GEAR4MUSIC

CONSUMER DISCRETIONARY

17 November 2026

G4M.L

215p

Market Cap: £45.1m

SHARE PRICE (p)



12m high/low 323p/215p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (debt)/cash	£(24.3)m *(at 30/09/26)*
Enterprise value	£69.4m
Index/market	AIM
Next news	Update, 19 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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Two sides to the AI coin

G4M's interim results were in line with the guidance provided in its October update. The shape of trading decelerated sharply from an impressive +13% revenue growth in Q1 to -1% in Q2. Against even stronger H2 comparatives, it is not a complete surprise that Q3 to date has seen a further drop off, with revenue declining 13% year-on-year, albeit a 19% increase on a two-year basis. Given this weakening trend into peak trading season, G4M has lowered its FY27E EBITDA expectation to £11.5m. While disappointing, the long-term growth story remains intact in our view.

- **Interim results – progress but slowing momentum.** G4M's interim results, as per the October trading update, delivered further top line growth of 6% against last year's 31% revenue growth. Q2 revenue nudged back 1%, compared with Q1's 13% growth. Gross profit advanced 4% to £23.6m, including a further £0.3m benefit from deal stock, with gross margin down 50bps to 27.7%. Operating cost growth exceeded revenue growth, leading to operational deleverage at EBITDA and operating profit levels. Period end net debt as at 30 September 2026 was £8.3m higher at £24.3m, driven primarily by investment in the new UK warehouse facility.
- **Current trading – a marked deceleration.** The sequential quarterly deceleration in top line revenue performance has seen a more marked deterioration in Q3 to date, with revenue down 13% on a year-on-year (YOY) basis. This reflects two main factors – lower paid-search traffic, as AI has become more prominent in search engines, and sterling's recent rapid appreciation versus the euro. This has sharpened the price competitiveness of and therefore pricing pressure from European retailers, resulting in other brand sales being down 19% in Q3 to date.
- **New warehouse – operational ahead of peak trading.** Phase 1 of the new automated UK distribution centre at Sherburn has been delivered as planned, on budget and ahead of the FY27 peak trading period. G4M is now shipping from the site to support operations over peak and in an increasingly significant way across 2027 and over the longer-term.
- **Forecast revisions – to reflect changing market conditions.** In light of Q3 trading to date, reflecting the factors above, G4M now expects FY27E EBITDA to be around £11.5m, compared with previous consensus market expectations of £16.0m. Our FY27E revenue forecast is now conservatively predicated on a broad continuation of the Q3 to date trend across all of H2. The lower base impacts our FY28E forecasts, as summarised below.

FYE MAR (£M)	2024	2025	2026	2027E	2028E
Revenue	144.4	146.7	190.7	182.2	202.0
Adj EBITDA	9.9	10.0	18.4	11.3	14.0
Fully Adj PBT	1.1	1.6	10.3	1.2	2.6
Fully Adj EPS (p)	5.2	3.8	34.9	4.1	9.0
EV/Sales (x)	0.5x	0.5x	0.4x	0.4x	0.3x
EV/EBITDA (x)	7.0x	6.9x	3.8x	6.1x	4.9x
PER (x)	41.7x	56.7x	6.2x	52.0x	24.0x

Source: Company Information and Progressive Equity Research estimates.

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

Continuing to respond to changes and challenges

Following on from the barnstorming performance of FY26. lapping revenue growth of 30% (on enhanced gross margins) was always going to prove challenging for G4M. The highly impressive 13% revenue growth of Q1 offered hopes that a new revenue threshold had been successfully crossed, which would be backed up and supported by the new UK warehouse. The story in Q2 was different, with extended periods of very hot weather undoubtedly adversely impacting consumer purchasing behaviours but not necessarily suggesting changes to the underlying trading environment.

The 13% YOY revenue decline in Q3 to date has demonstrated that not to be the case. G4M has identified two key factors – foreign exchange (FX) rates, specifically sterling's appreciation against the euro, and a conspicuous drop in paid-search web traffic.

Fluctuations in FX rates are part and parcel of being an international business, transacting in multiple currencies across countries and geographies. We are more sanguine on this aspect of the recent revenue performance, as structured and/or natural hedging can help to mitigate FX movements, even though there can be time lags, and sudden movements can have deleterious short-term effects. Over economic cycles, FX effects can generally be dealt with effectively, as there are two sides of the coin to currency movements.

The recent short-term appreciation of sterling against the euro came after G4M had made – and largely paid for - its branded purchases in Europe ahead of the peak trading period, thus it is long of stock purchased on the old exchange rate, with H2 trading exposure to the new FX rates. At the end of September, sterling was trading around the 1.17 euro level, compared with the current rate around 1.20 euro. Sterling has therefore appreciated by around 2%. For European competitors translating euro prices into sterling, this gives an immediate pricing advantage.

On the other side of the coin, if rates remain unchanged, G4M has greater future buying power from the sterling appreciation. Similarly, if the currency movement unwinds, it works in G4M's favour as it disadvantages European competitors translating from a relatively stronger euro.

The other factor pertaining to the drop in paid-search traffic poses a bigger challenge for G4M's business model, whose marketing efforts have been primarily driven by and focussed on pay-per-click (PPC). The good news is that G4M has been seeking ways to reduce the participation of PPC within its marketing mix for several years, such as its recent marketing initiative with own-brand influencers. This has been focussed on Europe, aiming to produce more localised and engaging content and increasing brand loyalty over the longer-term. There are good signs of success from this initiative, with G4M presenting statistics in these results of significant growth of content published, views, and total engagements.

G4M is actively looking for ways to participate in the ways artificial intelligence is reshaping consumer search behaviour. The prominence of AI as the first response to search activities is in effect pushing sponsored ads and other listings further down or even off the front page of responses to enquiries. Ironically, this in turn has been undermining or rather cannibalising the revenues search engine proprietors have been earning from the traditional PPC driven model.

This phenomenon could clearly be seen In Alphabet's most recent Q3 trading update (and the subsequent sell-off of its shares), where it acknowledged that Google's AI search summaries are cannibalising its core traditional search advertising model, with strong growth in AI Mode queries generating fewer advertising dollars per query compared with the traditional blue-link search results. Users are typically asking more follow-up questions in AI Mode, obtaining direct "synthesised" answers rather than clicking through sponsored search links.

Search engines are seeking ways to address and redress this issue, as are companies, which have historically relied on the more traditional search model. As part of refining its approach, Google has announced an expansion of advertising within AI Mode, which may support an improvement in paid-search traffic.

G4M is actively addressing this issue, by looking to expand adverting within AI search and improving website visibility, which supports confidence in future website traffic growth. The company is also using an external platform to track and report on large language model (LLM) visibility, and G4M is achieving meaningful visibility across commercial AI searches , with measurable traffic and revenue growth. G4M is not standing still, but actively responding to these changes in search dynamics, with a view to maximising commercial opportunities for its website and brands.

Interim results

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

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

	H1 FY20	H1 FY25	H1 FY26	H1 FY27	FY27 change on FY26 (£m)	FY27 change on FY26 (%)	FY27 change on FY20	FY27 change on FY20 (%)
UK sales	24.8	38.7	49.6	51.0	1.4	3%	26.2	106%
International sales	24.6	23.0	31.1	34.4	3.3	11%	9.8	40%
Total sales	**49.4**	**61.7**	**80.7**	**85.4**	**4.7**	**6%**	**36.0**	**73%**
Product sales	47.2	59.3	77.5	81.8	4.3	6%	34.6	73%
Product gross profit	14.0	18.3	24.9	25.7	0.8	3%	11.7	83%
Product gross margin	*29.6%*	*30.9%*	*32.1%*	*31.4%*	*-70bps*		*+180bps*	
Gross profit	**12.5**	**16.5**	**22.7**	**23.6**	**0.9**	**4%**	**11.1**	**89%**
Gross margin	*25.2%*	*26.7%*	*28.2%*	*27.7%*	*-50bps*		*+250bps*	
Operating costs :								
Marketing	(3.9)	(4.5)	(5.1)	(5.9)	(0.8)	15%	(2.0)	51%
Labour	(4.7)	(6.4)	(7.4)	(8.4)	(1.0)	13%	(3.7)	79%
Europe/other	(1.9)	(2.7)	(3.3)	(3.6)	(0.3)	8%	(1.7)	88%
Total opex	**(10.5)**	**(13.6)**	**(15.8)**	**(17.9)**	**(2.1)**	**13%**	**(7.4)**	**70%**
Reported EBITDA	**2.0**	**2.9**	**6.9**	**5.7**	**(1.1)**	**(16%)**	**3.7**	**187%**
Reported EBITDA margin	*4.0%*	*4.7%*	*8.5%*	*6.7%*	*-180bps*		*+270bps*	
Total DA	(1.8)	(3.4)	(3.5)	(3.7)	(0.2)	6%	(1.9)	103%
Reported operating profit	**0.2**	**(0.5)**	**3.4**	**2.1**	**(1.3)**		**1.9**	
Operating profit margin	*0.5%*	*-0.8%*	*4.2%*	2.4%	*-180bps*		*+190bps*	
Financial expenses	(0.5)	(0.7)	(0.7)	(1.1)	(0.4)		(0.6)	
Reported pre tax profit	**(0.3)**	**(1.2)**	**2.7**	**1.0**	**(1.7)**		**1.3**	
Diluted EPS (p)	**(0.7)**	**(5.9)**	**9.1**	**3.7**	**(5.4)**		**4.4**	
Exceptionals								
Adjusted pre tax profit	**(0.3)**	**(1.2)**	**2.7**	**1.0**	**(1.7)**		**1.3**	
Adjusted EBITDA	**2.0**	**2.9**	**6.9**	**5.7**	**(1.1)**		**3.7**	
Adjusted operating profit	**0.2**	**(0.5)**	**3.4**	**2.1**	**(1.3)**		**1.9**	

Source: G4M, Progressive Equity Research

These were in line with October's trading update in terms of revenues and EBITDA, with gross margin coming in 10bps better at 27.7%.

Revenues

International sales revenue growth of 11% was the key driver of the group's overall 6% growth in H1, with the UK business seeing a 3% increase. Both divisions faced very demanding comparatives across H1 at 35% and 28% respectively. The trading comparatives strengthened in Q2 last year, with group revenue growth of 34% compared with 27% in Q1. This was reflected in the current year's quarterly revenue growth trajectory of +13% in Q1 and 1% decrease in Q2, albeit exacerbated by other factors as mentioned above. Own brand product increased by 7% to £18.4m, with sales mix improving to 22.5% (vs 22.2%). Product sales of other brands rose by 5% to £63.4m.

G4M estimates that its current market shares stand at 13.0% in the UK and 1.9% in Europe.

Gross margin

Gross margin fell back 50bps in the period to 27.7%. The drivers of this movement were a 70bps decrease in product margin and a 20bps decrease in net delivery costs.

Product gross margin was 31.4% (vs 32.1% for H1 FY26), being the aggregated impact of a further impressive 170bps gain in own brand margin to 50.1%, offset by a 150bps decrease in other (third party) brand margin to 25.8%. The latter movement more than offset the 140bps gain in other brand margin last year, which included a positive impact from the sales of deal stock. H1 FY27 also included a smaller benefit from previously acquired deal stock, with sales of £0.7m (vs £1.9m) and achieved gross profit of £0.3m (vs £1.1m).

Excluding deal stock from both H1 periods, the adjusted achieved gross margins would be 25.5% for H1 FY27 and 26.3% for H1 FY26, against the reported figures of 25.8% and 27.3% respectively. At the 30 September period end, G4M held £0.6m of deal stock, compared with £1.4m at 30 September 2025.

The 20bps improvement in net shipping costs, which compounds on last year's 30bps improvement, resulted from a further increase in Average Order Value (AOV) and improved carrier deals.

Operating costs

Administrative expenses rose by 11.2%, ahead of turnover growth of 5.8%, resulting in a 130bps increase in the operating cost ratio to 25.9% (vs 24.6%). This unwinds around a third of last year's 350bps improvement in the costs to revenue ratio.

Marketing spend was £0.8m higher (+15%) at £5.9m, equating to 6.9% of sales revenue (vs 6.4% last year). Pay per click (PPC) remains the key driver and cost of marketing spend, accounting for 82% (vs 86% last year) of marketing costs. With the increasing share of AI in consumer searches, and the group's focus on strengthening its visibility across AI search platforms, together with the development of other initiatives such as expanding its network of own-brand influencers, and engaging content creation, we would expect to see the PPC mix within marketing spend decrease further over the short- and medium-term.

Labour costs rose by 13% to £8.4m (£7.4m), driven by an 11% increase in average headcount and a 2% increase in average cost per head. Labour costs therefore increased as a percentage of revenue to 9.8%, a 60bps movement compared with last year's 9.2% mix.

European admin expenses and total depreciation and amortisation expenses both nudged up by £0.2m to £2.7m and £3.7m, respectively.

Profit measures – EBITDA, operating profit and PBT

With costs growing ahead of revenue growth and a decrease in gross profit margin, operational deleverage resulted in lower profit margins at all levels.

EBITDA and operating profit margins both dropped back some 180bps to 6.7% and 2.4% respectively. However, these remain substantially higher than the levels achieved in H1 FY25, by 200bps and 320bps respectively.

Adjusting the sales and gross profit impact of deal stock in both periods gives adjusted EBITDA figures of £5.4m for H1 FY27 and £5.8m for H1 FY26, compared with the headline reported figures of £5.7m and £6.9m respectively. The commensurate adjusted EBITDA margins are 6.4% (for H1 FY27) and 7.3% (for H1 FY26). The year-on-year(YOY) movement on an adjusted EBITDA movement is therefore a 90bps decline, compared with the 180bps decline on a reported basis.

Net finance costs increased by £0.4m to £1.1m, contributing to a £1.7m fall in PBT to £1.0m. This was still some £2.2m higher than the £1.2m loss before tax delivered in H1 FY25.

Cash flow and balance sheet

Net bank debt increased by £8.3m compared with the same time last year to £24.3m. This primarily reflects the £10.6m fit out of the new distribution centre (DC), together with a £3.1m increase in stock-on-hand to £44.4m.

Reported inventory stood some £5.3m higher (+11%) at £55.4m at the period end compared with £50.0m last year. This inventory figure includes £10.0m of inbound stock-in-transit, up from £8.7m last year.

At this low point in the group's annual cash cycle, this still leaves headroom of £20.7m within the group's £45m revolving credit facility (RCF). Management expects a significant reduction by the year end as the seasonal stock increase is unwound and converted into cash.

Capitalised software development costs came to £1.7m, the same as in the prior H1 period, with capex of £9.7m, of which £9.5m related to the new DC.

Operating metrics and Key Performance Indicators (KPIs)

We now look at and summarise a selection of the group's operating metrics and key performance indicators. These can be tracked over time to provide insights into the direction of travel and new emerging trends. It should be noted that the calculation of some metrics has been revised and updated to give more accurate and meaningful data points. This applies to some measures of web traffic, which eliminate nil value traffic (eg bots and access from non-domestic origins), and G4M customer data, where updated customer relationship management (CRM) data provide a single customer view with more reliable insights of higher quality.

Website and customer base

The first table below shows website utilisation and conversion rates.

G4M - Website traffic metrics and conversion rates

	H1 FY25	H1 FY26	H1 FY27	% change on FY26
Unique sessions (m)	18.8	21.8	21.7	(1%)
UK sessions (m)	10.6	13.6	12.6	(7%)
European sessions (m)	8.2	8.3	9.1	10%
Mobile sessions (m)	11.8	13.8	13.6	(2%)
Mobile sessions as % of total	*62.5%*	*63.3%*	*62.4%*	*-90bps*
Total pages viewed (m)	65.1	69.2	70.8	2%
Session conversion rates:				
UK	*2.17%*	*2.08%*	*2.29%*	*+21bps*
Europe	*1.83%*	*2.31%*	*2.19%*	*-12bps*
Mobile	*1.44%*	*1.68%*	*1.75%*	*+7bps*

Source: G4M, Progressive Equity Research

The period saw a marginal decrease in unique sessions, driven by a 7% decline in UK sessions. In contrast European sessions delivered a 10% increase, though this did not fully offset the UK performance. Mobile sessions also saw a 2% decline. Notwithstanding the small decline in sessions, there was a 2% increase in total pages viewed.

UK and mobile sessions saw an increase in conversion rates of 21bps and 7bps respectively, while Europe's session conversion rate declined by 12bps.

G4M – customer metrics

	H1 FY25	H1 FY26	H1 FY27	% change on FY26
Active customers ('000 - 12m basis)	711	817	916	12%
Active customers ('000 - 6m basis)	318	393	410	4%
New customers ('000 - 6m basis)	192	239	242	1%
Repeat customers ('000 - 6m basis)	126	154	168	9%
Email subscriber database ('000)	1919	2130	2830	33%
Average order value	£153	£163	£164	1%

Source: G4M, Progressive Equity Research

The group served 410,000 customers in the period, a YOY increase of 4%. G4M delivered a 12% increase in active customers, being those having purchased within the last 12 months, to 916,000. New customers rose 1% to 242,000, with repeat customers rising 9% to 168,000, underlining a trend of improving customer retention. Within the period, 41% of customers had previously made at least one earlier purchase from G4M, compared with a figure of 39% in H1 FY26.

The group added 0.7m names to its email subscriber database on the basis of data migration to its new CRM platform.

Range and brand mix

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 7% YOY to 70,100, with the number of brands offered rising by 1% to 1,150.

As outlined above, the sale of own brand products outperformed sales of other (third party) brand products in the period, though the latter lower margin category remains far larger, accounting for 77.5% of product sales.

G4M - Growth of total product range and own brand products

	H1 FY20	H1 FY21	H1 FY22	H1 FY23	H1 FY24	H1 FY25	H1 FY26	H1 FY27	FY27 % change on FY26	FY27 % change on FY20
Total number of SKU's	52,700	55,200	60,500	62,500	63,900	63,300	65,700	70,100	7%	33%
Brands listed	889	894	951	1109	1134	1111	1142	1150	1%	29%
Own brand performance :										
Own brand SKU's	3,300	3,600	3,900	4,250	5,200	5,510	5,710	6,040	6%	83%
Own brand SKU mix	*6.26%*	*6.5%*	*6.4%*	*6.8%*	*8.14%*	*8.70%*	*8.69%*	*8.62%*	*-7bps*	*+236bps*
Own brand sales mix (product sales)	*27.3%*	*27.5%*	*24.9%*	*23.7%*	*25.4%*	*23.3%*	*22.2%*	*22.5%*	*+30bps*	*-480bps*

Source: G4M, Progressive Equity Research

The importance of own brand products is eloquently shown by the fact that own brand's 8.6% of total SKUs delivers 22.5% of total product sales and 36.4% of total product margin.

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	FY27	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Guitars	22.7	19.8	17.9	16.7	16.5	22.9	24.7	34%	32%	28%	28%	28%	30%	30%
Keys	13.8	10.3	9.1	8.3	7.8	9.9	9.9	21%	17%	14%	14%	13%	13%	12%
Live & PA	8.3	12.0	16.2	15.3	14.9	19.1	19.9	12%	20%	26%	26%	25%	25%	24%
Drums	5.9	5.3	6.1	6.2	6.4	7.9	9.1	9%	9%	10%	10%	11%	10%	11%
Studio	11.3	9.0	7.3	6.1	6.8	9.2	8.8	17%	15%	12%	10%	11%	12%	11%
Orchestral	3.9	3.8	3.7	3.4	3.3	4.2	4.6	6%	6%	6%	6%	6%	5%	6%
Audio Visual					3.0	3.4	3.8					6%	4%	5%
Second-hand					1.4	1.5	2.5					2%	2%	3%

Source: G4M, Progressive Equity Research

The two categories delivering double digit YOY revenue growth rates were drums (+14.5%) and home audio & visual (+12.8%), which drove the increases in their respective mix participation. The only category showing a decline was studio with a YOY fall of 4.9%.

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 an impressive 62.5% in the period. Second hand could potentially deliver just under £6m of (high margin) revenue across FY27E if the H1 growth rate continues across H2.

Along with home audio and visual, these are two of the newer business areas that G4M has moved into in recent years. It is therefore positive from a strategic perspective to see higher levels of growth from these two categories. Second hand should also benefit further as space constraints are eased now the new DC is operational.

Forecasts

We have revised our forecasts in light of and to reflect the group's new guidance of FY27E EBITDA of approximately £11.5m. The premise underlying our FY27E revenue projection is that the Q3 to date YOY revenue decline of 13% broadly persists across the whole of H2. This translates to a full year revenue decline of 4.5%. We have lowered our FY27E gross margin forecast by 60bps to 27.2%.

The lower revenue and profit base for FY27E is further reflected in and rolled through into our new FY28E forecasts, which broadly delivers our previous revenue forecast for FY27E. Thus, in effect, our new forecasts see revenue delivery slip back by a year, albeit with cost base inflation holding back recovery at the profit level. Our FY28E revenues are predicated on a 10% increase in revenues, together with a 40bps improvement to gross margin from our revised FY27E gross margin.

The following table summarises our forecast changes.

Summary of forecast changes

	FY27E			FY28E		
£m unless stated	Old	New	Change (%)	Old	New	Change (%)
Revenue	200.4	182.2	(9%)	214.1	202.0	(6%)
Adj EBITDA	16.0	11.3	(29%)	17.5	14.0	(20%)
Reported PBT	6.0	1.2	(80%)	6.1	2.6	(57%)
Fully adj PBT	6.0	1.2	(80%)	6.1	2.6	(57%)
Reported EPS (p)	20.4	4.1	(80%)	20.9	9.0	(57%)
Fully adj EPS (p)	20.4	4.1	(80%)	20.9	9.0	(57%)
Net debt	(8.7)	(13.5)	56%	(9.9)	(16.6)	68%

Source: Progressive Equity Research

Our year-end net debt forecasts reflect the reduced level of profitability.

It is important to note that the group retains some flexibility with regard to capex for its new DC. G4M has indicated Phase 1 capex of £10.6m, which we have accounted for in FY27E. Phase 2 spend is estimated at £9.4m. Phase 2 is due to start in FY28E and be completed in FY29E, implying some flexibility relative to capacity requirements – and therefore phasing of capex spends - for the business. On that basis, we have allocated £8m of Phase 2 capex in FY28E, with the balance to fall in FY29E.

Our new forecasts are summarised in the table below.

G4M – Summary of new forecast highlights - FY27E and FY28E (£m unless stated)

	FY25	FY26	FY27E	FY28E	3-yr CAGR
Revenue	**146.7**	**190.7**	**182.2**	**202.0**	**11.2%**
Gross profit	39.7	54.2	49.6	55.8	12.0%
Gross margin (%)	*27.0%*	*28.4%*	*27.2%*	*27.6%*	
Operating costs (exc DA)	29.6	35.8	38.3	41.7	12.1%
Opex as % of turnover	*20.2%*	*18.8%*	*21.0%*	*20.7%*	
Reported EBITDA	**10.0**	**18.4**	**11.3**	**14.0**	**11.8%**
EBITDA margin (%)	*6.8%*	*9.7%*	*6.2%*	*6.9%*	
Reported operating profit	**3.2**	**11.5**	**3.5**	**5.4**	**18.9%**
Operating margin (%)	*2.2%*	*6.0%*	*1.9%*	*2.7%*	
Reported pre-tax profit	**1.6**	**10.3**	**1.2**	**2.6**	**19.1%**
Diluted EPS	3.8	34.9	4.1	9.0	33.2%
Adjusted pre-tax profit	**1.6**	**10.3**	**1.2**	**2.6**	**19.1%**
Adjusted diluted EPS (p)	**3.8**	**34.9**	**4.1**	**9.0**	**33.2%**
Net cash/(debt)	**(6.4)**	**(5.0)**	**(13.5)**	**(16.6)**	

Source: G4M, Progressive Equity Research

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 19 January 2027.

G4M – profit and loss account and cash flow forecasts (£m unless otherwise stated)

Profit and loss account						
Year to March	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Revenue	**152.0**	**144.4**	**146.7**	**190.7**	**182.2**	**202.0**
Cost of sales	(113.0)	(104.9)	(107.1)	(136.5)	(132.6)	(146.3)
Gross profit	39.0	39.4	39.7	54.2	49.6	55.8
Gross margin (GM) (%)	*25.7%*	*27.3%*	*27.0%*	*28.4%*	*27.2%*	*27.6%*
Operating costs	(37.8)	(36.7)	(36.4)	(42.7)	(46.0)	(50.3)
Reported operating profit	**1.3**	**2.8**	**3.2**	**11.5**	**3.5**	**5.4**
Operating profit margin (%)	*0.8%*	*1.9%*	*2.2%*	*6.0%*	*1.9%*	*2.7%*
Depreciation and amortisation	(6.1)	(6.6)	(6.8)	(6.9)	(7.8)	(8.6)
Reported EBITDA	**7.4**	**9.4**	**10.0**	**18.4**	**11.3**	**14.0**
EBITDA margin (%)	*4.8%*	*6.5%*	*6.8%*	*9.7%*	*6.2%*	*6.9%*
Interest charge	(1.7)	(2.2)	(1.7)	(1.2)	(2.3)	(2.8)
Reported PBT	**(0.4)**	**0.6**	**1.6**	**10.3**	**1.2**	**2.6**
Exceptional charges	0.0	(0.5)	0.0	0.0	0.0	0.0
Adjusted EBITDA	**7.4**	**9.9**	**10.0**	**18.4**	**11.3**	**14.0**
Adjusted EBITDA margin (%)	*4.8%*	*6.9%*	*6.8%*	*9.7%*	*6.2%*	*6.9%*
Adjusted operating profit	**1.3**	**3.3**	**3.2**	**11.5**	**3.5**	**5.4**
Adjusted operating margin (%)	*0.8%*	*2.3%*	*2.2%*	*6.0%*	*1.9%*	*2.7%*
Adjusted PBT	**(0.4)**	**1.1**	**1.6**	**10.3**	**1.2**	**2.6**
Adjusted diluted EPS (p)	**(3.1)**	**5.2**	**3.8**	**34.9**	**4.1**	**9.0**
Reported diluted EPS (p)	(3.1)	3.0	3.8	34.9	4.1	9.0
Dividend (p)	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow						
Year to March	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Operating profit (unadjusted)	1.3	2.3	3.2	11.5	3.5	5.4
Depreciation and amortisation	6.1	6.6	6.8	6.9	7.8	8.6
Inventory (increase)/decrease	11.1	8.7	(8.6)	(8.6)	(0.0)	1.4
Debtors (increase)/decrease	0.0	0.4	0.5	(3.6)	1.5	0.4
Creditors increase/(decrease)	1.9	(4.4)	6.5	5.0	(3.0)	(2.2)
Other	(0.2)	(0.2)	0.4	(0.3)	0.0	0.0
Operating cash flow	**20.2**	**13.5**	**8.9**	**10.9**	**9.7**	**13.6**
Interest	(1.7)	(2.1)	(1.7)	(1.2)	(2.3)	(2.8)
Tax	(0.5)	0.7	(0.7)	(3.0)	(0.3)	(0.7)
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)	(3.7)	(14.0)	(11.5)
Trading cash flow	**11.6**	**8.2**	**2.5**	**3.0**	**(6.9)**	**(1.3)**
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)	(1.6)	(1.7)	(1.8)
Net cash inflow/(outflow)	**9.6**	**7.2**	**0.9**	**1.4**	**(8.6)**	**(3.1)**
Net (debt)/cash	**(14.5)**	**(7.3)**	**(6.4)**	**(5.0)**	**(13.5)**	**(16.6)**

Source: G4M, Progressive Equity Research

G4M – Balance sheet forecasts (£m unless otherwise stated)

Balance sheet						
Year to March	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Tangible fixed assets	19.2	19.0	16.6	14.2	33.1	41.0
Intangible fixed assets	22.0	22.0	21.6	20.8	19.8	18.9
Investments and other	0.0	0.0	0.0	0.0	0.0	0.0
Total fixed assets	**41.3**	**41.0**	**38.2**	**34.9**	**53.0**	**59.9**
Stock	34.4	25.6	34.2	42.8	42.8	41.4
Trade and other debtors	4.5	3.8	3.4	7.0	5.5	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	8.0	0.0	0.0
Current assets	**43.3**	**34.2**	**43.2**	**57.8**	**48.3**	**46.5**
Total assets	**84.6**	**75.2**	**81.4**	**92.7**	**101.2**	**106.3**
Trade and other payables	(17.6)	(13.5)	(19.9)	(22.2)	(21.9)	(19.6)
Borrowings	0.0	0.0	0.0	0.0	(0.5)	(3.6)
Other current liabilities	(1.1)	(1.8)	(1.9)	(4.6)	(1.9)	(1.9)
Current liabilities	**(18.8)**	**(15.3)**	**(21.8)**	**(26.8)**	**(24.3)**	**(25.1)**
Borrowings	(19.0)	(12.0)	(12.0)	(13.0)	(13.0)	(13.0)
Other non-current liabilities	(9.6)	(9.6)	(8.3)	(6.7)	(16.7)	(19.1)
Non-current liabilities	**(28.6)**	**(21.6)**	**(20.3)**	**(19.7)**	**(29.7)**	**(32.1)**
Total liabilities	**(47.4)**	**(36.8)**	**(42.1)**	**(46.4)**	**(53.9)**	**(57.2)**
Net assets	**37.2**	**38.4**	**39.3**	**46.3**	**47.3**	**49.1**

Source: G4M, Progressive Equity Research

Financial Summary: Gear4music

Year end: March (£m unless shown)

PROFIT & LOSS	2024	2025	2026	2027E	2028E
Revenue	144.4	146.7	190.7	182.2	202.0
Adj EBITDA	9.9	10.0	18.4	11.3	14.0
Adj EBIT	3.3	3.2	11.5	3.5	5.4
Reported PBT	0.6	1.6	10.3	1.2	2.6
Fully Adj PBT	1.1	1.6	10.3	1.2	2.6
NOPAT	3.1	1.7	8.2	2.6	5.4
Reported EPS (p)	3.0	3.8	34.9	4.1	9.0
Fully Adj EPS (p)	5.2	3.8	34.9	4.1	9.0
Dividend per share (p)	0.0	0.0	0.0	0.0	0.0

CASH FLOW & BALANCE SHEET	2024	2025	2026	2027E	2028E
Operating cash flow	13.5	8.9	10.9	9.7	13.6
Free Cash flow	8.2	2.5	3.0	(6.9)	(1.3)
FCF per share (p)	39.1	12.0	14.5	(32.7)	(6.3)
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	1.4	(8.6)	(3.1)
Overdrafts / borrowings	(12.0)	(12.0)	(13.0)	(13.5)	(16.6)
Cash & equivalents	4.7	5.6	8.0	0.0	0.0
Net (Debt)/Cash	(7.3)	(6.4)	(5.0)	(13.5)	(16.6)

NAV AND RETURNS	2024	2025	2026	2027E	2028E
Net asset value	38.4	39.3	46.3	47.3	49.1
NAV/share (p)	182.9	187.4	220.7	225.5	234.2
Net Tangible Asset Value	16.3	17.7	25.5	27.5	30.2
NTAV/share (p)	77.8	84.4	121.7	131.1	144.1
Average equity	37.8	38.8	42.8	46.8	48.2
Post-tax ROE (%)	2.8%	4.0%	24.2%	2.6%	5.5%

METRICS	2024	2025	2026	2027E	2028E
Revenue growth	(5.0%)	1.6%	30.0%	(4.5%)	10.9%
Adj EBITDA growth	34.3%	1.5%	83.5%	(38.7%)	24.3%
Adj EBIT growth	152.5%	(0.4%)	256.2%	(69.5%)	54.6%
Adj PBT growth	(363.1%)	45.8%	562.2%	(88.2%)	116.7%
Adj EPS growth	(266.3%)	(26.5%)	819.3%	(88.1%)	116.7%
Dividend growth	N/A	N/A	N/A	N/A	N/A
Adj EBIT margins	2.3%	2.2%	6.0%	1.9%	2.7%

VALUATION	2024	2025	2026	2027E	2028E
EV/Sales (x)	0.5	0.5	0.4	0.4	0.3
EV/EBITDA (x)	7.0	6.9	3.8	6.1	4.9
EV/NOPAT (x)	22.5	40.2	8.5	26.3	12.8
PER (x)	41.7	56.7	6.2	52.0	24.0
Dividend yield	N/A	N/A	N/A	N/A	N/A
FCF yield	18.2%	5.6%	6.7%	(15.2%)	(2.9%)

Source: Company information and Progressive Equity Research estimates

Progressive EQUITY RESEARCH

17 November 2026

Disclaimers and Disclosures

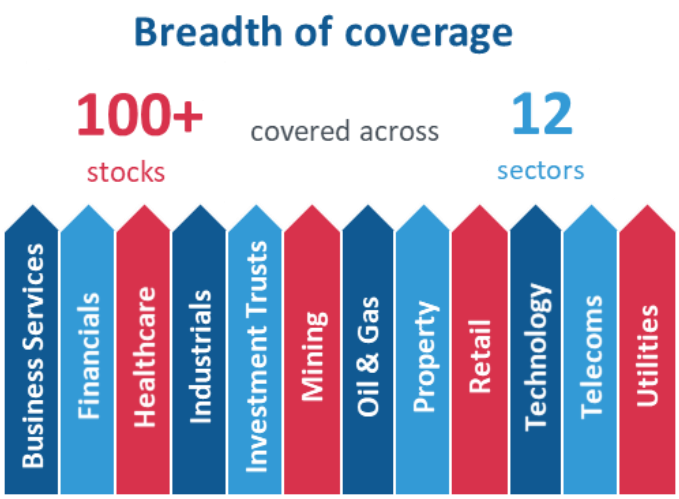
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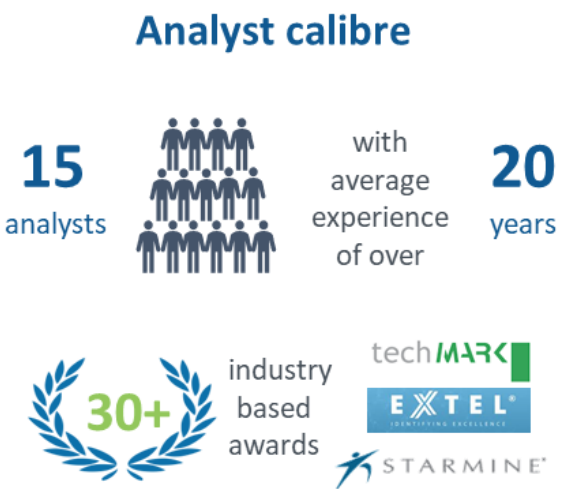
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