

GEAR4MUSIC

CONSUMER DISCRETIONARY

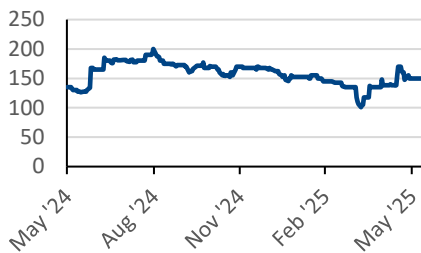
12 June 2025

G4M.L

150p

Market Cap: £31.5m

SHARE PRICE (p)



12m high/low

200p/101p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (debt)/cash	£(6.4)m (at 31/03/25)
Enterprise value	£37.9m
Index/market	AIM
Next news	Prelims, 24 June
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
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Another opportunistic asset purchase amid sector consolidation

Further to its recent asset purchase from GAK in April, G4M has announced a similar asset purchase from the administrators of the fourth-largest UK musical instruments retailer, which traded as 'PMT Play Music Today'. G4M has purchased stock, alongside certain intangible assets, notably websites, trademarks and commercial data. This opportunistic deal should be viewed primarily as another gross margin opportunity, while also underlining the ongoing consolidation within the musical instruments sector.

- PMT asset purchase – another good deal.** G4M has secured a further asset purchase resulting from a competitor going into administration. In April, the company announced a stock and intangibles purchase from The Guitar, Amp and Keyboard Centre Ltd (GAK) for a consideration of £0.6m. Today's statement sees G4M purchasing stock with an estimated cost value of up to £2.4m and certain intangibles for a total consideration of up to £1.2m from the administrators of Jamm Co 2019 Ltd, whose subsidiaries include S&T Audio Ltd, which traded as PMT.
- Market consolidation – from consumer and cost pressures.** S&T Audio was the UK's fourth-largest musical instruments retailer. It was an omni-channel business, trading online and from around a dozen stores. In its financial year to 30 April 2024, S&T Audio reported turnover of £43.0m, continuing the top-line decline since 2022 when turnover was £48.0m. The secular shift to online sales, often with a discount price orientation, has inevitably put pressure on the traditional bricks and mortar model, magnified by inflation of fixed costs. In turn, cost-of-living pressures have resulted in a more subdued consumer environment, especially within more discretionary spend areas. Market consolidation within the broader musical instruments sector has been an almost inevitable consequence. This should favour larger players with greater buying power and stronger balance sheets, such as G4M, whose most recent trading comments pointed to double-digit turnover growth exiting FY25 and in early April.
- Prelims and trading update – to be announced on 24 June.** The next scheduled announcement from G4M is the final results for the financial year ending 31 March 2025, together with a trading update, on 24 June. At that point, we plan to reappraise our forecasts and initiate FY27E estimates on the basis of updated information and guidance.

FYE MAR (£M)	2022	2023	2024	2025E	2026E
Revenue	147.6	152.0	144.4	146.7	153.6
Adj EBITDA	11.2	7.4	9.9	10.0	10.8
Fully Adj PBT	5.0	-0.4	1.1	1.6	2.5
Fully Adj EPS (p)	17.3	-3.1	5.2	5.4	8.3
EV/Sales (x)	0.3x	0.2x	0.3x	0.3x	0.2x
EV/EBITDA (x)	3.4x	5.1x	3.8x	3.8x	3.5x
PER (x)	8.7x	N/A	29.1x	28.0x	18.0x

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.

Financial Summary: Gear4music

Year end: March (£m unless shown)

	2022	2023	2024	2025E	2026E
PROFIT & LOSS					
Revenue	147.6	152.0	144.4	146.7	153.6
Adj EBITDA	11.2	7.4	9.9	10.0	10.8
Adj EBIT	6.1	1.3	3.3	3.3	3.7
Reported PBT	5.0	(0.4)	0.6	1.6	2.5
Fully Adj PBT	5.0	(0.4)	1.1	1.6	2.5
NOPAT	4.6	2.0	3.1	2.4	2.7
Reported EPS (p)	17.3	(3.1)	3.0	5.4	8.3
Fully Adj EPS (p)	17.3	(3.1)	5.2	5.4	8.3
Dividend per share (p)	0.0	0.0	0.0	0.0	0.0
CASH FLOW & BALANCE SHEET					
Operating cash flow	(4.1)	20.2	13.5	8.8	11.5
Free Cash flow	(14.1)	11.6	8.2	2.7	5.1
FCF per share (p)	(67.2)	55.4	39.1	13.1	24.3
Acquisitions	(10.4)	(0.4)	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	(26.9)	9.6	7.2	0.9	3.3
Overdrafts / borrowings	(28.0)	(19.0)	(12.0)	(8.5)	(8.0)
Cash & equivalents	3.9	4.5	4.7	2.1	4.9
Net (Debt)/Cash	(24.2)	(14.5)	(7.3)	(6.4)	(3.1)
NAV AND RETURNS					
Net asset value	38.0	37.2	38.4	37.7	37.7
NAV/share (p)	181.5	177.5	182.9	179.8	179.9
Net Tangible Asset Value	18.2	15.2	16.3	15.9	16.3
NTAV/share (p)	87.0	72.4	77.8	75.7	77.8
Average equity	36.2	37.6	37.8	39.0	40.5
Post-tax ROE (%)	13.9%	(1.1%)	2.8%	4.1%	6.1%
METRICS					
Revenue growth	(6.2%)	3.0%	(5.0%)	1.6%	4.7%
Adj EBITDA growth	(43.3%)	(34.3%)	34.3%	1.1%	8.0%
Adj EBIT growth	(60.3%)	(78.8%)	152.5%	0.9%	12.3%
Adj PBT growth	(65.8%)	(108.1%)	(363.1%)	49.4%	55.2%
Adj EPS growth	(71.1%)	(117.9%)	(266.3%)	4.0%	55.2%
Dividend growth	N/A	N/A	N/A	N/A	N/A
Adj EBIT margins	4.2%	0.8%	2.3%	2.2%	2.4%
VALUATION					
EV/Sales (x)	0.3	0.2	0.3	0.3	0.2
EV/EBITDA (x)	3.4	5.1	3.8	3.8	3.5
EV/NOPAT (x)	8.3	18.6	12.3	15.6	13.9
PER (x)	8.7	N/A	29.1	28.0	18.0
Dividend yield	N/A	N/A	N/A	N/A	N/A
FCF yield	(44.8%)	36.9%	26.0%	8.7%	16.2%

Source: Company information and Progressive Equity Research estimates

Disclaimers and Disclosures

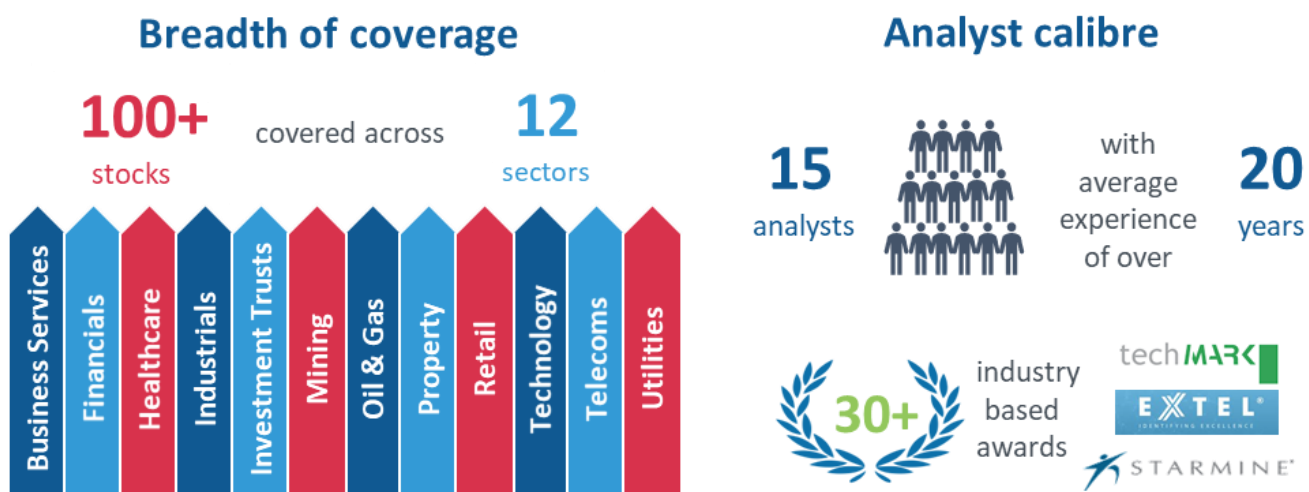
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