

GEAR4MUSIC

CONSUMER DISCRETIONARY

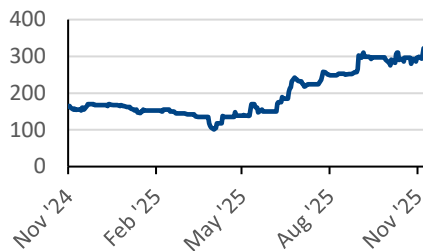
18 November 2025

G4M.L

323p

Market Cap: £67.8m

SHARE PRICE (p)



12m high/low

322p/101p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (debt)/cash	£(16.0)m (at 30/09/25)
Enterprise value	£83.8m
Index/market	AIM
Next news	Update, 20 January
Shares in issue (m)	21.0
Executive Chair	Andrew Wass
CEO	Gareth Bevan
CFO	Chris Scott

COMPANY DESCRIPTION

Gear4music is a leading international online retailer of musical instruments and equipment.

www.gear4musicplc.com

GEAR4MUSIC IS A RESEARCH CLIENT OF
PROGRESSIVE

ANALYSTS

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A further upgrade and warehouse investment for future growth

Gear4music (G4M) has delivered a strong H1 profit performance, with an EBITDA increase of £4.0m (+139%) to £6.9m from a revenue increase of 31%. The group benefitted from the implementation of its growth strategy, a more benign pricing environment following wider market consolidation, and opportunistic asset acquisitions. The latter primarily involved inventory at favourable prices, which contributed to the expansion of product gross margin. Combined with continued strong trading, the group now expects FY26E EBITDA of 'not less than £15.0m'.

- Interim results – a strong delivery.** G4M has announced a strong set of interim results to 30 September 2025. Group operating profit and PBT both improved by £3.9m from small losses in H1 FY25 to profit of £3.4m and £2.7m, respectively. Group revenue increased by 31%, within which UK revenues rose by 28% to £49.6m and European & Rest of World revenues were 35% higher at £31.1m.
- Profit drivers – across the board.** The group's results reaped the benefits of positive operational gearing. Group revenue growth was amplified by a 150bps expansion of gross margin to 28.2%. With the major cost components of labour and marketing rising at a lower rate than top-line revenue growth, this gave rise to further operating cost efficiencies, notably exemplified by the 380bps expansion in EBITDA margin to 8.5%.
- New warehouse planned – to increase UK capacity.** With G4M set to reach maximum distribution capacity from its York warehouse over the peak trading period this year, the group has plans underway to increase capacity in FY27. The new highly automated warehouse is set to significantly increase capacity – on a staged basis – and efficiency by FY28.
- FY26E guidance increase – fourth upgrade in succession.** With H1 EBITDA some £400k ahead of October's post-close guidance, and with strong trade continuing into the first weeks of H2, the board considers the FY26E full-year outlook to be ahead of the current (recently upgraded) consensus expectations of EBITDA of £13.7m and PBT of £5.5m. It now expects FY26E EBITDA of 'not less than £15.0m'. We reinstate our forecasts FY27E (and introduce FY28E), which reflect further strategic progress and the impact of the planned new warehouse, in terms of initial double running costs and funding.

FYE MAR (£M)	2024	2025	2026E	2027E	2028E
Revenue	144.4	146.7	175.1	188.3	200.0
Adj EBITDA	9.9	10.0	15.1	14.1	15.5
Fully Adj PBT	1.1	1.6	6.7	3.7	4.9
Fully Adj EPS (p)	5.2	3.8	22.7	12.4	16.5
EV/Sales (x)	0.6x	0.6x	0.5x	0.4x	0.4x
EV/EBITDA (x)	8.5x	8.3x	5.6x	6.0x	5.4x
PER (x)	62.7x	85.7x	14.2x	26.0x	19.6x

Source: Company Information and Progressive Equity Research estimates.

This publication should not be seen as an inducement under MiFID II regulations.

Please refer to important disclosures at the end of the document.

Onwards and upwards – underpinning future growth

With the interim results having met or beaten the guidance given in October’s trading update, the most interesting and important news within the interims concerns the group’s plans for a new warehouse and distribution centre facility in Yorkshire. This represents a major investment in strategic infrastructure to underpin the future growth ambitions of the group in the UK and beyond, with the UK warehouse expected to operate close to maximum capacity over the upcoming peak trading period.

G4M is close to agreement on a 15-year lease, including an initial two-year rent-free period, for a new 132,000 square foot distribution centre in Yorkshire. This will be located close to existing operations and is scheduled to open for operations in autumn 2026. This will free up space in the current York site, which will be used to enhance second-hand sales, returns operations and showroom space. It will also consolidate operations from the Bacup site, which implies a sale of that site at some stage.

The group estimates a capital investment of £13-15m for automation and fitting out, which will deliver substantial operational efficiencies over the fullness of time. The facility will have 2.5x the capacity of the existing facility, which will be phased in as demand requires. G4M will incur up to £1.0m of double running costs in FY27E and up to £0.5m in FY28E. The group expects a payback of between three and five years.

G4M hub capacity forecasts

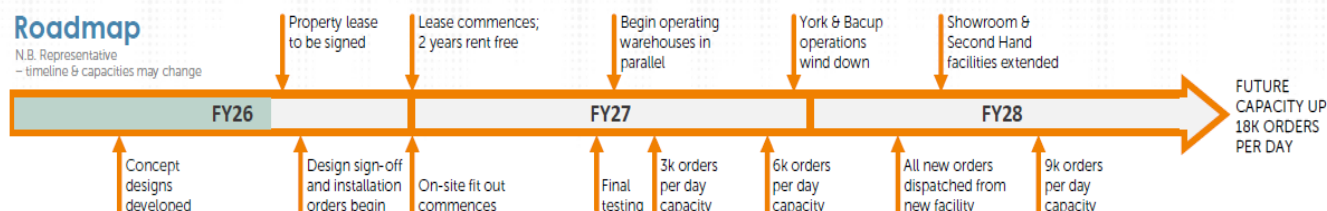
Location	Forecast inventory storage capacity utilisation: Next 15-months	Forecast sales capacity: Next 15-months	Expected maximum capacity reached
UK: York	116%	114%	2025
Ireland: Dublin	100%	70%	2027
Central Europe: Germany	98%	77%	2027
UK: Bacup	86%	48%	2028
Northern Europe: Sweden	89%	66%	2030*
Southern Europe: Spain	70%	20%	-

Source: G4M

The table above illustrates the requirement for a new UK facility, which has been expedited by the very strong revenue growth delivered in H1 and continuing to date. The first column effectively looks at the physical storage capacity for inventory, which can be regarded as input. The second column looks at sales capacity or throughput, namely the ability to process, replenish and move inventory out of the distribution centre as stock is converted into sales. The final column details when the facilities are expected to reach maximum capacity.

For the main warehouse at York, this will effectively be reached over the current peak trading period. The group has planned for this, in order to minimise and mitigate any potential limitations to performance over the peak trading period. There is less short-term pressure and urgency on adding capacity in the group’s overseas distribution hubs, though action will need to be taken over the medium-term for several hubs.

G4M – Estimated timeline for new Yorkshire distribution centre



Source: G4M

The schematic above shows the broad roadmap and timeline for bringing the new distribution facility online. It should be noted that there will be rigorous testing of the facility, with a phased increase in order fulfilment over time. As well as underpinning capacity for future growth, the new facility should offer considerable operating and cost efficiencies, which should see productivity benefits and contribute to higher profitability.

Interim results

The table below summarises the key highlights of G4M’s interim results.

G4M – Summary of H1 results (£m unless otherwise stated)

	H1 FY25	H1 FY26	FY26 change	
			on FY25 (£m)	on FY25 (%)
UK sales	38.7	49.6	10.9	28%
International sales	23.0	31.1	8.1	35%
Total sales	61.7	80.7	19.0	31%
Product sales	59.3	77.5	18.2	31%
Product gross profit	18.3	24.9	6.6	36%
<i>Product gross margin</i>	30.9%	32.1%	+120bps	
Gross profit	16.5	22.7	6.2	38%
<i>Gross margin</i>	26.7%	28.2%	+150bps	
Operating costs :				
Marketing	(4.5)	(5.1)	(0.6)	14%
Labour	(6.4)	(7.4)	(1.0)	16%
Europe/other	(2.7)	(3.3)	(0.6)	22%
Total opex	(13.6)	(15.8)	(2.2)	16%
Reported EBITDA	2.9	6.9	4.0	139%
<i>Reported EBITDA margin</i>	4.7%	8.5%	+380bps	
Total DA	(3.4)	(3.5)	(0.1)	3%
Reported operating profit	(0.5)	3.4	3.9	
<i>Operating profit margin</i>	-0.8%	4.2%	+500bps	
Financial expenses	(0.7)	(0.7)	0.0	
Reported pre tax profit	(1.2)	2.7	3.9	
Diluted EPS (p)	(5.9)	9.1	15.0	

Source: G4M, Progressive Equity Research

These were in line with or marginally above the guidance in October's trading update. In the absence of any exceptional costs in this year's and last year's H1 trading period, there is no difference between reported and adjusted profitability and earnings.

We now look at some of the specific components within the summary above.

Revenues

Revenue growth was robust across G4M's domestic and international markets. It is especially encouraging to see the very strong progress delivered in international markets, where year-on-year (YOY) growth of 35% outpaced the 28% achieved in the UK. The international revenue growth more than reverses the 12% revenue decline reported at this stage last year. Management estimates the group's UK market share has risen YOY by 170bps to 11.4%, partly benefitting from the insolvencies of competitors, including GAK and PMT, as previously reported. Insolvencies and restructurings of some large European competitors also present potential market share opportunities for the group.

Momentum increased over the period, with revenue growth of 27% in Q1 rising to 34% in Q2. The group also notes that its strong trading performance has continued to date since the period end. Combined with the earlier intake of stock ahead of peak and additional inventory to support sales growth, this bodes well for the full-year outturn, notwithstanding potential capacity limitations at the York distribution centre.

Gross profit

Group gross profit increased by 38% to £22.7m, which translated into a 150bps gross margin gain YOY to 28.2%. As ever, there are a number of moving parts within this figure. This aggregate margin improvement reflects a 120bps improvement in product margin and a 30bps decrease in net delivery costs reflecting the higher average order value (AOV), which rose 7% to £163, and some improved carrier deals. This unwinds last year's 5% AOV decline, reflecting both proportionally more high-value branded sales, together with less pricing pressure on some products in a number of markets compared with last year.

In terms of product margin, the gross margin on own-brand products rose by 170bps to 49.1%. Own-brand revenues rose strongly by 25% but lagged the 33% growth delivered from other/third-party branded sales, where margin widened by 140bps to 27.3%. This created an adverse mix effect with proportionally more branded sales at 77.8% (vs 76.7% last year) within the sales mix.

The gross profit and gross margin performance also benefitted from the acquisition of inventory at a favourable price from the administrations of GAK and PMT. The group paid £2.2m for this inventory. In H1 the gross profit figure includes £1.1m gross profit from the sale of £0.8m of this stock (ie with sales revenue therefore of £1.9m), equating to a 59% gross margin. Excluding the benefits of this commercial opportunism, G4M would have delivered H1 revenue of £78.8m (+28% YOY) and gross profit of £21.6m (+31%) with a gross margin of 27.4% (+70bps YOY)

Operating costs

As described above, G4M benefitted from the positive side of operational gearing, with costs rising at a slower rate than revenues. Admin expenses increased by 14% compared with revenue growth of 31%, resulting in 350bps improvement in the costs to revenue ratio to 24.6%. This reflected improvements in terms of both marketing and labour, the main components of the operating cost base.

The group has successfully resolved the issues with an outsourced marketing system last year. Together with an enhanced team set up and better market conditions, marketing as a percentage of revenue improved by 90bps to 6.4% (from 7.3%), reflecting a 14% increase to £5.1m. Total labour costs also rose by 16% to £7.4m, with labour as a percentage of revenues reducing by 110bps to 9.2% (from 10.3%). The increase reflects a 5% increase in average headcount to 436 and a 10% increase in average cost per head.

European admin expenses and total depreciation and amortisation expenses both nudged up by £0.1m to £2.5m and £3.5m, respectively.

Finance charges

Net finance charges were flat YOY at £0.7m, comprising unchanged net bank interest of £0.5m and unchanged interest on lease liabilities of £0.2m.

Profit measures

Profit measures improved at every level of the P&L, amplifying from product gross margin to PBT margin. Product gross margin improved by 120bps, total gross margin by 150bps, EBITDA margin by 380bps, operating profit margin by 500bps and PBT margin by 530bps.

Cash flow and balance sheet

Net bank debt increased by £1.6m versus the same time last year to £16.0m. This primarily reflects inventory, in terms of both additional range to support growth together with an earlier intake ahead of peak. The latter should therefore lessen inbound warehouse pressures to enable a focus on order fulfilment during the peak Christmas trading period.

Reported inventory stood some 25% higher at £50.0m at the period end compared with £40.1m last year. This inventory figure includes £8.7m of inbound stock-in-transit, up from £7.6m last year.

At this low point in the group's annual cash cycle, this still leaves headroom of £14.0m within the group's £30m revolving credit facility (RCF).

Capitalised software development costs came to £1.7m (vs £1.6m last year) in the period, with capex of only £138k.

Operating metrics and Key Performance Indicators (KPIs)

We turn now to examine some of the group's operating metrics alongside key performance indicators. These are regularly provided by G4M, most comprehensively in the presentations accompanying their interim and final results. They can therefore be tracked over time and therefore show the direction of travel and emerging trends. We have summarised a selection of these below.

Website and customer base metrics

The first table below shows website utilisation and conversion rates. Regular readers will observe that this table only covers two periods rather than a more extended one back to FY20, and with different criteria being measured.

These changes are in response to the challenges reported by Google Analytics arising from the opt-out of cookie consent, which limits the ability to track data. G4M has therefore chosen to focus on trends in session rather than user data. At the same time, G4M is in the process of moving to a new customer data platform, which will provide a single customer view with more reliable insights of higher quality. Other customer behaviour, such as using guest checkout when already a customer, also lowers the quality of data for companies.

G4M – Website traffic and conversion rates

	H1 FY25	H1 FY26	% change on FY25
Unique sessions (m)	28.4	34.8	23%
UK sessions (m)	18	21.7	21%
European users (m)	10.4	13.0	25%
Total pages viewed (m)	58.3	59.3	2%
Mobile sessions as % of total	50.8%	47.7%	-310bps
Organic/direct traffic	49.0%	43.0%	-600bps
Session conversion rates:			
UK	1.05%	1.13%	+8bps
Europe	1.06%	1.10%	+4bps
Mobile	1.21%	1.45%	+24bps

Source: G4M, Progressive Equity Research

The table above shows positive growth YOY in terms of sessions, albeit with a lower increase of 2% in the number of total pages viewed. Session conversion rates have increased in both UK and Europe, as well as for mobile sessions.

Pay per click (PPC) accounted for 86% of total ad spend in the period and therefore represents a concentration risk, hence G4M's strategic imperative to focus on channel diversification and more sustainable and cost-effective customer acquisition. There has been a negative 600bps movement in the combined penetration of organic/direct traffic. While the organic share of total sessions increased from 26% in H1 last year to 28% in the current year, there was a decline in tracked direct sessions from 23% to 15%, reflecting the influence of AI discovery and the increased incidence of denial of cookie consent rates.

G4M has actively embarked on an own-brand influencer marketing initiative. This was scaled up substantially in FY26 and is delivering strong results, especially with regard to its European audience. Measures on content published, total views engagement and engagement percentage have all shown strong increases in the period.

G4M – Customer metrics

	H1 FY20	H1 FY21	H1 FY22	H1 FY23	H1 FY24	H1 FY25	H1 FY26	FY26 % change on FY25	FY26 % change on FY20
Customers served ('000)	328	482	404	384	341	348	433	24%	32%
New customers ('000)	265	403	328	310	270	275	347	26%	31%
Proportion of repeat customers	26.9%	24.9%	24.4%	26.5%	26.3%	26.6%	25.5%	-110bps	-140bps
Email subscriber database ('000)	717	708	725	1408	1720	1919	2130	11%	197%
Average order value	£120	£117	£128	£151	£161	£153	£163	7%	36%
Sales lifetime value	£214	£211	£234	£298	£333	£325	£339	4%	58%

Source: G4M, Progressive Equity Research

The table above shows positive momentum with regard to most customer metrics. G4M delivered a 24% increase in customers served and the email subscriber base increased by a further 11% to over 2.1 million subscribers. The proportion of repeat customers declined 110bps to 25.5%, most likely reflecting a proportionally higher level of paid-for new customers following the market exit of several competitors. New customer numbers increased by 26% to 347,000, underlining the tactical success of the PPC methodology.

AOV saw a 7% YOY increase to £163, with the sales lifetime value growing by 4% to £339, which represents almost a 60% increase compared with FY20.

Range and brand mix development

G4M continues to develop its product and brand offering to appeal to a wide range of customers. The total number of stockkeeping units (SKUs) listed increased by 4% YOY to 65,700, with the number of brands offered rising by 3% to 1,142.

As outlined above, the sale of third-party branded products was boosted by opportunistic inventory purchases and a more benign pricing environment for branded product sales in the wake of a number of market exits from discounter competitors.

The group continues to invest in its own-brand development and has increased the team headcount from 25 to 27 in the period. The group has launched several new ranges under a number of its own brands during the period.

G4M – Evolution of total range and own-brand products

	H1 FY20	H1 FY21	H1 FY22	H1 FY23	H1 FY24	H1 FY25	H1 FY26	FY26 % change	
								on FY25	on FY20
Total number of SKU's	52,700	55,200	60,500	62,500	63,900	63,300	65,700	4%	25%
Brands listed	889	894	951	1109	1134	1111	1142	3%	28%
Own brand performance :									
Own brand SKU's	3,300	3,600	3,900	4,250	5,200	5,510	5,710	4%	73%
Own brand SKU mix	6.26%	6.5%	6.4%	6.8%	8.14%	8.70%	8.69%	-1bps	+243bps
Own brand sales mix (product sales)	27.3%	27.5%	24.9%	23.7%	25.4%	24.9%	22.2%	-270bps	-510bps

Source: G4M, Progressive Equity Research

Even though the own-brand sales mix has fallen in the period, the simple fact that G4M generated 22.2% of total product sales from just 8.7% of total SKUs manifests the inherent value of these higher-margin own-brand ranges. This underpins the rationale for the continued development and acquisition of unique own brands within the G4M product portfolio and customer offering.

Product group revenue mix

The following table shows the absolute revenue and revenue mix by product category.

G4M – Revenues and revenue mix by product group (£m and %)

	Revenue by product group (£m)						Revenue mix by product group (%)					
	FY21	FY22	FY23	FY24	FY25	FY26	FY21	FY22	FY23	FY24	FY25	FY26
Guitars	22.7	19.8	17.9	16.7	16.5	22.9	34%	32%	28%	28%	28%	30%
Keys	13.8	10.3	9.1	8.3	7.8	9.9	21%	17%	14%	14%	13%	13%
Live & PA	8.3	12.0	16.2	15.3	14.9	19.1	12%	20%	26%	26%	25%	25%
Drums	5.9	5.3	6.1	6.2	6.4	7.9	9%	9%	10%	10%	11%	10%
Studio	11.3	9.0	7.3	6.1	6.8	9.2	17%	15%	12%	10%	11%	12%
Orchestral	3.9	3.8	3.7	3.4	3.3	4.2	6%	6%	6%	6%	6%	5%
Audio Visual					3	3.4						6%
Second-hand					1.4	1.5						2%

Source: G4M, Progressive Equity Research

The categories delivering the highest YOY revenue growth rates were guitars (+39%) and studio (+36%), which drove the increases in their respective mix participation. The audio-visual category delivered revenue growth of 13%, with all other categories delivering revenue growth in the mid- to high-20% range of magnitude.

It should be noted that second hand covers all categories and should not be counted as a separate or incremental category. Sales of second hand rose by 14% in the period, with some 22,900 products available for trade-in compared with 8,000 products at launch. We believe that G4M has reprioritised its new product business in light of the strong sales growth that has been achieved there, with second hand likely to be revitalised when space constraints are eased with the new warehouse investment.

Forecasts

We have upgraded our forecasts for FY26E to reflect the guidance given by the company in terms of EBITDA, namely to 'not less than £15.0m'. We have raised our FY26E revenue forecast by just under 4% (£7.4m) to £175.1m. We view this as a prudent revenue forecast, with implied revenue growth in H2 of 11% (to £94.4m), compared with the 31% revenue growth delivered in H1. As such, we see risk as weighted to the upside in light of management comments on strong trading continuing into Q3 to date.

As indicated in [our October note](#) on the half-year trading update, we have reinstated forecasts for FY27E (and introduced FY28E). Our FY27E forecasts reflect two key factors, namely continued positive trading momentum and the planned expansion of UK warehousing capacity. The latter will impact financial performance in both FY27E and H1 FY28E in three areas:

- There will be a degree of double-running costs as the new facility scales up its order capacity gradually to minimise risk and disruption to operations and the overall customer experience. These double running costs have been estimated at up to £1m in FY27E and up to £0.5m in FY28E.
- The estimated capex requirement of £13-15m will result in an increase in the group's depreciation charge. We have assumed the higher figure of £15m in our forecasts.
- This necessary investment in distribution capacity is to be debt-funded, which will result in increased finance charges. These arise from a higher level of net debt than previously expected, together with IFRS 16 lease interest on the new warehouse facility. Management has indicated an expected cash payback period of between three to five years.

The net impact of these two factors – strategic growth and infrastructure investment to facilitate and underpin future growth – will, however, appear to act as a short-term drag on reported headline profitability in FY27E, compared with upgraded FY26E forecasts, before resuming an upward trajectory in FY28E.

An alternative – and more positive – way of regarding forecast progression would be to adjust FY26E for an assumed profit gain on opportunistic deal stock of around £1m and FY27E for double running costs of a similar magnitude. On this basis there is a solid progression in underlying or adjusted profitability at EBITDA level from £14.1m in FY26E to £15.1m in FY27E (compared with our reported EBITDA forecasts of £15.1m and £14.1m respectively), with a further increase to reported FY28E EBITDA of £15.5m, or adjusted EBITDA of £16.0m, assuming a further £0.5m of double running costs.

Our new forecasts are summarised in the table below.

G4M – Summary of new forecast highlights FY26E to FY28E (£m unless stated)							
	FY23	FY24	FY25	FY26E	FY27E	FY28E	3-yr CAGR
Revenue	152.0	144.4	146.7	175.1	188.3	200.0	10.9%
Gross profit	39.0	39.4	39.7	49.2	52.4	55.4	11.8%
Gross margin (%)	25.7%	27.3%	27.0%	28.1%	27.8%	27.7%	
Operating costs (exc DA)	31.7	30.0	29.6	34.1	38.3	39.9	10.5%
Opex as % of turnover	20.8%	20.8%	20.2%	19.5%	20.3%	20.0%	
Reported EBITDA	7.4	9.4	10.0	15.1	14.1	15.5	15.6%
EBITDA margin (%)	4.8%	6.5%	6.8%	8.6%	7.5%	7.7%	
Reported operating profit	1.3	2.8	3.2	8.0	6.2	7.2	30.6%
Operating margin (%)	0.8%	1.9%	2.2%	4.5%	3.3%	3.6%	
Reported pre-tax profit	-0.4	0.6	1.6	6.7	3.7	4.9	46.0%
Diluted EPS	(3.1)	3.0	3.8	22.7	12.4	16.5	
Adjusted pre-tax profit	-0.4	1.1	1.6	6.7	3.7	4.9	46.0%
Adjusted diluted EPS (p)	(3.1)	5.2	3.8	22.7	12.4	16.5	
Net cash/(debt)	(14.5)	(7.3)	(6.4)	(2.5)	(14.4)	(11.6)	

Source: G4M, Progressive Equity Research estimates

Fuller, more detailed forecasts are given in the following tables.

The next newsflow will be a trading update following the Christmas trading period, scheduled for 20 January 2026.

Gear4music – Summary of profit & loss account and cash flow forecasts, FY23-28E (£m)

Profit and loss account						
Year to March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue	152.0	144.4	146.7	175.1	188.3	200.0
Cost of sales	(113.0)	(104.9)	(107.1)	(125.9)	(136.0)	(144.6)
Gross profit	39.0	39.4	39.7	49.2	52.4	55.4
<i>Gross margin (GM) (%)</i>	<i>25.7%</i>	<i>27.3%</i>	<i>27.0%</i>	<i>28.1%</i>	<i>27.8%</i>	<i>27.7%</i>
Operating costs	(37.8)	(36.7)	(36.4)	(41.2)	(46.2)	(48.2)
Reported operating profit	1.3	2.8	3.2	8.0	6.2	7.2
<i>Operating profit margin (%)</i>	<i>0.8%</i>	<i>1.9%</i>	<i>2.2%</i>	<i>4.5%</i>	<i>3.3%</i>	<i>3.6%</i>
Depreciation and amortisation	(6.1)	(6.6)	(6.8)	(7.1)	(7.9)	(8.28)
Reported EBITDA	7.4	9.4	10.0	15.1	14.1	15.5
<i>EBITDA margin (%)</i>	<i>4.8%</i>	<i>6.5%</i>	<i>6.8%</i>	<i>8.6%</i>	<i>7.5%</i>	<i>7.7%</i>
Interest charge	(1.7)	(2.2)	(1.7)	(1.3)	(2.5)	(2.4)
Reported PBT	(0.4)	0.6	1.6	6.7	3.7	4.9
Exceptional charges	0.0	(0.5)	0.0	0.0	0.0	0.0
Adjusted EBITDA	7.4	9.9	10.0	15.1	14.1	15.5
<i>Adjusted EBITDA margin (%)</i>	<i>4.8%</i>	<i>6.9%</i>	<i>6.8%</i>	<i>8.6%</i>	<i>7.5%</i>	<i>7.7%</i>
Adjusted operating profit	1.3	3.3	3.2	8.0	6.2	7.2
<i>Adjusted operating margin (%)</i>	<i>0.8%</i>	<i>2.3%</i>	<i>2.2%</i>	<i>4.5%</i>	<i>3.3%</i>	<i>3.6%</i>
Adjusted PBT	(0.4)	1.1	1.6	6.7	3.7	4.9
Adjusted diluted EPS (p)	(3.1)	5.2	3.8	22.7	12.4	16.5
Reported diluted EPS (p)	(3.1)	3.0	3.8	22.7	12.4	16.5
Dividend (p)	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow						
Year to March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Operating profit (unadjusted)	1.3	2.3	3.2	8.0	6.2	7.2
Depreciation and amortisation	6.1	6.6	6.8	7.1	7.9	8.3
Inventory (increase)/decrease	11.1	8.7	(8.6)	1.1	(1.5)	(2.2)
Debtors (increase)/decrease	0.0	0.4	0.5	(1.0)	(0.3)	(0.3)
Creditors increase/(decrease)	1.9	(4.4)	6.5	(2.2)	(0.6)	(0.8)
Other	(0.2)	(0.2)	0.4	0.0	0.0	0.0
Operating cash flow	20.2	13.5	8.9	12.9	11.6	12.2
Interest	(1.7)	(2.1)	(1.7)	(1.3)	(2.5)	(2.4)
Tax	(0.5)	0.7	(0.7)	(1.7)	(0.9)	(1.2)
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Deferred tax	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	(6.3)	(3.9)	(3.9)	(4.5)	(18.5)	(4.0)
Trading cash flow	11.6	8.2	2.5	5.5	(10.3)	4.6
Acquisition of businesses	(0.4)	(0.0)	0.0	0.0	0.0	0.0
Disposal of businesses	0.0	0.0	0.0	0.0	0.0	0.0
Share issues	0.0	0.0	0.0	0.0	0.0	0.0
Currency effects, other	(1.6)	(0.9)	(1.6)	(1.5)	(1.7)	(1.8)
Net cash inflow/(outflow)	9.6	7.2	0.9	4.0	(12.0)	2.9
Net (debt)/cash	(14.5)	(7.3)	(6.4)	(2.5)	(14.4)	(11.6)

Source: G4M, Progressive Equity Research estimates

Gear4music – Summary of balance sheet forecasts, FY23-28E (£m)

Balance sheet						
Year to March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Tangible fixed assets	19.2	19.0	16.6	16.3	39.5	40.1
Intangible fixed assets	22.0	22.0	21.6	20.8	20.0	19.1
Investments and other	0.0	0.0	0.0	0.0	0.0	0.0
Total fixed assets	41.3	41.0	38.2	37.1	59.5	59.2
Stock	34.4	25.6	34.2	33.1	34.6	36.8
Trade and other debtors	4.5	3.8	3.4	4.4	4.7	5.0
Deferred tax	0.0	0.0	0.0	0.0	0.0	0.0
Cash and short term deposits	4.5	4.7	5.6	7.5	0.0	2.9
Current assets	43.3	34.2	43.2	45.0	39.3	44.7
Total assets	84.6	75.2	81.4	82.1	98.8	103.9
Trade and other payables	(17.6)	(13.5)	(19.9)	(17.7)	(17.1)	(16.3)
Borrowings	0.0	0.0	0.0	0.0	(4.4)	(4.4)
Other current liabilities	(1.1)	(1.8)	(1.9)	(1.9)	(1.9)	(1.9)
Current liabilities	(18.8)	(15.3)	(21.8)	(19.5)	(23.4)	(22.6)
Borrowings	(19.0)	(12.0)	(12.0)	(10.0)	(10.0)	(10.0)
Other non-current liabilities	(9.6)	(9.6)	(8.3)	(8.4)	(18.4)	(20.8)
Non-current liabilities	(28.6)	(21.6)	(20.3)	(18.4)	(28.4)	(30.8)
Total liabilities	(47.4)	(36.8)	(42.1)	(37.9)	(51.8)	(53.4)
Net assets	37.2	38.4	39.3	44.2	47.0	50.5

Source: G4M, Progressive Equity Research estimates

Financial Summary: Gear4music

Year end: March (£m unless shown)

	2024	2025	2026E	2027E	2028E
PROFIT & LOSS					
Revenue	144.4	146.7	175.1	188.3	200.0
Adj EBITDA	9.9	10.0	15.1	14.1	15.5
Adj EBIT	3.3	3.2	8.0	6.2	7.2
Reported PBT	0.6	1.6	6.7	3.7	4.9
Fully Adj PBT	1.1	1.6	6.7	3.7	4.9
NOPAT	3.1	1.7	6.0	4.6	7.2
Reported EPS (p)	3.0	3.8	22.7	12.4	16.5
Fully Adj EPS (p)	5.2	3.8	22.7	12.4	16.5
Dividend per share (p)	0.0	0.0	0.0	0.0	0.0
CASH FLOW & BALANCE SHEET					
Operating cash flow	13.5	8.9	12.9	11.6	12.2
Free Cash flow	8.2	2.5	5.5	(10.3)	4.6
FCF per share (p)	39.1	12.0	26.2	(48.9)	22.1
Acquisitions	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0
Shares issued	0.0	0.0	0.0	0.0	0.0
Net cash flow	7.2	0.9	4.0	(12.0)	2.9
Overdrafts / borrowings	(12.0)	(12.0)	(10.0)	(14.4)	(14.4)
Cash & equivalents	4.7	5.6	7.5	0.0	2.9
Net (Debt)/Cash	(7.3)	(6.4)	(2.5)	(14.4)	(11.6)
NAV AND RETURNS					
Net asset value	38.4	39.3	44.2	47.0	50.5
NAV/share (p)	182.9	187.4	210.7	224.2	240.8
Net Tangible Asset Value	16.3	17.7	23.3	27.1	31.4
NTAV/share (p)	77.8	84.4	111.3	129.0	149.6
Average equity	37.8	38.8	41.7	45.6	48.8
Post-tax ROE (%)	2.8%	4.0%	16.0%	8.0%	10.0%
METRICS					
Revenue growth	(5.0%)	1.6%	19.3%	7.6%	6.2%
Adj EBITDA growth	34.3%	1.5%	49.9%	(6.5%)	10.1%
Adj EBIT growth	152.5%	(0.4%)	145.7%	(22.6%)	17.1%
Adj PBT growth	(363.1%)	45.8%	327.6%	(45.2%)	33.0%
Adj EPS growth	(266.3%)	(26.9%)	502.2%	(45.2%)	33.0%
Dividend growth	N/A	N/A	N/A	N/A	N/A
Adj EBIT margins	2.3%	2.2%	4.5%	3.3%	3.6%
VALUATION					
EV/Sales (x)	0.6	0.6	0.5	0.4	0.4
EV/EBITDA (x)	8.5	8.3	5.6	6.0	5.4
EV/NOPAT (x)	27.2	48.6	14.0	18.1	11.6
PER (x)	62.7	85.7	14.2	26.0	19.6
Dividend yield	N/A	N/A	N/A	N/A	N/A
FCF yield	12.1%	3.7%	8.1%	(15.2%)	6.8%

Source: Company information and Progressive Equity Research estimates

Disclaimers and Disclosures

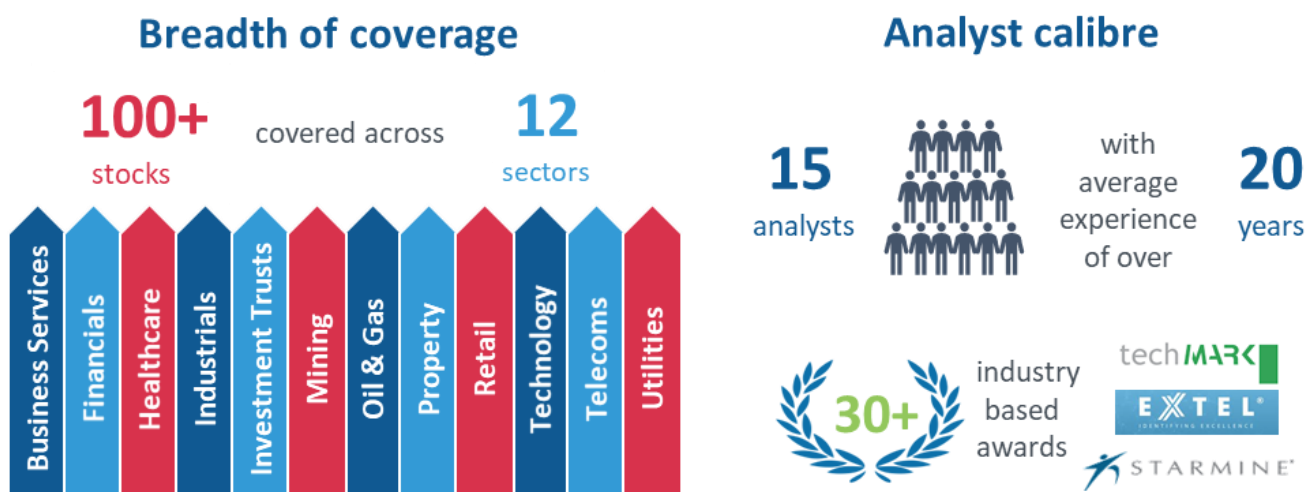
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