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Pierce Group publishes its preliminary results for the fourth quarter 2021

Net revenue during the fourth quarter totalled a preliminary SEK 413 million, which was on level with 2020. Growth in local currencies was 1 percent. Compared with Q4 2019, average growth (CAGR) in local currencies was 13 percent, compared with 14 percent in Q3. Adjusted operating profit (EBIT) is expected to total SEK 6 million, compared with SEK 39 million for the same quarter last year. This decrease is mainly explained by higher shipping costs from Asia, a lower gross margin and increased marketing costs to drive online-traffic.

The Company's assessment is that the total online-traffic in the European market during Q4 was lower than in the equivalent quarter in 2020, primarily visible during the large campaigns, "Black Week" and the Christmas trade period, which led to higher price pressure and a tougher competitive situation in the market.

Stock availability successively improved during 2021, primarily as regards our private brands, even if there remain disruptions in the supply chains. At the beginning of the campaign period, the inventory situation was positive and adapted to a higher growth rate than experienced in the third quarter. To achieve growth, in spite of the lower online-traffic in the market, investments in online traffic-driving marketing were increased, at the same time prices were reduced, which had a negative impact on the EBIT margin.

The lower prices, together with higher shipping rates from Asia and a less favourable currency revaluation of working capital items compared with the fourth quarter of 2020, meant that the gross margin decreased by 5.2 percentage points from 49.8 percent to 44.5 percent. Shipping costs from Asia increased by SEK 8 million and the negative change regarding currency conversions was SEK 4 million. These items correspond to a gross margin reduction of 2.9 percent. The remaining gross margin reduction is a combination of increased purchase prices in addition to shipping costs and price reductions.

Net working capital increased by SEK 59 million during Q4 and amounted to SEK 260 million at quarter end. This increase was primarily attributable to increased inventory, that had been adapted to meet a higher level of expected sales growth. Net debt amounted to SEK 160 million at quarter end, which was an increase of SEK 55 million during the quarter.

CEO Henrik Zadig comments on the quarter's developments:

"During the quarter we saw minor upward adjustments of reference prices in the market but, in spite of this, the period was characterised by price pressure as the online-traffic in the market decreased, especially during the campaign period. Our inventory had been adapted to an expected higher sales growth and included an increased buffer inventory. Stock availability in the market, in general, was deemed to be positive as the campaign period, in particular, was characterised by aggressive pricing. In a market with a weak demand and improved stock availability, we chose to increase our investments in online traffic-driving marketing and to reduce prices in parts of the assortment. We, thereby, managed to successively increase the growth rate during the quarter, however, with a lower operating margin.

Prices for shipping from Asia continued at an extremely high level in Q4 and we also see that price increases from raw material prices affect purchasing costs. We have implemented several measures to partially compensate for this, including targeted price increases and adjustments in the customer offering. This meant that the negative earnings effect regarding freight was dampened during the quarter. Our assessment is that these cost increases are temporary and the goal is to transfer a large part of these to the customer in order to reduce the earnings effect and drive profitable growth.

The latest quarters have been challenging and difficult to forecast given a volatile market and we believe that these uncertainties will remain during the following quarters. A comparison with 2020 is difficult, but if we look back to 2019, we see that average growth (CAGR) in the two last quarters was just under 15 percent, in spite of all of the external challenges in the market. It will probably take some time before normality prevails on both the demand and supply side, but further ahead we see continued good opportunities for profitable growth and we feel confident with the long-term direction."

All figures in this press release are preliminary and unaudited. The full report of the fourth quarter will be published on February 16, 2022.

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About Pierce

Pierce is a leading and fast-growing e-commerce company which, with its online shops, 24MX, XLMOTO and Sledstore, sells gear, parts, accessories and streetwear to riders across all of Europe through some forty locally adapted websites. The Company has two major segments, Offroad – sales to motocross and enduro riders, and Onroad – sales to high road riders. In addition, Pierce has a smaller segment, Other, which primarily focuses on sales to snowmobile riders. With a large and unique product assortment, including several private brands, an excellent customer experience and attractive prices, Pierce is changing the motorcycle enthusiast market in Europe. Headquarters are located in Stockholm, Sweden, the central warehouse in Szczecin in Poland, and the major portion of our customer support services are located in Barcelona. The Company has approximately 450 employees.

This information is information that Pierce Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person[s] set out above, at 2022-01-19 18:28 CET.

Attachments

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