Operating profit		6	26	46	81
Adjustments for non-cash items		14	15	45	44
Paid interest		-2	-1	-12	-6
Realised cash hedges		1	-1	1	-2
Paid/received tax		-1	2	-4	-5
Cash flow from operating activities before changes in net working capital		18	41	76	111
Changes in net working capital		-57	-7	-137	45
Cash flow from operating activities		-39	34	-61	156
Investing activities					
Investments in non-current assets		-9	-6	-26	-29
Paid/received blocked funds		—	-14	14	-14
Cash flow from investing activities		-9	-19	-12	-42
Financing activities					
New share issue including issue costs		0	—	350	1
Issue of warrants including issue costs		—	—	4	2
Change in utilised credit facility		48	—	177	—
Repayment of shareholder loans ¹		—	-115	-64	-115
Repayment of liabilities to credit institutions ²		—	—	-414	—
Repayment of leasing liabilities		-5	-5	-20	-21
Paid contingent consideration		—	—	-30	—
Cash flow from financing activities		43	-120	2	-133
Cash flow for the period		-5	-105	-71	-19
Cash and cash equivalents		23	194	87	111
Exchange rate difference		0	-2	2	-4
Cash and cash equivalents end of period		18	87	18	87

¹ Repaid amount referred to capitalised interest expenses, which amounted to SEK -3 (-70) million.

² Of which SEK -64 million referred to capitalised interest expenses during 2021.

Q4/2021

Condensed Parent Company statement of profit/loss

SEKm	Oct-Dec		Jan-Dec	
	2021	2020	2021	2020
Net revenue	3	4	12	11
Gross profit	3	4	12	11
Administration costs	-3	-16	-21	-25
Operating profit	0	-13	-9	-14
Financial net	0	-6	-12	-23
Profit/loss after financial items	0	-19	-21	-37
Appropriations	27	15	27	15
Profit/loss before tax	27	-4	6	-22
Tax	-2	—	-2	—
Profit/loss for the period	25	-4	4	-22

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

Condensed Parent Company balance sheet

SEKm	Dec 31 2021	Dec 31 2020
Assets		
Non-current assets		
Shares in group companies	308	308
Receivables from group companies	77	236
Total non-current assets	385	544
Current assets		
Receivables from group companies	28	19
Other current assets	2	2
Cash and cash equivalents	7	3
Total current assets	37	23
Total assets	422	567
Equity and liabilities		
Total equity	419	59
Non-current liabilities		
Liabilities to credit institutions	—	399
Total non-current liabilities	—	399
Current liabilities		
Shareholder loans	—	63
Contingent consideration	—	30
Other current liabilities	3	16
Total current liabilities	3	109
Total equity and liabilities	422	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, basis for calculations 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 Note 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 1-12 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 presented in the table below.

SEKm	Oct-Dec		Jan-Dec	
	2021	2020	2021	2020
Sweden	26	28	113	118
Other Nordics	24	21	99	84
Outside the Nordics	209	227	763	750
Revenue Offroad	260	276	974	952
Sweden	13	13	90	84
Other Nordics	19	17	141	111
Outside the Nordics	66	62	269	266
Revenue Onroad	99	92	500	461
Sweden	30	27	70	67
Other Nordics	24	19	50	43
Outside the Nordics	—	—	—	—
Revenue Other	54	46	119	110
Sweden	70	67	273	269
Other Nordics	67	58	290	238
Outside the Nordics	276	289	1,031	1,016
Revenue Group	413	414	1,594	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. Changes in estimates are recognised in the period in which the change occurs, if the change affected only that period, or in the period in which the change is made and future periods if the change affects both the current period and future periods.

Important estimations and assessments can be found in the 2020 Annual Report on page 20. No changes have been made to these estimations and assessments that could have a significant impact on the interim report.

Note 4 – Segment reporting

SEKm	Oct-Dec		Jan-Dec	
	2021	2020	2021	2020
Offroad	260	276	974	952
Onroad	99	92	500	461
Other	54	46	119	110
Net revenue	413	414	1,594	1,523
Offroad	118	138	462	460
Onroad	39	40	209	195
Other	25	22	59	50
Intra-group costs	2	6	-2	5
Gross profit	184	206	728	711
Offroad	-61	-60	-224	-206
Onroad	-28	-25	-131	-122
Other	-15	-11	-30	-25
Variable sales- and distribution costs¹	-103	-96	-384	-353
Offroad	57	77	238	254
Onroad	11	15	78	73
Other	11	12	29	26
Intra-group costs	2	6	-2	5
Profit after variable costs^{1 2}	81	110	343	358
Other expenses in the operation ^{1 3}	-75	-83	-297	-277
Operating profit	6	26	46	81
Financial net ³	3	-19	-20	-73
Pre-tax income	9	7	26	8

¹ Alternative performance measures (APM), see pages 21 - 25 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 "Alternative Performance Measures" for more information.

Pierce sells gear, parts, accessories and streetwear 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 Profit after variable costs refer to revaluation of net 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 was 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 3 (-1) million and these derivatives have been classified as current assets (liabilities).

Change in Level 3 financial liabilities

	Dec 31 2021	Dec 31 2020
Contingent consideration, SEKm		
At beginning of period	27	23
Recalculation through profit/loss for the period	3	4
Repayment	-30	—
At period end	—	27

Applied data for the valuation of level 3 financial liabilities

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

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

Sensitivity analysis

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

Note 6 – Related party transactions

Shareholder loans

At the beginning of the financial year, there were eight loans from shareholders to Pierce Group, of which three were also Board members. All shareholders loans were fully redeemed in the second quarter.

Contingent consideration

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

The contingent consideration was paid during the second quarter 2021, after Pierce Group was listed on the stock exchange. See Note 5 for more information.

Applied input for the valuation of level 3 financial liabilities

The valuation of the contingent consideration took place in two steps; a probability adjustment was 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 was 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, and was paid during the second quarter of 2021.

Other related party transactions

The Group has consulting agreements with Stefan Rönn and Daniel Petersen, founders as well as shareholders in Pierce Group. These agreements relate primarily to advisory services in conjunction with business development and strategic decision-making. These costs amounted to SEK - (483) thousand during the quarter and to SEK 197 (1,961) thousand during the financial year. In addition, the sale of goods has taken place to the above related parties, these costs amounted to SEK 52 (38) thousand during the financial year. See Note 30 in the Annual Report for 2020 for more information.

Warrant programs

The Group has warrant programs as part of an incentive program for certain senior executives and key employees of the Group. See page 10 for more information.

All transactions are based on market terms.

Note 7 – Pledged assets and contingent liabilities

SEKm	Dec 31 2021	Dec 31 2020
To credit institutions for the Group's own liabilities and provisions		
Group's share of net assets in group companies	—	303
Deposits for fulfillment of payments	2	2
Paid blocked funds	—	14
Utilised credit facility ¹	26	—
Total pledged assets	28	319

¹ Utilised credit facility refers to utilised overdraft, which does not include obtained loan or capitalised loan and interest expenses.

During the second quarter 2021, the previous financing structure was replaced by a SEK 300 million credit facility, of which SEK 179¹ million had been utilised at the end of the quarter. There is a surety given on the credit facility provided by the Parent Company, Pierce Group AB, in favor of the subsidiary, Pierce AB's, liabilities to credit institutions.

The credit facility includes certain financial covenants, see more information under the "Financial risks" section, page 11.

Pledged shares in Pierce AB relating to bond loans, as well as blocked funds, were released in conjunction with the early redemption that took place in the beginning of the second quarter. Pledged assets at the end of the referred to deposits paid and utilised credit facility.

Note 8 – Change of functional currency

As of 1 January 2021, the subsidiary Pierce AB 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	
	Oct-Dec	Jan-Dec
Consolidated statement of profit/loss		
Net revenue	-1	0
Gross profit	5	4
Operating profit (EBIT)	5	6
Profit/loss for the period	8	10
Gross margin (%) ¹	1.2%	0.2%
Operating margin (EBIT) (%) ¹	1.3%	0.4%
Consolidated statement of financial position²		
Non-current assets	1	1
Inventory	10	9
Other current assets	0	0
Equity	-11	-10
Non-current liabilities	0	0
Current liabilities	0	0

¹ Alternative performance measures (APM), see pages 21 - 25 for definitions and purpose of these measurements.

² Changes in equity and liabilities are presented as + (decrease) and - (increase).

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

No significant events took place after the end of the reporting period.

¹ The difference between "Change in utilised credit facility" in the Group's statement of cash flow and "Repayment of liabilities to credit institutions" in the balance sheet is explained by capitalised loan and interest expenses.

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 related to business acquisitions	Amortisation less amortisation excluding business acquisitions.	The purpose is to measure the performance measure's impact on operating profit (EBIT).
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 business 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 underlying 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 shareholders loans and leasing liabilities are excluded.</p>	This measure is used to monitor the indebtedness, financial flexibility, and capital structure.
Net 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.
Net working capital (%)	Net working capital in relation to net revenue.	This measure is a measure of how efficiently working capital is managed.
Operating cash flow	Cash flow from the ongoing operations, excluding paid interest, realised cash hedges and tax paid/received, with deduction for investments in non-current assets, repayment 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 segments.
Overhead costs	<p>Operating costs, excluding variable sales and distribution costs, amortisation, depreciation, impairment, and items affecting comparability.</p> <p>Operating costs refer to sales and distribution costs, administration costs, and other operating revenue and 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 operating cash flow.
Other cash flow	Cash flow from financing activities, excluding net changes in loans and repayment of leasing liabilities, less realised cash hedges, and tax paid/received as well as interest, less interest expenses on leasing liabilities.	This measure is used, together with operating cash flow, received/paid blocked funds 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 shipping to end customer, invoicing, and packaging.</p>	This measure is monitored at Group and segment level in order to calculate results after variable costs.

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 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 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 statement of profit/loss

SEKm (unless stated otherwise)	Oct-Dec		Jan-Dec	
	2021	2020	2021	2020
Gross profit	184	206	728	711
Variable sales- and distribution costs	-103	-96	-384	-353
Profit after variable costs	81	110	343	358
Operating profit (EBIT)	6	26	46	81
Reversal of depreciation and amortisation	12	11	46	40
EBITDA	18	37	93	121
Reversal of items affecting comparability	0	12	12	17
Adjusted EBITDA	18	50	104	137
Operating profit (EBIT), past twelve months	46	81	46	81
Reversal of depreciation and amortisation, past twelve months	46	40	46	40
Reversal of items affecting comparability, past twelve months	12	17	12	17
Rental costs, past twelve months, regarding leasing agreements reported in the statement of financial position ¹	-23	-24	-23	-24
Adjusted EBITDA excluding IFRS 16	81	113	81	113
<small>¹ Refers in all significance to depreciation of right-of-use assets and interest expenses on leasing liabilities.</small>				
Operating profit (EBIT)	6	26	46	81
Reversal of items affecting comparability	0	12	12	17
Adjusted operating profit (EBIT)	6	39	58	97
Sales and distribution costs	-137	-128	-512	-473
Reversal of non-variable sales- and distribution costs	34	32	128	120
Variable sales- and distribution costs	-103	-96	-384	-353
Sales and distribution costs	-137	-128	-512	-473
Administration costs	-43	-50	-169	-154
Other operating income- and expenses	2	-2	-1	-3
Operating costs	-178	-180	-681	-630
Reversal of variable sales- and distribution costs	103	96	384	353
Other expenses in the operation	-75	-83	-297	-277
Reversal of depreciation and amortisation	12	11	46	40
Reversal of items affecting comparability	0	12	12	17
Overhead costs	-63	-60	-239	-221
Amortisation	-5	-5	-20	-14
Reversal of amortisation excluding business acquisitions	5	4	19	12
Amortisation related to business acquisitions	0	0	-1	-1
IPO costs	0	-10	-9	-13
Change in fair value, contingent consideration	-	-2	-3	-4
Items affecting comparability	0	-12	-12	-17

Reconciliation of Alternative Performance Measures from statement of financial position

SEKm (unless stated otherwise)	Oct-Dec		Jan-Dec	
	2021	2020	2021	2020
Inventory	534	334	534	334
Other current assets	38	30	38	30
Reversal of:				
Current tax receivables	-5	0	-5	0
Current investments	-3	—	-3	—
Other current operating assets	30	29	30	29
Trade payables	-147	-86	-147	-86
Other current liabilities	-169	-172	-169	-172
Reversal of:				
Current tax liabilities	3	1	3	1
Current investments	—	1	—	1
Current provisions	8	12	8	12
Other current operating liabilities	-305	-244	-305	-244
Net working capital	260	120	260	120
Liabilities to credit institutions	178	399	178	399
Cash and cash equivalents	-18	-87	-18	-87
Net debt excluding IFRS 16	160	312	160	312
Net debt excluding IFRS 16 (A)	160	312	160	312
Adjusted EBITDA excluding IFRS 16,	81	113	81	113
Net debt/EBITDA (A) / (B)	2.0	2.8	2.0	2.8

Reconciliation of Alternative Performance Measures from statement of cash flow

SEKm (unless stated otherwise)	Oct-Dec		Jan-Dec	
	2021	2020	2021	2020
Cash flow from operating activities	-39	34	-61	156
Investments in non-current assets	-9	-6	-26	-29
Repayment of leasing liabilities	-5	-5	-20	-21
Interest expenses on leasing liabilities	-1	-1	-4	-4
Reversal of:				
Paid interest	2	1	12	6
Realised cash hedges	-1	1	-1	2
Paid/received tax	1	-2	4	5
Operating cash flow	-52	23	-96	117
Adjustments for non-cash items	14	15	45	44
Repayment of leasing liabilities	-5	-5	-20	-21
Interest expenses on leasing liabilities	-1	-1	-4	-4
Other non-cash items	8	9	21	20
Cash flow from financing activities	43	-120	2	-133
Paid interest	-2	-1	-12	-6
Realised cash hedges	1	-1	1	-2
Paid/received tax	-1	2	-4	-5
Reversal of:				
Interest expenses on leasing liabilities	1	1	4	4
Net change in loans ¹	-48	115	331	115
Repayment of leasing liabilities	5	5	20	21
Other cash flow	-1	0	342	-8

¹ Net change in loans refers to changes in the utilised credit facility, repayment of shareholder loans, repayment of liabilities to credit institutions and paid contingent consideration.

Reconciliation of other Alternative Performance Measures

SEKm (unless stated otherwise)	Oct-Dec		Jan-Dec	
	2021	2020	2021	2020
Net revenue (A)	413	414	1,594	1,523
Number of orders (thousands) (B)	445	464	1,735	1,724
Average order value (AOV) (SEK) (A) / ((B) / 1,000)	928	893	919	884
Net revenue	413	414	1,594	1,523
Reversal of net revenue from external brands	-234	-221	-888	-865
Reversal of Motorbuyers ¹ and non-branded net revenue	-22	-20	-98	-87
Net revenues from private brands	157	173	609	571

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

Reconciliation of Alternative Performance Measures concerning growth

SEKm (unless stated otherwise)	Oct-Dec		Jan-Dec	
	2021	2020	2021	2020
Net revenue for the period (A)	413	414	1,594	1,523
Net revenue for the period previous year (B)	414	344	1,523	1,243
Growth (%) (A) / (B) -1	0%	20%	5%	23%
Net revenue for the period in local currencies ¹ (A)	418	432	1,636	1,545
Net revenue for the period previous year (B)	414	344	1,523	1,243
Growth in local currencies (%) (A) / (B) -1	1%	25%	7%	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)	137	125	563	507
Net revenue Nordics for the period previous year (B)	125	109	507	447
Growth Nordics (%) (A)/(B) -1	10%	14%	11%	13%
Net revenue outside the Nordics for the period (A)	276	289	1,031	1,016
Net revenue outside the Nordics for the period previous year (B)	289	235	1,016	796
Growth outside the Nordics (%) (A) / (B) -1	-5%	23%	1%	28%



PIERCE

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