GEAR4MUSIC
CONSUMER DISCRETIONARY

5 September 2025

G4M.L

265p

Market Cap: £55.6m

SHARE PRICE (p)

12m high/low	265p/101p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (debt)/cash	£(6.4)m *(at 31/03/25)*
Enterprise value	£62m
Index/market	AIM
Next news	H1 update, 21 October
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

David Jeary

+44 (0) 20 7781 5306

djeary@progressive-research.com

Strong trading momentum delivers uplift in FY expectations

The positive trading momentum that G4M described in both its post-close update and then FY25 results has continued apace. This builds on the improved trading performance delivered in H2 FY25. G4M had previously referenced double-digit sales growth, with the Q1 performance now quantified at an impressive 27% ahead of last year to end-June. Even more encouraging is the company statement that traction has continued into Q2 to date. This strong performance has led the group to increase its expectations for FY26. While no formal guidance has been issued at this stage, we increase our FY26E adjusted EBITDA forecast by 7% to £12.0m.

- **Strong trading – down to strategy and competitive landscape.** G4M saw Q1 sales increase by 27% over last year, with both the UK and international markets benefiting. This welcome acceleration can be attributed to two key factors, namely the refreshed growth strategy introduced in 2024 and a more favourable competitive landscape in both the UK and European markets. The latter has resulted primarily from the market exit of some key competitors, which operated primarily with a discount price proposition.

- **Adaptive strategy – allows flex to market conditions.** G4M's strategy is based around four pillars, as described in previous notes. The prime focus of the new strategy was on the pursuit of profitable sales, as demonstrated in FY25, when aggregate sales growth was modest but with stronger profit growth delivered. The strategic framework also has the benefit of enabling the group to adapt to changing market dynamics, and to flex its physical and human resources to capitalise on emerging trends and opportunities.

- **FY26E forecast revisions – prudent ahead of peak trading.** We raise our FY26E forecasts in a conservatively prudent manner, which sees a 7% increase in EBITDA to £12.0m (from £11.2m previously). This reflects both the absence of formal company guidance, along with the fact that the full-year outturn depends on the peak Christmas trading period.

- **Newsflow – diary dates.** G4M will provide further quantified insights into its performance in an H1 trading update on 21 October, followed by publication of its H1 results on 18 November.

FYE MAR (£M)	2023	2024	2025	2026E	2027E
Revenue	152.0	144.4	146.7	161.4	162.7
Adj EBITDA	7.4	9.9	10.0	12.0	12.2
Fully Adj PBT	-0.4	1.1	1.6	3.6	3.7
Fully Adj EPS (p)	-3.1	5.2	3.8	12.1	12.5
EV/Sales (x)	0.4x	0.4x	0.4x	0.4x	0.4x
EV/EBITDA (x)	8.4x	6.3x	6.2x	5.2x	5.1x
PER (x)	N/A	51.4x	70.3x	21.9x	21.1x

Source: Company Information and Progressive Equity Research estimates.

Forecast revisions

The table below summarises our forecast revisions, which focus at this stage on FY26E, where we have some quantified insight into the strength of year-to-date trading.

Our FY26E turnover assumption has been increased by 4% to £161.4m, which equates to 10% growth over FY25. This is both prudent and potentially conservative compared with the 27% sales growth delivered in Q1, with traction continuing into Q2 to date. Our forecast is tempered by the fact that the critical peak Christmas trading season still lies ahead and consumer confidence in many markets remains fragile. We leave our gross margin assumption unchanged at 27.6%. While our operating cost base forecast increases, this sees some assumed operational leverage translate into a 20bps improvement in the adjusted EBITDA margin to 7.4%. Our FY26E net debt forecast also delivers an improvement of £0.7m to £3.8m.

G4M forecast revisions (£m unless otherwise stated)

	FY26E			FY27E		
£m unless stated	Old	New	Change (%)	Old	New	Change (%)
Revenue	155.5	161.4	4%	162.7	162.7	(0%)
Adj EBITDA	11.2	12.0	7%	12.2	12.2	(0%)
Reported PBT	2.7	3.6	30%	3.7	3.7	(0%)
Fully adj PBT	2.7	3.6	30%	3.7	3.7	(0%)
Reported EPS (p)	9.3	12.1	30%	12.5	12.5	(0%)
Fully adj EPS (p)	9.3	12.1	30%	12.5	12.5	(0%)
Net debt	(4.5)	(3.8)	(14%)	(2.5)	(1.9)	(25%)

Source: Progressive Equity Research estimates

At this stage. we leave our FY27E forecasts unchanged other than the knock-on impact on year-end net debt. This reflects the absence of any formal forecast guidance from G4M (including the current FY26E financial year), as well as the tougher trading comparative that our increased FY26E forecast provides. With management providing further updates and insights over the coming two months, we shall review our FY27E forecasts in light of these.

Forecast summary and two-year CAGR to FY27E

	FY23	FY24	FY25	FY26E	FY27E	2-yr CAGR
Revenue	**152.0**	**144.4**	**146.7**	**161.4**	**162.7**	**5.3%**
Gross profit	39.0	39.4	39.7	44.5	44.9	6.4%
Gross margin (%)	*25.7%*	*27.3%*	*27.0%*	*27.6%*	*27.6%*	
Operating costs (exc DA)	31.7	30.0	29.6	32.6	32.7	5.1%
Opex as % of turnover	*20.8%*	*20.8%*	*20.2%*	*20.2%*	*20.1%*	
Reported EBITDA	**7.4**	**9.4**	**10.0**	**12.0**	**12.2**	**10.2%**
EBITDA margin (%)	*4.8%*	*6.5%*	*6.8%*	*7.4%*	*7.5%*	
Reported operating profit	**1.3**	**2.8**	**3.2**	**4.8**	**4.9**	**22.9%**
Operating margin (%)	*0.8%*	*1.9%*	*2.2%*	*3.0%*	*3.0%*	
Reported pre-tax profit	**(0.4)**	**0.6**	**1.6**	**3.6**	**3.7**	**53.8%**
Diluted EPS	(3.1)	3.0	3.8	12.1	12.5	
Adjusted pre-tax profit	**(0.4)**	**1.1**	**1.6**	**3.6**	**3.7**	**53.8%**
Adjusted diluted EPS (p)	**(3.1)**	**5.2**	**3.8**	**12.1**	**12.5**	
Net cash/(debt)	**(14.5)**	**(7.3)**	**(6.4)**	**(3.8)**	**(1.9)**	

Source: G4M, Progressive Equity Research estimates

Financial Summary: Gear4music

Year end: March (£m unless shown)

PROFIT & LOSS	**2023**	**2024**	**2025**	**2026E**	**2027E**
Revenue	152.0	144.4	146.7	161.4	162.7
Adj EBITDA	7.4	9.9	10.0	12.0	12.2
Adj EBIT	1.3	3.3	3.2	4.8	4.9
Reported PBT	(0.4)	0.6	1.6	3.6	3.7
Fully Adj PBT	(0.4)	1.1	1.6	3.6	3.7
NOPAT	2.0	3.1	1.7	3.6	3.7
Reported EPS (p)	(3.1)	3.0	3.8	12.1	12.5
Fully Adj EPS (p)	(3.1)	5.2	3.8	12.1	12.5
Dividend per share (p)	0.0	0.0	0.0	0.0	0.0
CASH FLOW & BALANCE SHEET	**2023**	**2024**	**2025**	**2026E**	**2027E**
Operating cash flow	20.2	13.5	8.9	10.8	10.1
Free Cash flow	11.6	8.2	2.5	4.2	3.4
FCF per share (p)	55.4	39.1	12.0	19.8	16.4
Acquisitions	(0.4)	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	9.6	7.2	0.9	2.6	1.9
Overdrafts / borrowings	(19.0)	(12.0)	(12.0)	(10.0)	(8.0)
Cash & equivalents	4.5	4.7	5.6	6.2	6.1
Net (Debt)/Cash	(14.5)	(7.3)	(6.4)	(3.8)	(1.9)
NAV AND RETURNS	**2023**	**2024**	**2025**	**2026E**	**2027E**
Net asset value	37.2	38.4	39.3	40.4	41.7
NAV/share (p)	177.5	182.9	187.4	192.7	198.6
Net Tangible Asset Value	15.2	16.3	17.7	19.6	21.7
NTAV/share (p)	72.4	77.8	84.4	93.3	103.4
Average equity	37.6	37.8	38.8	40.5	43.3
Post-tax ROE (%)	(1.1%)	2.8%	4.0%	8.8%	8.5%
METRICS	**2023**	**2024**	**2025**	**2026E**	**2027E**
Revenue growth	3.0%	(5.0%)	1.6%	10.0%	0.8%
Adj EBITDA growth	(34.3%)	34.3%	1.5%	19.3%	1.8%
Adj EBIT growth	(78.8%)	152.5%	(0.4%)	49.5%	1.1%
Adj PBT growth	(108.1%)	(363.1%)	45.8%	128.3%	3.5%
Adj EPS growth	(117.9%)	(266.3%)	(26.9%)	221.6%	3.5%
Dividend growth	N/A	N/A	N/A	N/A	N/A
Adj EBIT margins	0.8%	2.3%	2.2%	3.0%	3.0%
VALUATION	**2023**	**2024**	**2025**	**2026E**	**2027E**
EV/Sales (x)	0.4	0.4	0.4	0.4	0.4
EV/EBITDA (x)	8.4	6.3	6.2	5.2	5.1
EV/NOPAT (x)	30.4	20.1	35.9	17.1	16.9
PER (x)	N/A	51.4	70.3	21.9	21.1
Dividend yield	N/A	N/A	N/A	N/A	N/A
FCF yield	20.9%	14.7%	4.5%	7.5%	6.2%

Source: Company information and Progressive Equity Research estimates

Progressive EQUITY RESEARCH

5 September 2025

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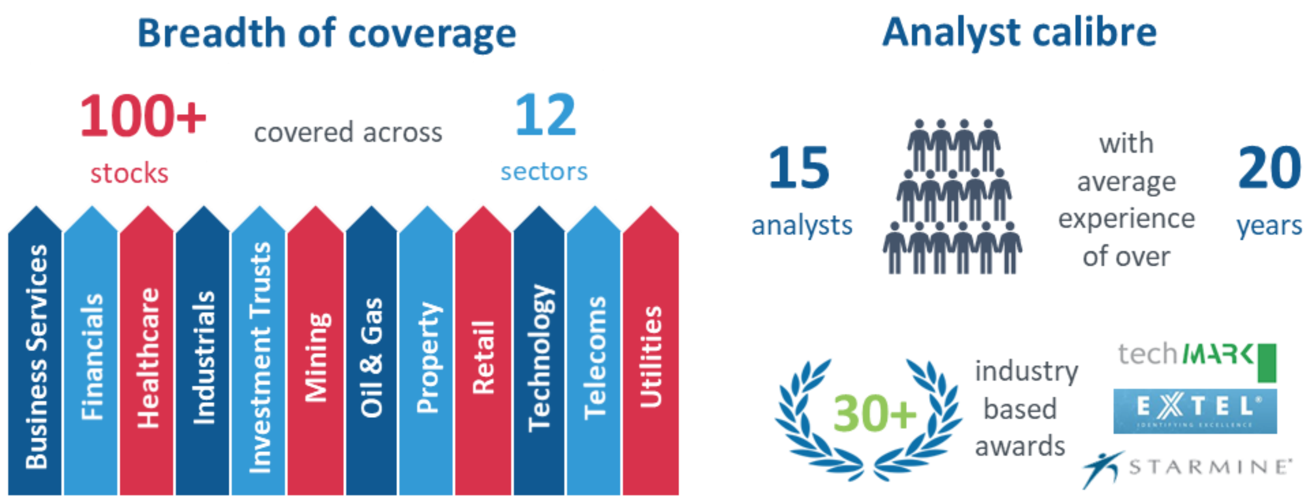

To arrange a meeting with the management team, or for further information about Progressive, please contact us at:
+44 (0) 20 7781 5300
info@progressive-research.com