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Pierce resolves on a rights issue of up to SEK 350 million

Pierce Group AB (publ) ("Pierce" or "the Company"), today announces that the Board has decided to carry out a new share issue of up to SEK 350 million with preferential rights for the Company's existing shareholders (the "Rights Issue"), subject to approval by an extraordinary general meeting. The purpose of the Rights Issue is, considering the global uncertainty, to reduce Pierce's net debt, increase Pierce's interest coverage ratio and strengthen the Company's financial capacity to continue Pierce's long-term growth strategy and implement measures to increase Pierce's profitability. The Company's largest shareholder, Procuritas, supports the issue and has expressed its' intention to subscribe for its pro-rata share.

"We mainly intend to use the net proceeds from the Rights Issue to reduce our indebtedness. This would place us in a better position to manage well-known industry challenges, such as previously communicated increases in costs for raw materials and freight, as well as supply-chain disruptions. The Rights Issue also improves our ability to manage other unpredictable future events", says CEO Henrik Zadig.

Summary

- The Rights Issue is carried out to reduce Pierce's net debt, increase Pierce's interest coverage ratio and strengthen the Company's financial capacity to carry out Pierce's long-term growth strategy and implement strategic initiatives to increase Pierce's profitability.
- The Company's largest shareholder Procuritas[1], which as of 10 May 2022 represented approximately 33 percent of the total number of shares and votes in the Company, has expressed its support for the Rights Issue, and its' intention to subscribe for its pro rata share, approximately 33 percent of the Rights Issue, and to vote in favor of the issue resolution at the extraordinary general meeting.

- The full terms for the issue, including subscription price, increase in share capital and number of shares are expected to be announced around 27 May 2022. Provided that the Rights Issue is approved by the extraordinary general meeting, the record date for the Rights Issue is expected to be 10 June 2022 and the subscription period will run from 14 June 2022 until 28 June 2022.
- The Board intends to summon an extraordinary general meeting to be held on 3 June 2022.

Background and reasons

Pierce is a leading European online retailer that sells motorcycle and snowmobile equipment, spare parts and accessories to passionate customers through the 24MX, XLMOTO and Sledstore online stores. The Company was founded in 2008 in a garage by motorcycle and motocross enthusiasts Stefan Rönn and Daniel Petersen and was listed on Nasdaq Stockholm in 2021. From the start until the first quarter of 2021, the growth amounted to double-digit percentages each year, and Pierce is now a pan-European company.

The financial year 2021 and the period January-March 2022, Pierce's net sales amounted to SEK 1,594 million and SEK 420 million, respectively, corresponding to growth in local currencies of 7 percent and 10 percent, respectively. For the same periods, adjusted EBIT amounted to SEK 58 million and SEK -12 million, respectively, corresponding to a decrease of SEK 29 million and SEK 30 million respectively, compared to the same period the previous year. The Group's results and financial position have been negatively affected by a number of Covid-19-related effects as well as global uncertainties, partly affected by the conflict in Ukraine. This has resulted in a negative market development since mid-2021 and increased costs, mainly driven by price increases for container freight from Asia and rising purchase prices linked to cost inflation for raw materials.

The second half of 2020 and the first half of 2021, there was a clear shortage of products in the market due to pandemic-related disruptions in the global production and supply chain. According to normal procedure, the Company placed orders in the spring of 2021 for products for to be sold during the fourth quarter and in the beginning of 2022. The orders were made assuming market growth from the second half of 2021 and onwards. In order to avoid inventory shortages, the orders also included safety inventory. In the third quarter of 2021, prices for container freights from Asia increased considerably and purchase prices of products rose as a consequence of higher prices for raw materials. Overall, this resulted in a high inventory value ahead of the fourth quarter of 2021. However, the expected recovery in market demand, did not materialize and the growth was negative in the second half of 2021. Therefore, Pierce made adjustments to its customer offerings during the fourth quarter of 2021, mainly through increased discounts, which gave positive effect on sales. Overall,

however, the receding market together with higher purchase prices resulted in that the inventory value at the end of 2021 was higher than planned. The overstock that exists is mainly linked to products that are not trend-sensitive, and that have a long history of good sales.

The worsened security situation in Europe, together with increased inflation, has led to increased market uncertainty and a continued negative market growth in the first quarter of 2022. During the first quarter of 2022, Pierce focused on reducing its inventory and net debt by driving increased sales. Intensive campaign work and investments in marketing resulted in a growth of 14 percent, and thus increased market shares as well as a positive impact on net debt, but a negative impact on gross margin and the result. To improve profitability, Pierce has, among other things, implemented price increases on parts of the range in the beginning of the second quarter of 2022. Given the uncertain market situation, the Company cannot assess the final effects of the measures taken as of the date of this press release. Pierce may therefore need to adjust these measures, which may affect Pierce's financial position and results.

The market situation remains uncertain in the near future, but the Company estimates that the market will continue to grow in the longer term. Motorcycle sales increased by 8 percent in Europe in 2021 and the online market is still under-penetrated compared to other industries. Some of the cost increases that have affected profitability in the last three quarters are considered to be temporary, and over time, consumer prices in the market should be adjusted to the cost situation.

The deterioration in Pierce's financial results has led to an increase in Pierce's leverage ratio and a decreased interest coverage ratio. Pierce's credit facility is, among other things, subject to financial covenants regarding the leverage ratio and interest coverage ratio. As of 31 March 2022, Pierce fulfilled the covenant conditions, which are reported quarterly. However, the global factors mentioned above as well as the measures that the Company needed to implement and may need to implement to deal with the effects thereof may make it more difficult for the Company to comply with the limits prescribed by the financial covenants in the credit facility.

The Rights Issue

To reduce Pierce's net debt, increase Pierce's interest cover ratio and at the same time strengthen Pierce's financial position, and thereby the ability to continue Pierce's long-term growth strategy and implement measures to increase Pierce's profitability, Pierce's Board has decided to carry out the Rights Issue of up to SEK 350 million before transaction costs, subject to approval by the extraordinary general meeting on 3 June 2022.

Shareholders that are entered as a shareholder in the share register kept by Euroclear Sweden AB on the record date on 10 June 2022, have preferential right to subscribe for new shares in proportion to the number of shares held by the shareholder on the record date. Subscription for shares can also be made without subscription rights.

Full terms for the Rights Issue, including the amount by which the share capital is to be increased, the number of new shares to be issued and the amount to be paid for each new share, are expected to be announced around 27 May 2022 (but no later than five weekdays before the record date).

The subscription period is expected to run from 14 June 2022 to 28 June 2022, or to the later date as decided by the Board. Trading in subscription rights is expected to take place on Nasdaq Stockholm during the period from 14 June 2022 to 22 June 2022 and trading in BTA (paid subscribed shares during the period from 14 June 2022 to 4 July 2022).

The Board's decision regarding the Rights Issue is subject to approval by the extraordinary general meeting, which is intended to be held on 3 June 2022. The notice of the meeting will be announced in a separate press release.

Support by major shareholders

The Company's largest shareholders Procuritas, which as of 10 May 2022 represented approximately 33 percent of the total number of shares and votes in the Company, has expressed its support for the Rights Issue, and its' intention to subscribe for its pro rata share, approximately 33 percent of the Rights Issue and to vote in favor of the issue resolution at the extraordinary general meeting. The Board therefore assesses that the conditions for successful implementation of the Rights Issue are good.

Prospectus

Complete information regarding the Rights Issue and information about the Company will be reported in the prospectus that is expected to be published around 7 June 2022.

Preliminary timetable for the Rights Issue

Estimated day for publication of complete terms and conditions for the Rights Issue	27 May 2022
Extraordinary general meeting to approve the Rights Issue	3 June 2022
Publication of the prospectus	7 June 2022
Last day of trading in shares including right to receive subscription rights	8 June 2022

First day of trading in shares excluding right to receive subscription rights	9 June 2022
Record date for right to receive subscription rights	10 June 2022
Trading in subscription rights	14 June 2022 – 22 June 2022
Subscription period	14 June 2022 – 28 June 2022
Announcement of the outcome of the Rights Issue	Around 29 June 2022

Financial and legal advisors

Carnegie Investment Bank AB (publ) acts as financial adviser and White & Case Advokat AB as legal adviser to Pierce in connection with the Rights Issue.

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About Pierce

Pierce is a leading e-commerce company which, with its online shops, 24MX, XLMOTO and Sledstore, sells gear, parts and accessories 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 430 employees.

Important information

The information in this press release does not contain or constitute an offer to acquire, subscribe for or otherwise trade in shares, subscription rights or other securities in Pierce Group AB. The information contained in this announcement is for background purposes only and does not purport to be full or complete. No reliance may be placed by any person for any purpose on the information contained in this announcement or its accuracy, fairness or completeness.

This announcement is not a prospectus for the purpose of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (together with any related implementing and delegated regulations, the “Prospectus Regulation”). Investors should not invest in any securities referred to in this announcement except on the basis of information contained in a prospectus. Any invitation to those entitled to subscribe for shares in Pierce Group AB is made solely through the prospectus which Pierce Group AB estimates to publish on or about 7 June 2022.

This press release or information herein may not, in whole or partly, be released, published or distributed, directly or indirectly, in or into Australia, Hong Kong, Japan, Canada, New Zealand, South Africa, Switzerland, Singapore, the United States or any other jurisdiction where such action is wholly or partially subject to legal restrictions or where such action would require additional prospectuses, registrations or other actions in addition to what is required pursuant to Swedish law. Nor may the information in this press release be forwarded, reproduced or disclosed in a manner that contravenes such restrictions or would entail such requirements. Failure to comply with this instruction may result in a violation of applicable securities laws.

No subscription rights, paid subscribed shares (BTA) or new shares have or will be registered under the United States Securities Act of 1933 (the “Securities Act”) or securities legislation in any state or other jurisdiction in the United States and may not be offered, subscribed, used, pledged, sold, resold, allotted, delivered or transferred, directly or indirectly, into or within the United States, other than pursuant to an exemption from, or in a transaction that is subject to, the registration requirements of the Securities Act. Furthermore, the securities mentioned in this press release have not been registered and will not be registered under any applicable securities law in Australia, Hong Kong, Japan, Canada, New Zealand, South Africa, Switzerland or Singapore and may, with certain exceptions, not be offered or sold within, or on behalf of a person or for the benefit of a person who is registered in, these countries. The Company has not made an offer to the public in to subscribe for or acquire the securities mentioned in this press release other than in Sweden.

In the EEA Member States, with the exception of Sweden, (each such EEA Member State, a “Relevant State”), this press release and the information contained herein are intended only for and directed to qualified investors as defined in the Prospectus Regulation. The securities mentioned in this press release are not intended to be offered to the public in any Relevant State and are only available to qualified investors except in accordance with exceptions in the Prospectus Regulation. Persons in any Relevant State who are not qualified investors should not take any actions based on this press release, nor rely on it.

In the United Kingdom, this announcement and any other materials in relation to the securities described herein is only being distributed to, and is only directed at, and any investment or investment activity to which this document relates is available only to, and will be engaged in only with, “qualified investors” (within the meaning of the United Kingdom version of the EU Prospectus Regulation (2017/1129/EU) which is part of United Kingdom law by virtue of the European Union (Withdrawal) Act 2018) who (i) have professional experience in matters relating to investments which fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Order”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc”) of the Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This announcement is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this announcement relates is available only to relevant persons and will be engaged in only with relevant persons.

Matters discussed in this announcement may constitute forward-looking statements. Forward-looking statements are statements that are not historical facts and may be identified by words such as “believe”, “expect”, “anticipate”, “intends”, “estimate”, “will”, “may”, “continue”, “should”, and similar expressions. The forward-looking statements in this release are based upon various assumptions, many of which are based, in turn, upon further assumptions. Although the Company believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors which are difficult or impossible to predict and are beyond its control. Such risks, uncertainties, contingencies and other important factors could cause actual events to differ materially from the expectations expressed or implied in this release by such forward-looking statements. The information, opinions and forward-looking statements contained in this announcement speak only as at its date and are subject to change without notice. The Company does not undertake any obligation to review, update, confirm or release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise in relation to the content of this communication.

[1] “Procuritas” refers to Procuritas Capital Investors V LP with its General Partner Procuritas Capital Investors V GP Limited together with PCI V Co-Investment AB.

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 2022-05-10 19:50 CEST.

Attachments

[Pierce resolves on a rights issue of up to SEK 350 million](#)