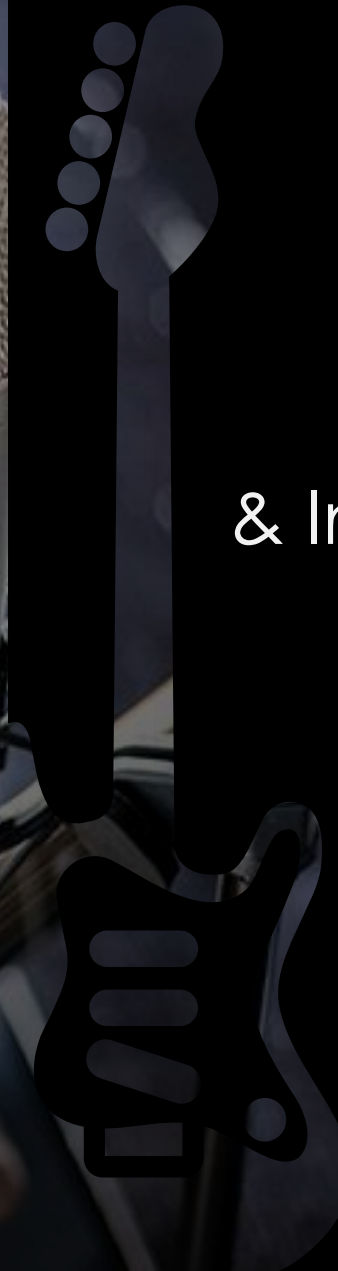




FY21 Results & Investor update

June 2021



FY21 Overview

EXCEPTIONAL PERIOD OF GROWTH

- Strong revenue growth of 31%, driven by Q1 lockdown
 - Gross margins up by 350bps to 29.4% (FY20: 25.9%, FY19: 22.8%)
 - Record profitability: EBITDA of £19.8m (FY20: £7.8m); PBT of £14.6m (FY20: £3.1m)
-

STRATEGY FOR MAINTAINING MOMENTUM

- New £35m bank facility provides significant financial resource for future growth
 - New European hubs in Ireland and Spain are expected to drive growth in H2
 - Strategy now includes acquisitions; Premier & Eden brands recently acquired
 - Strong pipeline of e-commerce platform upgrades
-

CONFIDENT OUTLOOK

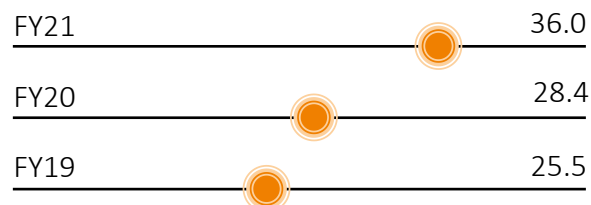
- As expected Q1 FY22 trading below exceptional FY21, but FY22 now ahead of Board expectations
- Margins and marketing efficiencies continue to be strong
- 2-year sales and profitability growth remains strong
- Demand for musical instruments and equipment remains high

FY21 Highlights

WEBSITES

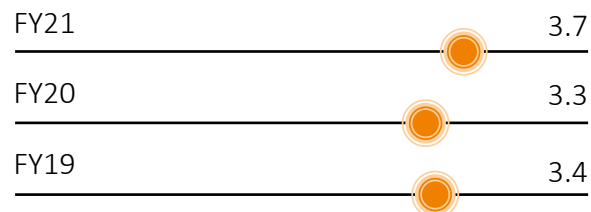
WEBSITE USERS +27%

36.0m



CONVERSION RATE +40BPS

3.7%



SALES

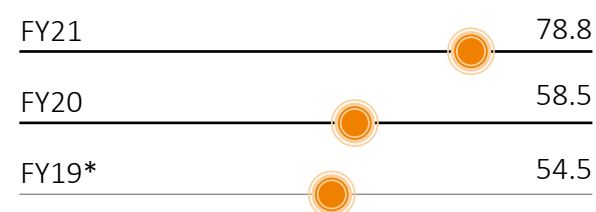
TOTAL REVENUES +31%

£157.5m



INTERNATIONAL GROWTH +35%

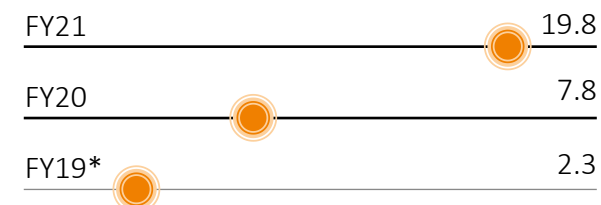
£78.8m



PROFITABILITY

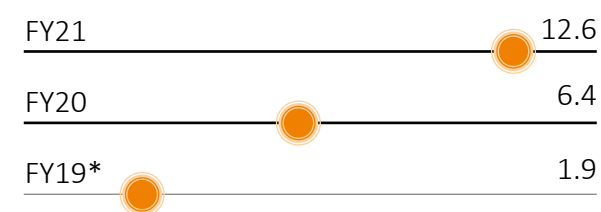
REPORTED EBITDA +154%

£19.8m

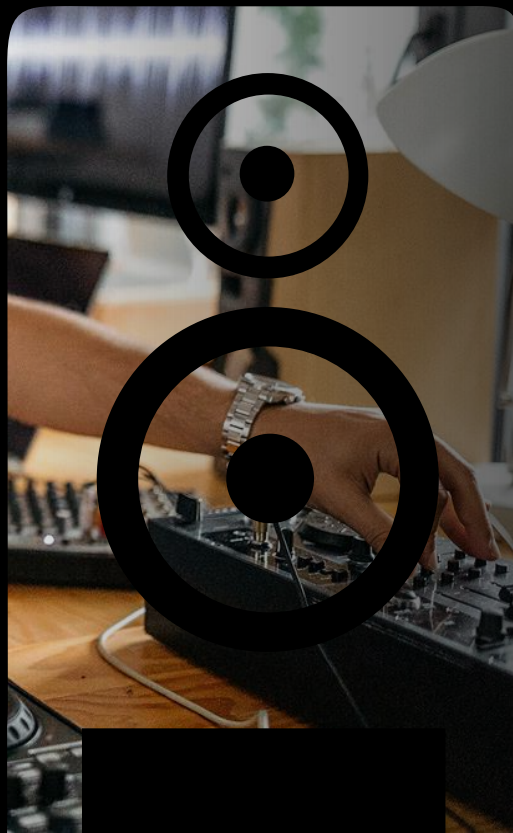


EBITDA MARGIN +620BPS

12.6%



* FY19 financial data is for the 13 months ended 31 March 2019



SECTION 02

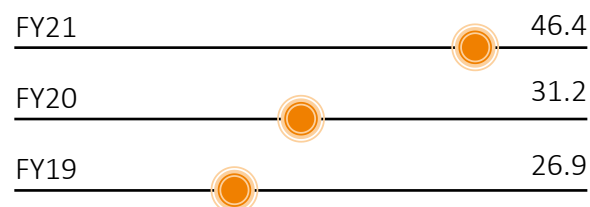
Financial Overview

FY21 Financial Highlights

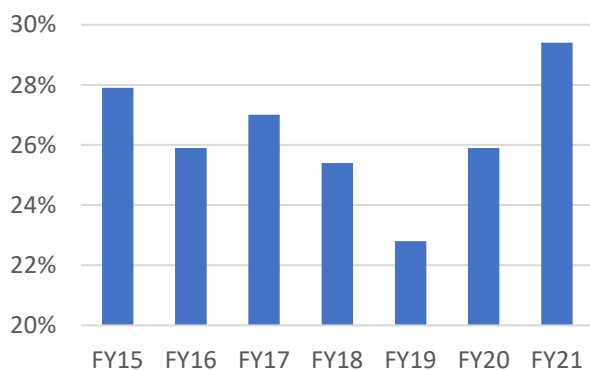
PROFITABILITY

GROSS PROFIT +49%

£46.4M



GROSS MARGIN



	FY21		FY20	FY19
	£'000		% of total sales	
Revenue	157,451	100%	120,326	118,155
Gross profit	46,354	29.4%	25.9%	22.8%
European Distribution	(2,717)	(1.7%)	(1.5%)	(2.1%)
Marketing costs	(9,248)	(5.9%)	(7.7%)	(8.3%)
UK labour costs	(10,051)	(6.4%)	(6.9%)	(7.0%)
Other costs	(4,557)	(2.8%)	(3.4%)	(3.5%)
EBITDA margin	19,781	12.6%	6.4%	1.9%

Product Margin Analysis

		FY21	FY20	FY19
	£'000	% of total sales		
Product profit	50,934	32.3%	29.1%	26.7%
Net carriage & packaging	(4,580)	(2.9%)	(3.2%)	(3.9%)
Gross profit	46,354	29.4%	25.9%	22.8%
		Product Margin		
Own brand margin	21,310	47.0%	42.2%	41.2%
Other brand margin	29,624	28.4%	25.3%	22.7%
Total product margin	50,934	34.1%	30.5%	27.8%

- Product margin improved 360bps on FY20 reflecting:
 - On-going margin improvement strategy
 - One-off Q1 lockdown upside
 - Own brand margin up 480bps
 - Other brand margin up 310bps further to a 260bps improvement in FY20
- 'Net carriage and other items' decreased to 2.9% of sales (FY20: 3.2%)

Trading KPIs

Period ended	12m to 31 Mar 21	12m to 31 Mar 20**	13m to 31 Mar 19*
Rate of overall sales growth	30.9%	9.5%	36.3%
Rate of UK sales growth	27.3%	4.9%	32.9%
Rate of International sales growth	34.6%	14.7%	40.6%
Own-brand sales (£'000)	45,368	35,432	31,289
Own-brand growth	28.0%	21.8%	39.6%
Other-brand sales (£'000)	104,199	79,416	82,125
Other-brand growth	31.2%	3.5%	34.8%
Own-brand % of total sales	28.8%	29.4%	26.5%
Marketing costs (£'000)	9,248	9,296	9,752
Marketing as % of sales	5.9%	7.7%	8.3%
Total labour costs (£'000)	12,252	9,748	9,547
Labour costs as % of sales	7.8%	8.1%	8.1%

* 13m growth to 31 Mar 19 compares with 13 months to 31 Mar 18

** 12m growth % to 31 Mar 20 compared with 12 months to 28 Feb 19

- Strong sales growth: 68% in Q1 reflecting COVID-19 lockdowns; Q2 +21%; Q3 +29%; Q4 +15%
- UK growth of 27% takes estimated market share to 8.9% (FY20: 7.2%)
- International sales exceed domestic UK sales for first time – significant on-going opportunity
- Own brand growth broadly kept pace other brand growth
- Spent less on marketing in FY21 than in FY20 notwithstanding a £37.1m (31%) increase in sales, reflecting lower spend to manage capacity in Q1; return improved from 7.7% of sales to 5.9%
- Labour costs increased by £2.5m (26%) reflecting activity related increases

Income Statements

Period ended	31 Mar 21 IFRS16	31 Mar 20 IFRS16	13m to 31 Mar 19 IFRS16
	£'000	£'000	£'000
Total Sales	157,451	120,326	118,155
Product Profit*	50,934	35,061	31,558
Product Margin	34.1%	30.5%	27.8%
Gross Profit	46,354	31,156	26,916
GP%	29.4%	25.9%	22.8%
EBITDA	19,781	7,754	3,688
EBITDA as % of sales	12.6%	6.4%	3.1%
Depreciation & Amortisation	(4,372)	(3,687)	(3,507)
Net Finance expenses	(770)	(989)	(1,040)
Tax	(1,998)	(488)	446
Net (loss)/profit	12,641	2,590	(413)
Basic earnings per share	60.3p	12.4p	

- Sales growth of 31% reflecting strong underlying trading, and a significant one-off impact of COVID-19 lockdown
- Improvement in gross margin continues: up from 25.9% to 29.4%
- UK admin expenses of £27.1m (FY20: £24.6m), including £10.1m labour costs, £9.2m marketing costs, and £3.3m depreciation and amortisation
- European admin expenses of £3.8m (FY20: £2.5m) including £2.7m overheads, £0.7m right-of-use asset depreciation, and £0.4m PPE depreciation.
- EBITDA margin of 12.6% (FY20: 6.4%)
- Financial expenses of £0.8m include £0.4m IFR16 lease interest, £0.2m forex loss, and £0.2m bank interest

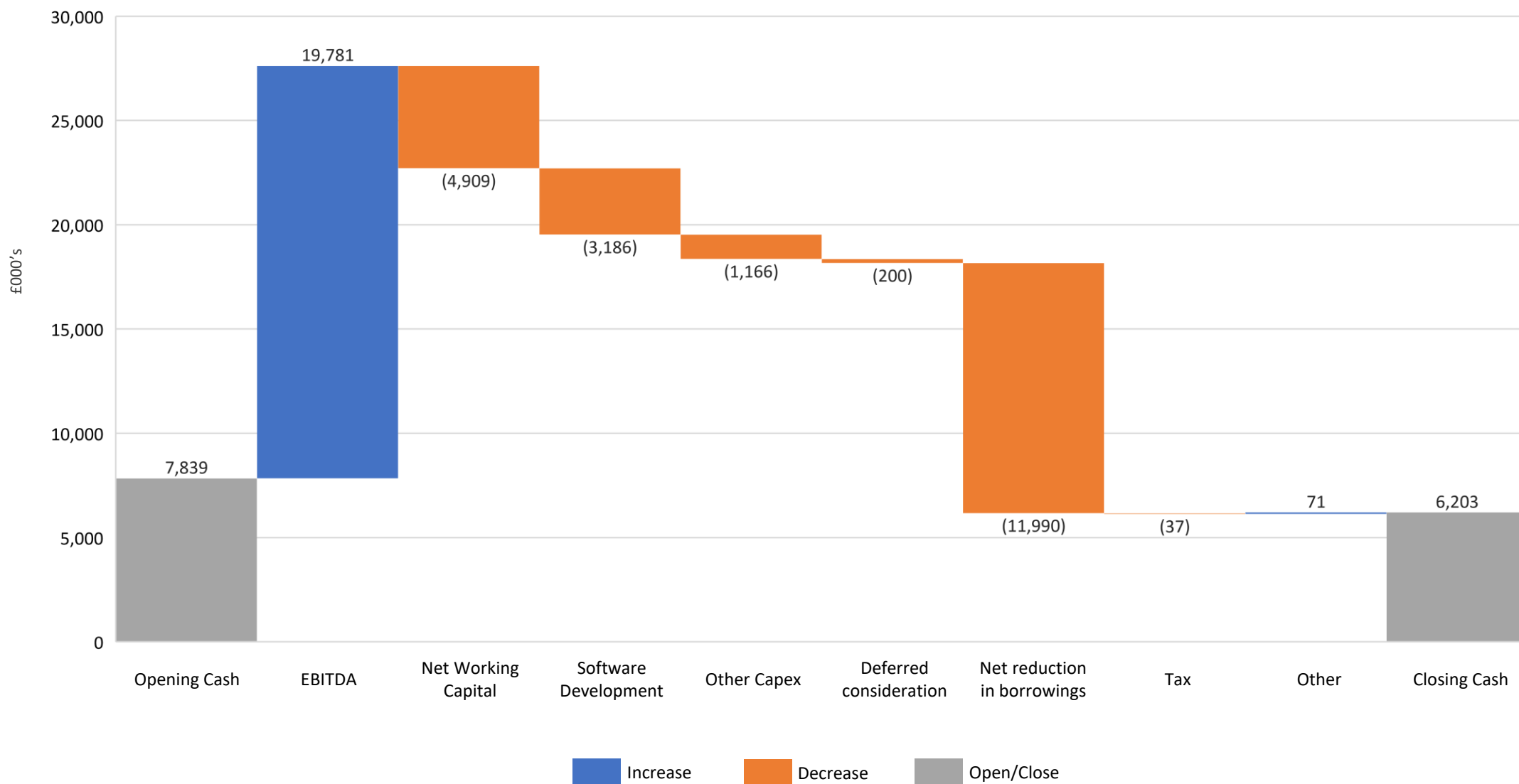
* Representing product profit, excluding warranty income and consumer finance commissions

Balance Sheet Overview

As at	31 Mar 21	31 Mar 20	31 Mar 19
	£'000	£'000	£'000
Freehold land and buildings	7,350	7,500	7,191
Other PPE including Right of Use asset	11,711	12,681	3,575
Intangible asset – software platform	8,401	7,127	5,814
Intangible assets – brand and goodwill	1,994	1,957	2,013
Fixed assets	29,456	29,265	18,593
Inventories	28,430	22,015	18,661
Trade and other receivables	3,647	2,501	1,657
Cash and cash equivalents	6,203	7,839	5,304
Current assets	38,280	32,355	25,622
Loans and borrowings	(575)	(9,949)	(8,555)
Trade and other payables	(18,938)	(14,442)	(11,533)
Leases	(1,099)	(1,148)	-
Current liabilities	(20,612)	(25,539)	(20,088)
Net current assets	17,668	6,816	5,534
Loans and borrowings	(2,901)	(3,439)	(4,272)
Leases	(8,315)	(9,519)	-
Other long-term liabilities	(1,596)	(1,514)	(1,148)
Non-current liabilities	(12,812)	(14,472)	(5,420)
Net assets	34,312	21,609	18,707

- Strong balance sheet: £34.3m net assets and net cash of £2.7m (FY20: net debt of £5.5m)
- April 2021: secured £35m RCF
- Continued investment in software platform: capitalised £3.2m (FY20: £2.8m)
- Stock increased £6.4m (29%) to support sales growth and mitigate potential COVID-19 and Brexit related supply chain issues

Cash Flow Overview



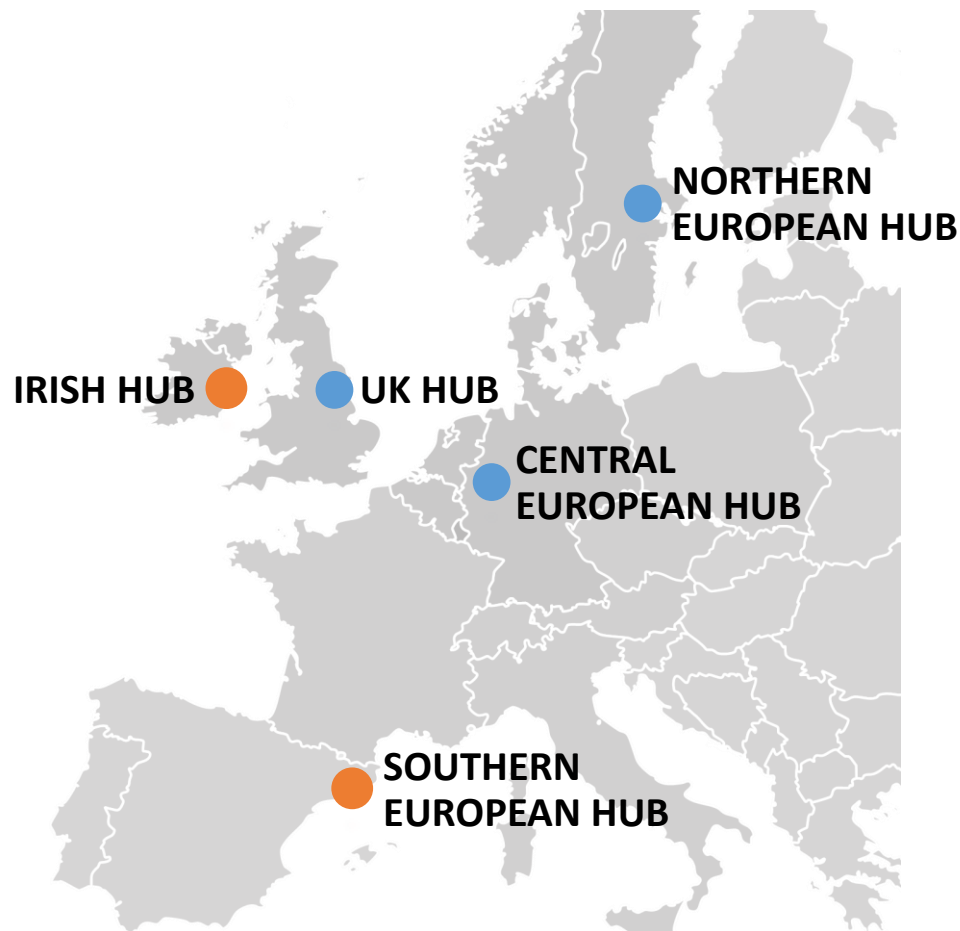


SECTION 03

Strategy Update

Strengthening European Distribution

New Hubs to be operational in Ireland and Spain by September 2021



UK HUB, YORK

- Inventory Capacity: £19m
- Serves UK and ROW

NORTHERN EUROPEAN HUB, STOCKHOLM

- Inventory Capacity: £8m
- Serves Scandinavia & Europe

CENTRAL EUROPEAN HUB, MÜLHEIM

- Inventory Capacity: £6m
- Serves Germany & Europe

NEW - IRISH HUB, DUBLIN

- Inventory Capacity: £2m
- Serves Ireland & Northern Ireland

NEW - SOUTHERN EUROPEAN HUB, BARCELONA

- Inventory Capacity: £7m
- Serves Spain & Southern Europe
- Provides additional storage capacity for other European hubs

Acquisition Strategy

Recent brand acquisitions highlight new growth opportunities



- Premium Drums and Percussion brand
- Founded in 1922 - 100 year anniversary in 2022
- Brand and assets acquired for £1.685m
- Potential sales of £6m+ at own-brand margins
- Worldwide distribution in place
- Opportunity for branding other orchestral instruments



- Premium Bass amplification & pedal brand
- Previously owned by Marshall Amplification
- Brand and assets deal
- Potential sales of £2m+ at own-brand margins
- Worldwide distribution in place
- Opportunity for branding other bass products



**FUTURE
TARGETS**

Current or legacy brands

- Opportunity to integrate into the Gear4music own-brand portfolio
- Margin enhancing
- Widen Geographical reach

Online retailers in parallel markets

- Smaller scalable profitable retailers
- Would benefit from migration to the Gear4music platform
- Compatible product groups that will expand addressable market



SECTION 04

KPI Review



FY21 Customer metrics



Profitable from first transaction

£9

COST OF ACQUISITION

£116

AVERAGE ORDER VALUE

£32

GP PER TRANSACTION

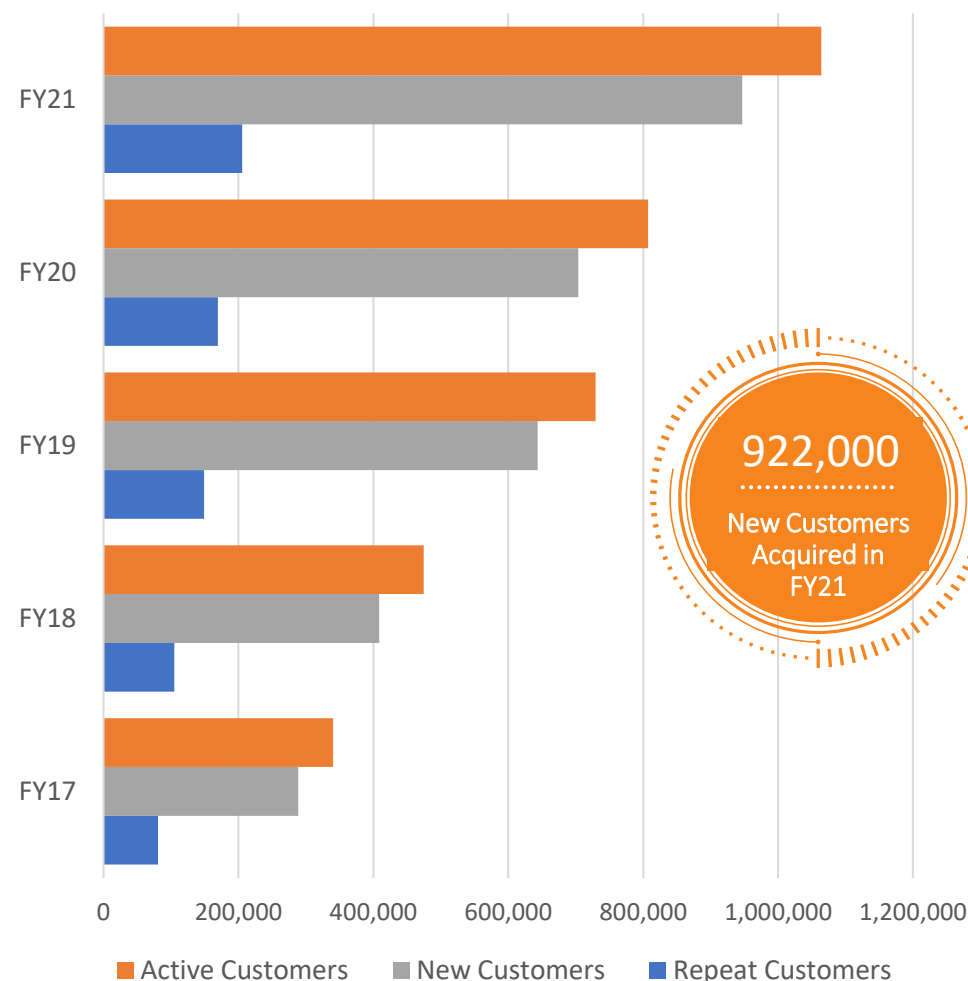
£207

SALES LIFETIME VALUE

	FY19	FY20	FY21
Average order value	£117	£117	£116
Gross profit per transaction	£27	£30	£32
Relevant Marketing cost*	£8.9m	£8.4m	£8.8m
Cost of acquisition	£13	£12	£9
Sales life time value	£207	£212	£207
Email subscriber database	0.89m	0.65m	0.98m

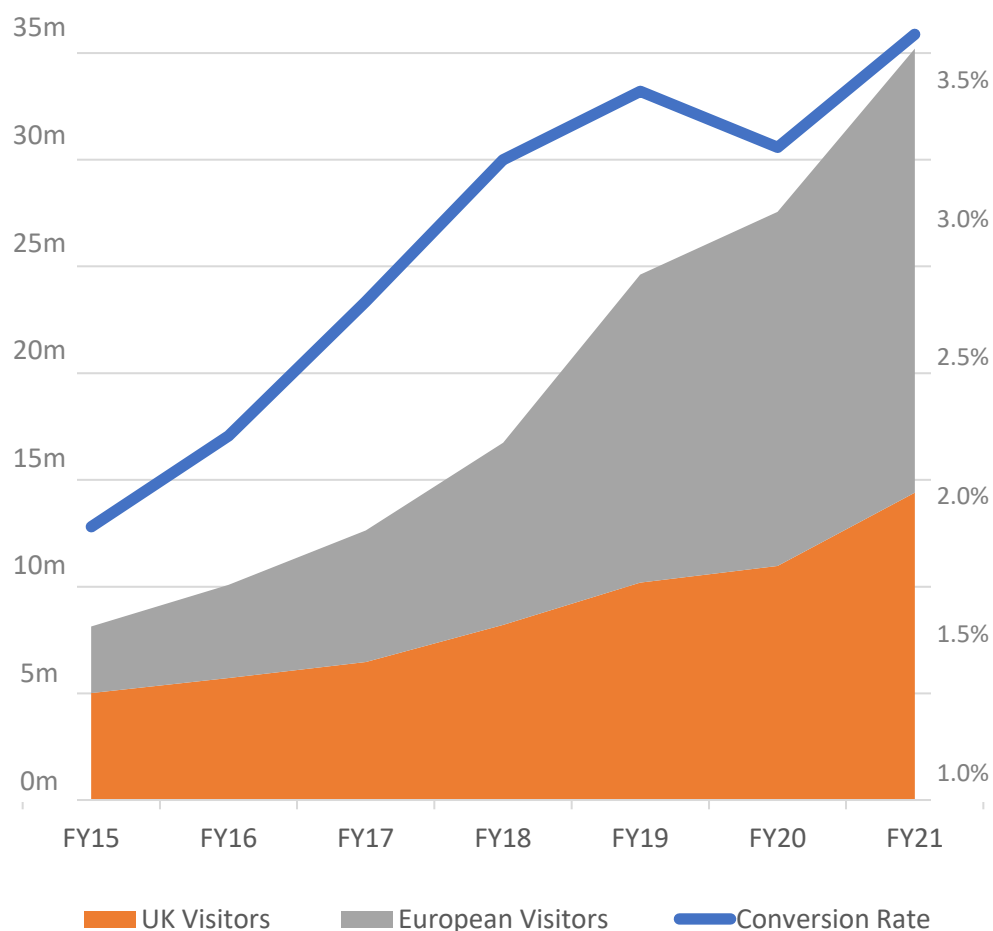
* Excludes Amazon and POS

Customer Profiles, FY17 – FY21



FY21 Website metrics

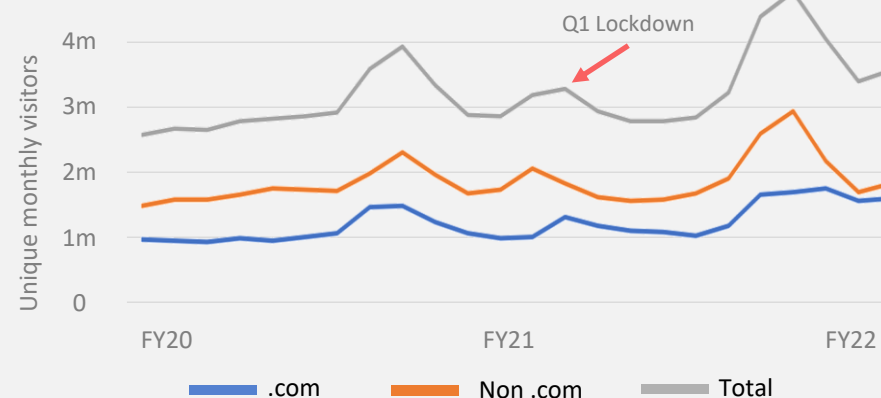
Website conversion & traffic



Website data

	FY19	FY20	FY21	diff
Total unique website users	27.1m	28.4m	36.0m	+27%
Total pages viewed	145m	150m	170m	+13%
UK website users	10.9m	11.0m	14.4m	+31%
European website users	15.2m	16.6m	20.8m	+25%
Mobile traffic as % of total	50%	56%	55%	-91 BPS
UK conversion rate	4.83%	4.80%	5.52%	+72 BPS
European conversion rate	2.57%	2.37%	2.55%	+18 BPS
Mobile conversion	2.21%	2.36%	2.67%	+31 BPS

FY20 – FY21 Website traffic



FY21 Product sales



35%

GUITARS

Electric, acoustic
& bass guitars

Revenue
£52.3m

Growth
66%



22%

KEYS

Pianos, synths,
digital keyboards

Revenue
£32.5m

Growth
30%



16%

STUDIO

Mixers, headphones,
monitors, interfaces

Revenue
£23.8m

Growth
63%



11%

LIVE & PA

Speakers, lighting
& microphones

Revenue
£16.7m

Growth
-23%



9%

DRUMS

Electric, acoustic
& percussion

Revenue
£14.3m

Growth
11%



6%

ORCHESTRAL

String instruments,
brass, woodwind

Revenue
£9.0m

Growth
14%

Categories totalling 1% or less of sales are excluded

Summary

A circular orange icon with a dashed border, containing the word "Financial" in white text.

Financial

- Exceptional period of growth
- Strong gross margin improvement underpinned profits
- Significant growth in new customer numbers
- Controlled overhead costs
- FY21 profits not expected to be matched in FY22, but FY22 expected to be ahead of previous expectations

A circular blue icon with a dashed border, containing the word "Strategy" in white text.

Strategy

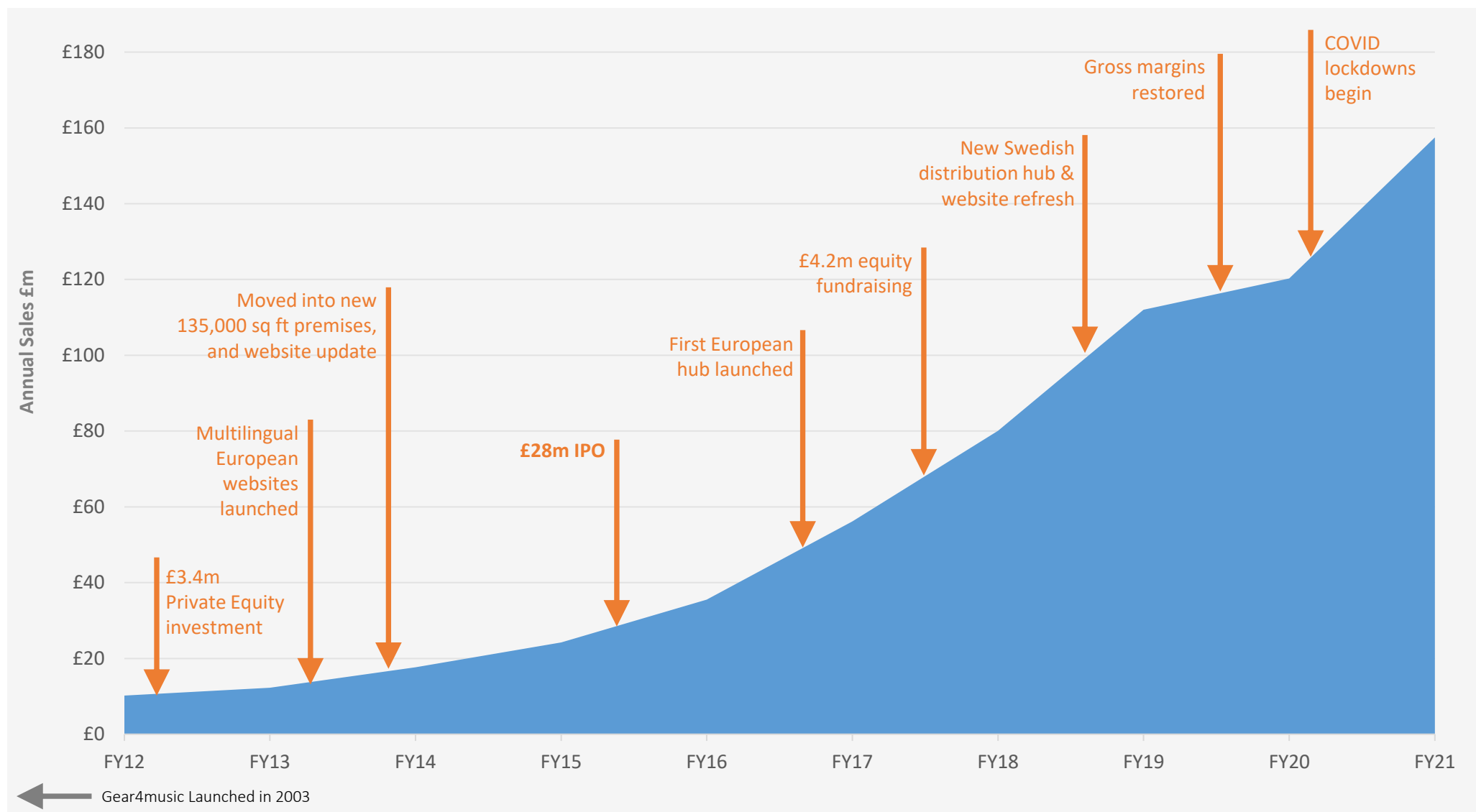
- Continued focus on higher margin products and increasing marketing returns to drive profits
- Software development at core of growth strategy
- European distribution to be strengthened
- Further acquisitions likely



SECTION 05

Background Information

Key Milestones



Directors



Andrew Wass

CEO

- Launched Gear4music.com in 2003
- Set up a recording studio business in 1992 after studying popular music and sound recording at Salford
- Began selling IT systems for the audio recording market in 1998
- Responsible for Strategy, Operations & Growth, with a focus on systems development & customer experience



Ken Ford

Chairman

- Joined Gear4music's board in June 2015
- Previously Chief Executive of Teather & Greenwood & Former Chair of the QCA
- Currently a director Scientific Digital Imaging plc
- Fellow of the Securities Institute



Chris Scott

CFO

- Joined Gear4music in October 2012
- Chartered Accountant & Executive MBA graduate
- 12 years with KPMG: eight in the advisory practice
- Previous industry experience: Barclays Bank & CFO of Officers Club
- Responsible for Finance, HR & compliance; Company



Dean Murray

Non-Executive Director

- Joined Gear4music in March 2012
- Chairman of Neville Johnson Group & Construction Materials Online
- Former CFO & COO of Myriad Childrenswear Group
- Former Director of French Connection
- Chartered Accountant



Gareth Bevan

CCO

- Joined Gear4music in July 2012
- Previously at DV247, the largest music equipment retailer at that time, where he was responsible for purchasing, sales & marketing
- 17 years' experience in music equipment retail
- Responsible for Purchasing, Pricing & Supplier relationship management



Harriet Williams

Non-Executive Director

- Joined Gear4music in January 2021
- Currently the Vice President of Global E-commerce at the LEGO Group
- Former Chief Digital Officer at The Body Shop
- Previous industry experience: Gucci, Debenhams, Marakon Associates

Operational Management

Executive Board



Andrew Wass
CEO
Founder, 2003



Chris Scott
CFO
Joined 2012



Gareth Bevan
CCO
Joined 2012

Operational Board



Eleni Buras
Performance Marketing
Director
Joined 2015



Jonathan Meager
E-commerce Director
Joined 2007



Robert Newport
Operations Director
Joined 2016



Charlotte Mahon
HR Director
Joined 2015

Senior Management



Christian Skoglund
Swedish Commercial
Manager
Joined 2016



Jan Imig
German General
Manager
Joined 2017



Alison Lynch
Head of UK Buying
Joined 2018



Tom Walder
Technical Consultant &
Advisor
Joined 2017



Victor Burraru
Swedish Logistics
Manager
Joined 2016



Dirk Hendricks
German Logistics
Manager
Joined 2020



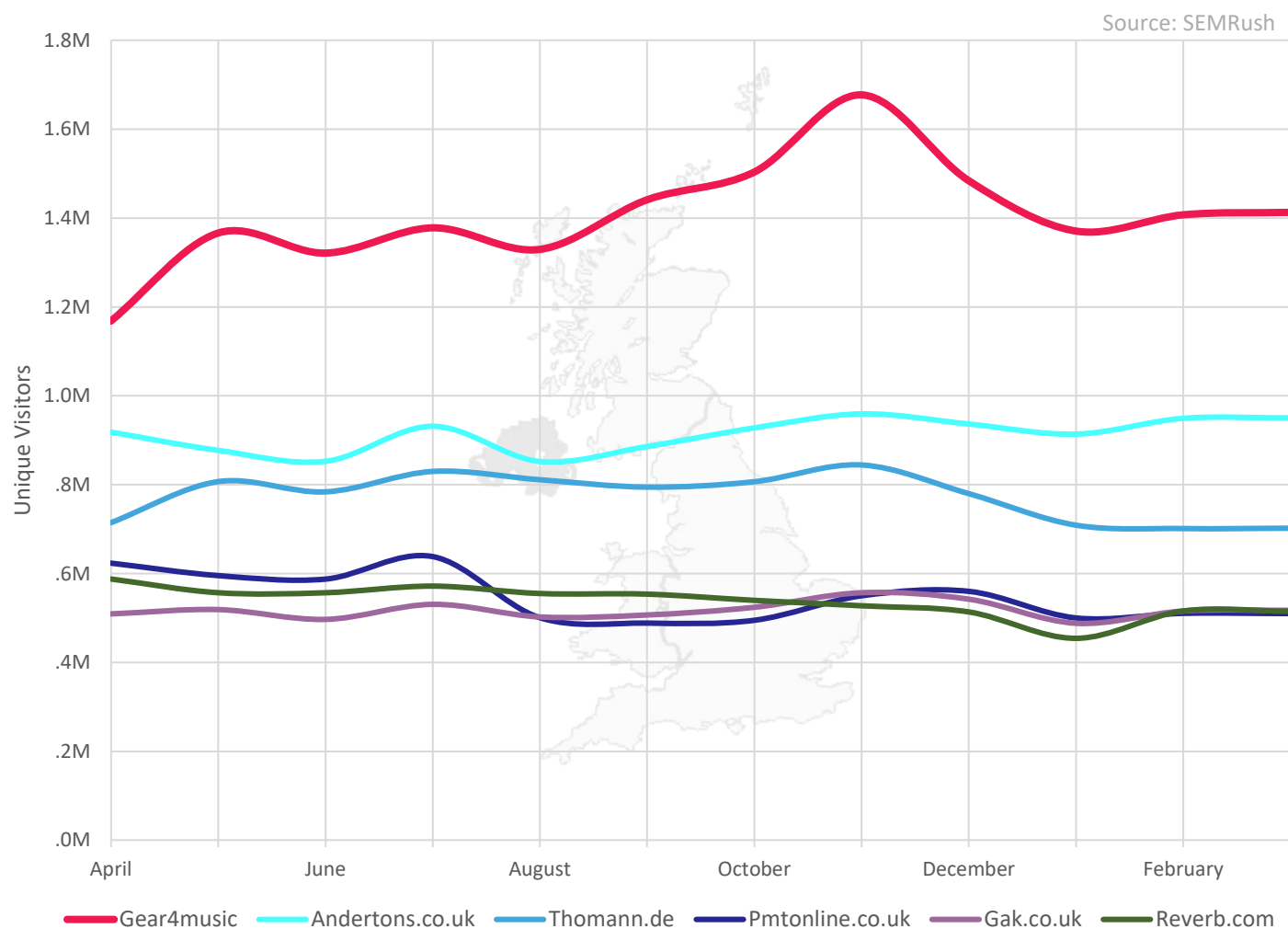
Mark Fratson
UK Logistics Manager
Joined 2005



David Stuart
Head of Customer Service
Joined 2005

Estimated UK market: £880m

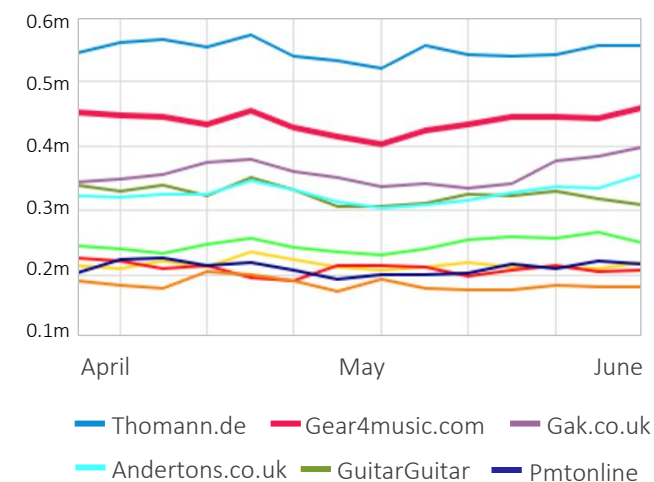
FY21 UK Internet traffic share



- Gear4music market share c.8.9%
- Estimated UK online market c.£320m
- Highly fragmented market
- Market growing at c.2%
- Accelerating shift: high street to online

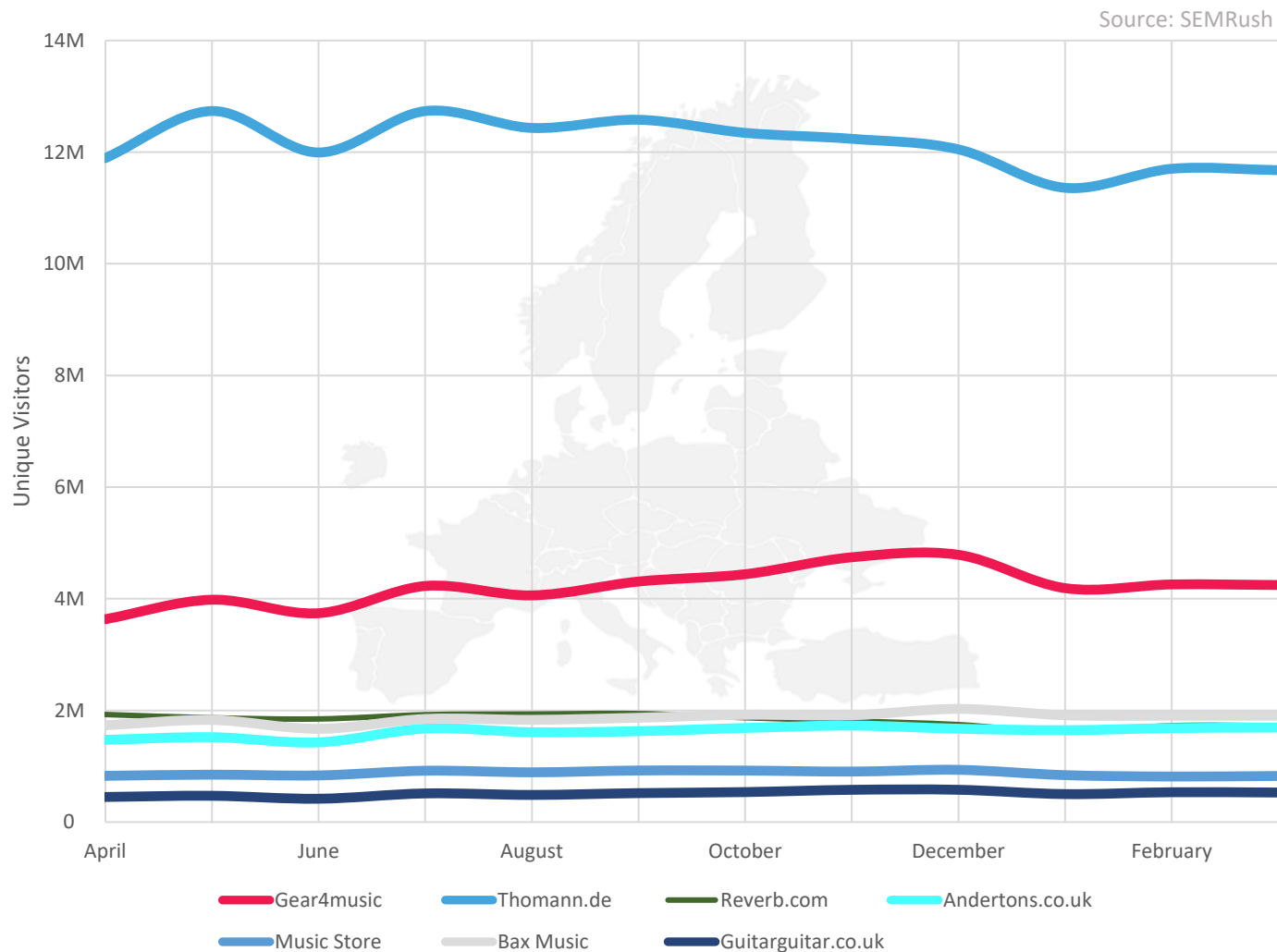
FY16 website traffic

The chart below shows comparative unique UK website visitors in the UK in 2015. Source: Hitwise



Estimated European market: £4.1bn

FY21 European traffic share



- Gear4music European revenues reached £78m in the last 12 months
- Represents just 1.9% of the European market
- FY21 European sales growth of 35%
- Website features 15 languages & 8 currencies
- Distribution hubs in Sweden and Germany

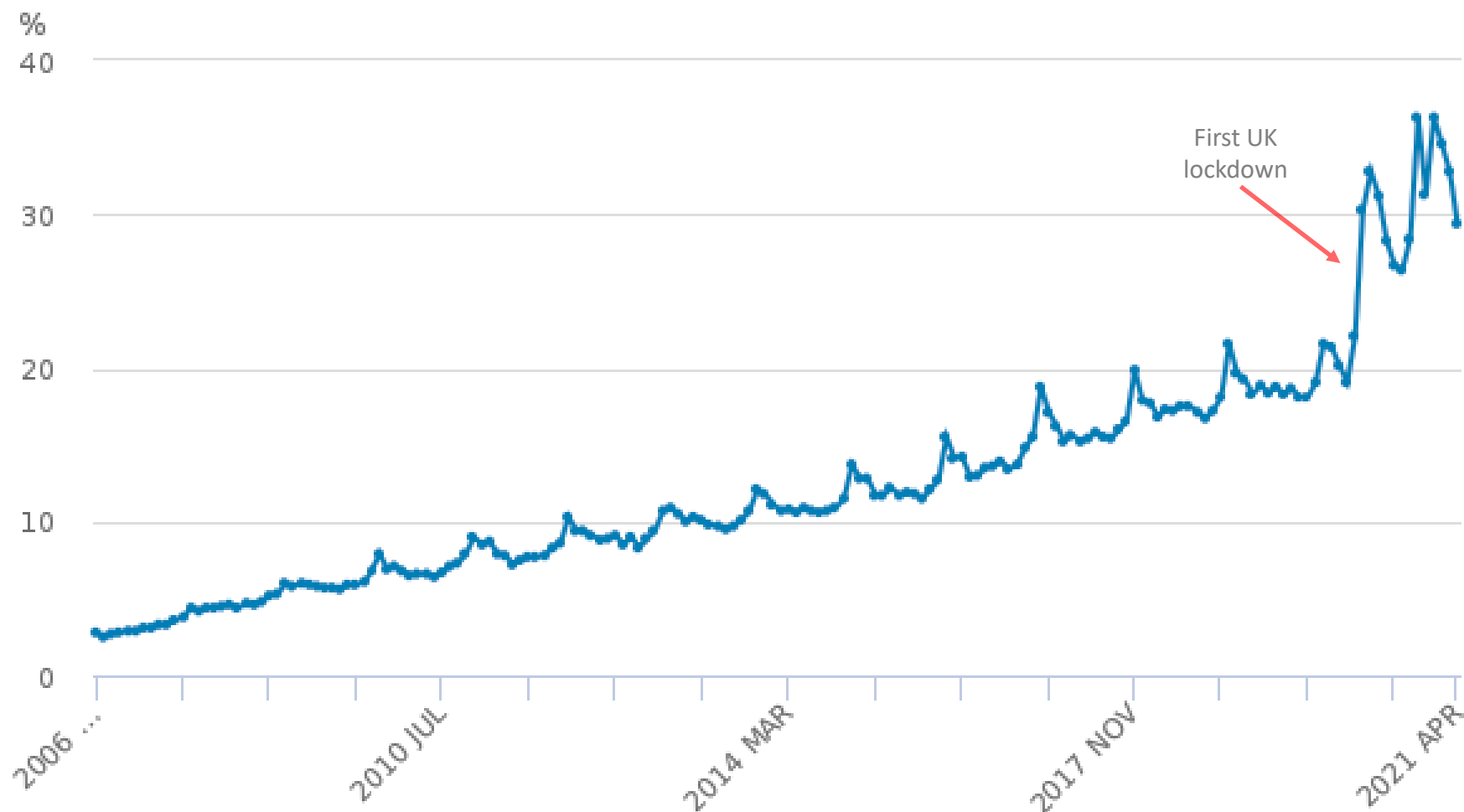
Top European Markets

Country	Estimated Market Size (£m)
Germany	1,398
France	1,010
Italy	677
Netherlands	236
Austria	212
Spain	194
Switzerland	166
Sweden	125
Norway	96
Total Size	4,114

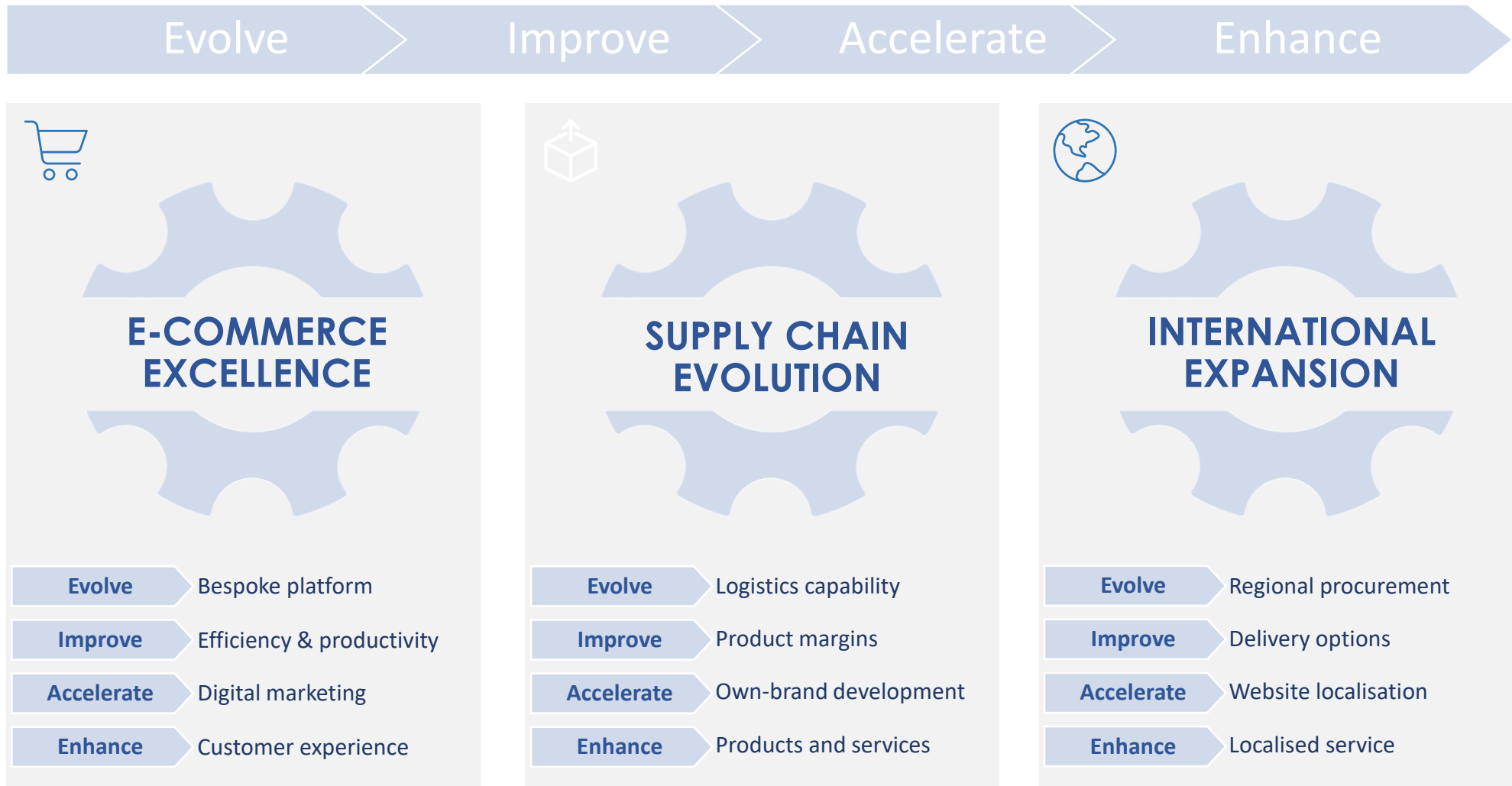
Shift to e-commerce accelerates

UK internet sales as a percentage of total retail sales (ratio) (%)

Source: ONS



Growth Strategy



International Growth

Global Market sizes*:



- \$19.5bn+ Worldwide
- \$8.3bn USA
- \$3.8bn Asia
- \$0.5bn South America
- \$6.8bn Europe
 - \$1bn UK
 - \$400m Scandinavia

Expansion strategy:



- ① Enable delivery destination
- ② Launch market specific website
 - Translate if required
 - Localise currency & payment options
- ③ Establish local distribution if viable
 - 3rd party fulfilment being developed as an alternative

Current activities



- Delivery available to over 190 countries
- FY21 Swedish hub shipments increased by 52%
- FY21 German hub shipments increased by 88%
- USA delivering highest revenues outside Europe
- Local buying operational in Sweden and Germany
- Brexit: platform reconfiguration largely complete

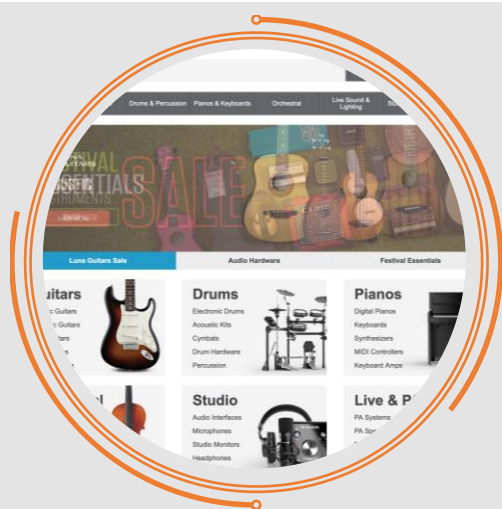
A bespoke distribution platform



- Any distribution hub can deliver to any country
- System automatically decides which customer delivery options to present from over 24,000 permutations
- 'Split Basket': Orders with multiple items can be dispatched from multiple hubs if necessary
- Local courier integrations provide enhanced services
- Automatic consignment consolidation reduces cross border fees

*Source: USA, Asia & South America = Music Trades (2019), Europe = Gear4music research (2012)

Strong Competitive Advantage



FRONT END

Market leading localised websites

Mobile & desktop, multilingual, multicurrency, range of delivery options

Strong online presence

Awareness through effective SEO & machine learning digital marketing



PRODUCTS

Strong Own-brand offering

High quality range of 3,800 SKUs at very competitive prices

Large branded product range

Over 57,900 products from over 900 manufacturers, including major brands



BACK END

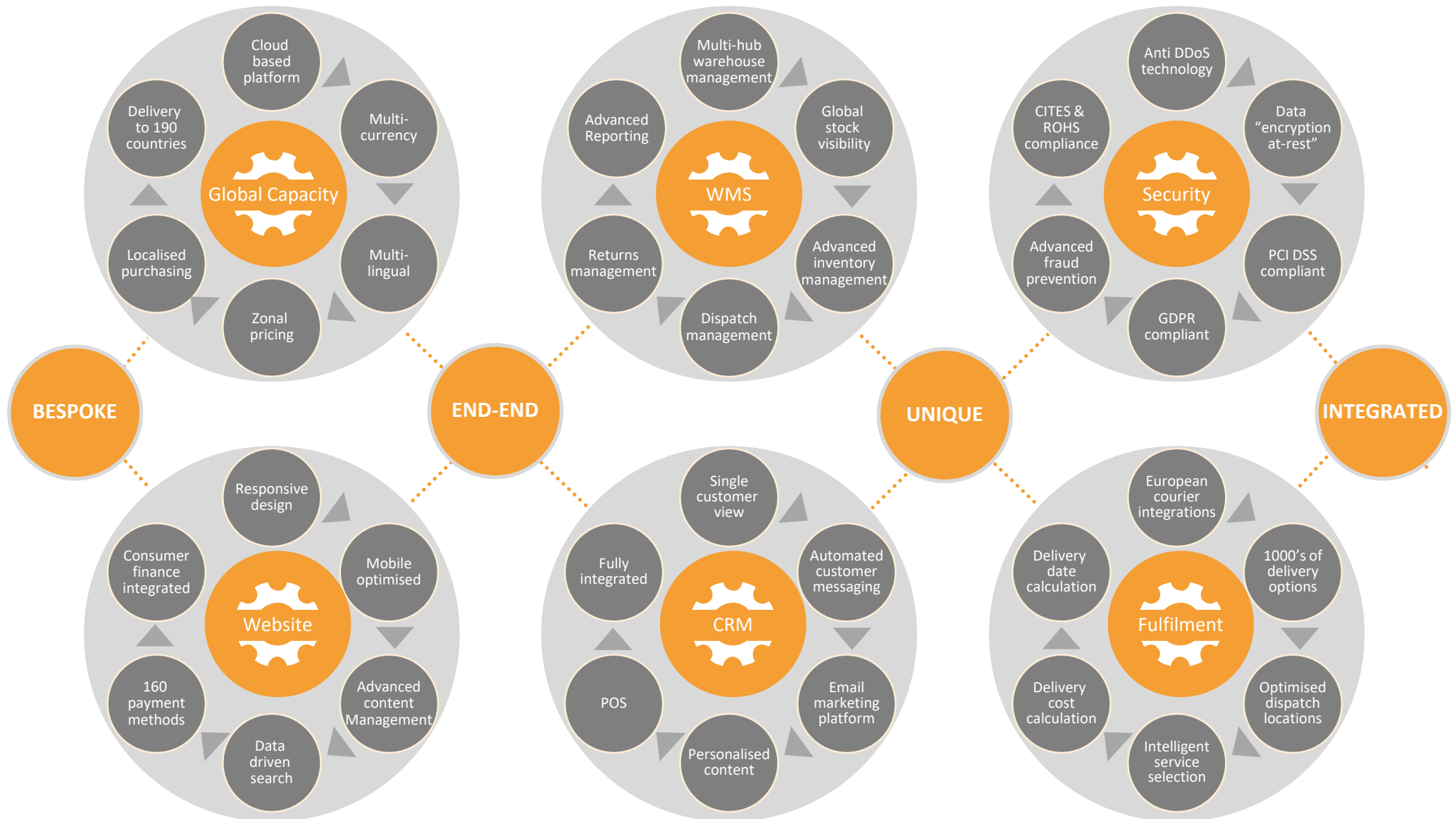
Bespoke, flexible platform

Robust integrated systems developed in house over 15 years

In-house logistics capability

280,000 sq ft total distribution space in UK, Sweden & Germany

Platform Features



Operations & Competitors

Gear4music

2021 Revenues: £157m
2020 Revenues: £120m
Growth 31%

Bax Shop*

2019 Revenues £100m
2018 Revenues £96m
Growth 4%

S&T Audio (PMT)*

2020 Revenues £44m
2019 Revenues £42m
Growth 5%

Kytary.cz

2020 Revenues £31m
2019 Revenues £18m
Growth 72%

Andertons

2020 Revenues £54m
2019 Revenues £43m
Growth 25%

Thomann*

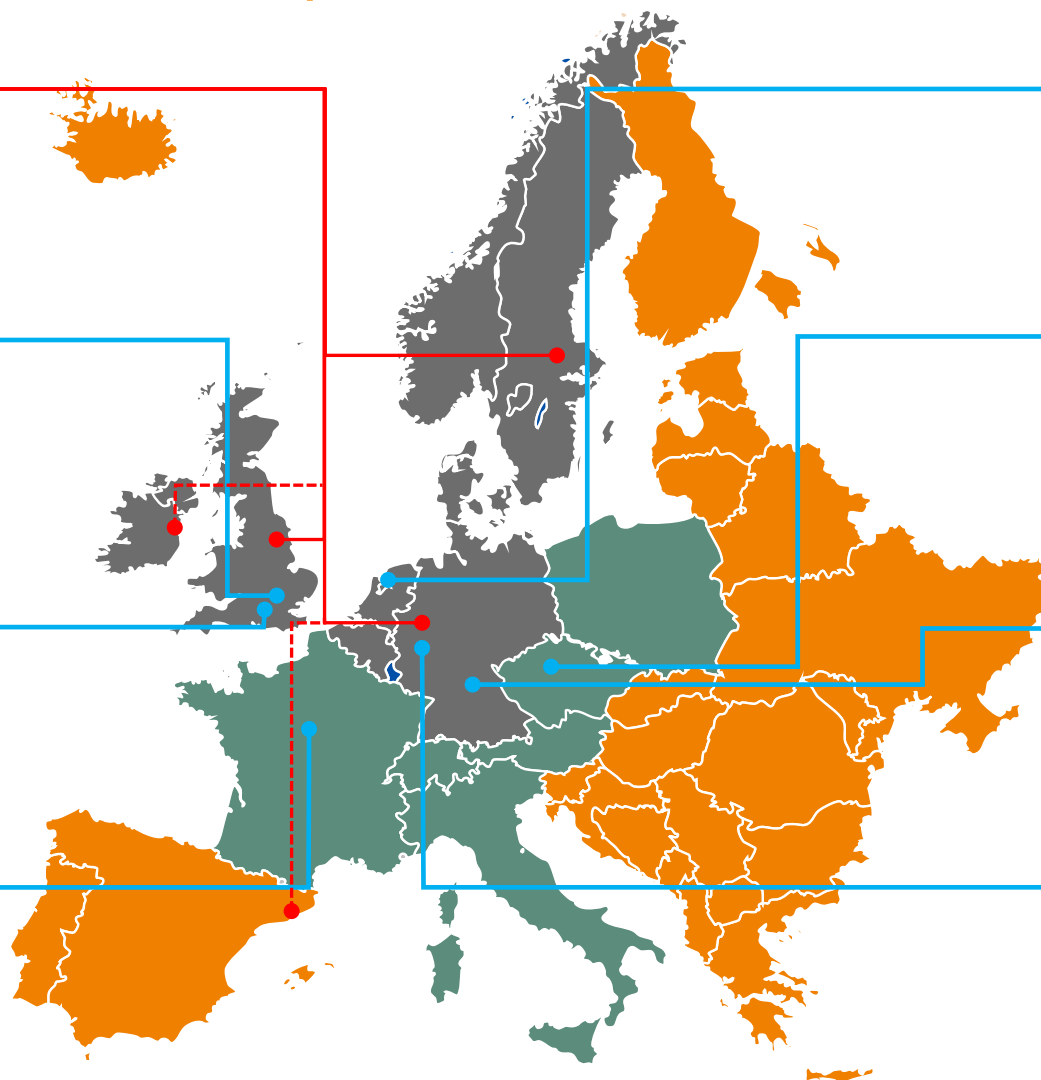
2019 Revenues £847m
2018 Revenues £729m
Growth 16%

Woodbrass

IN ADMINISTRATION
2019 Revenues £42m
2019 Revenues £46m
Growth -9%

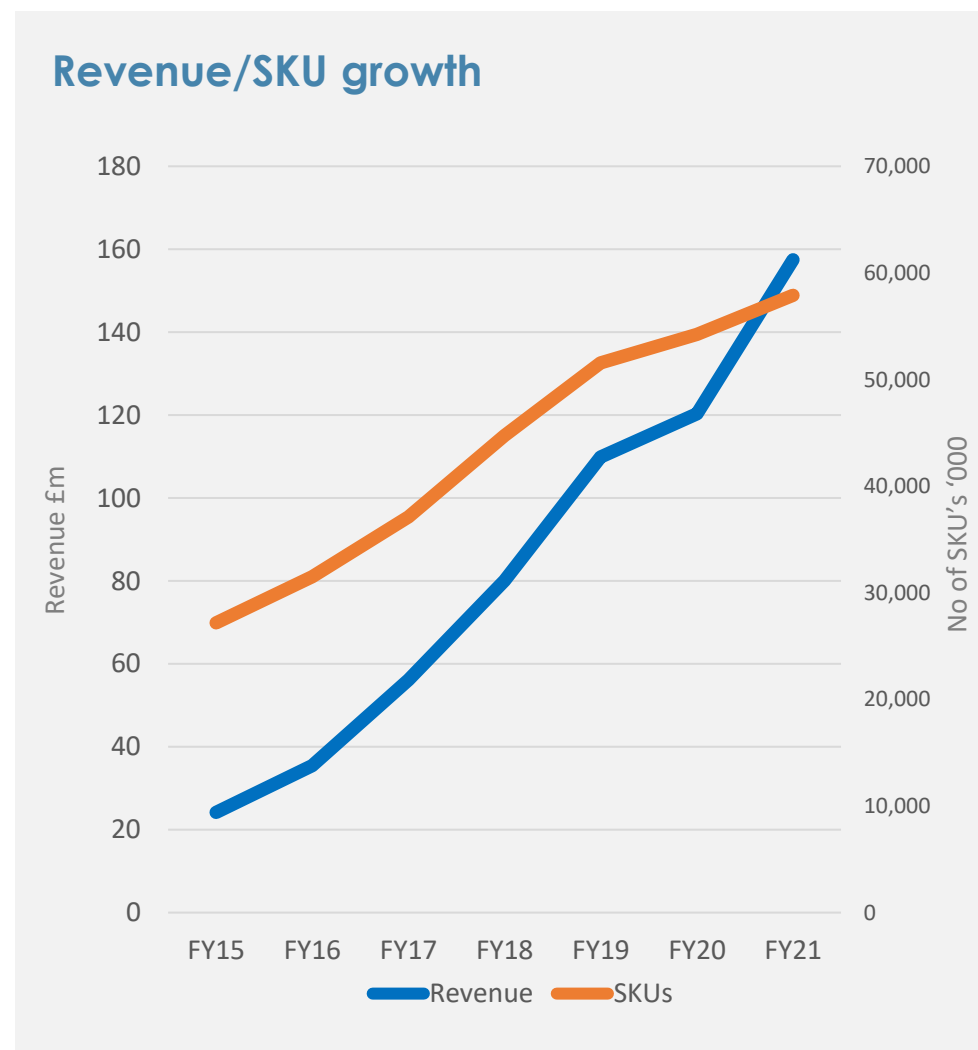
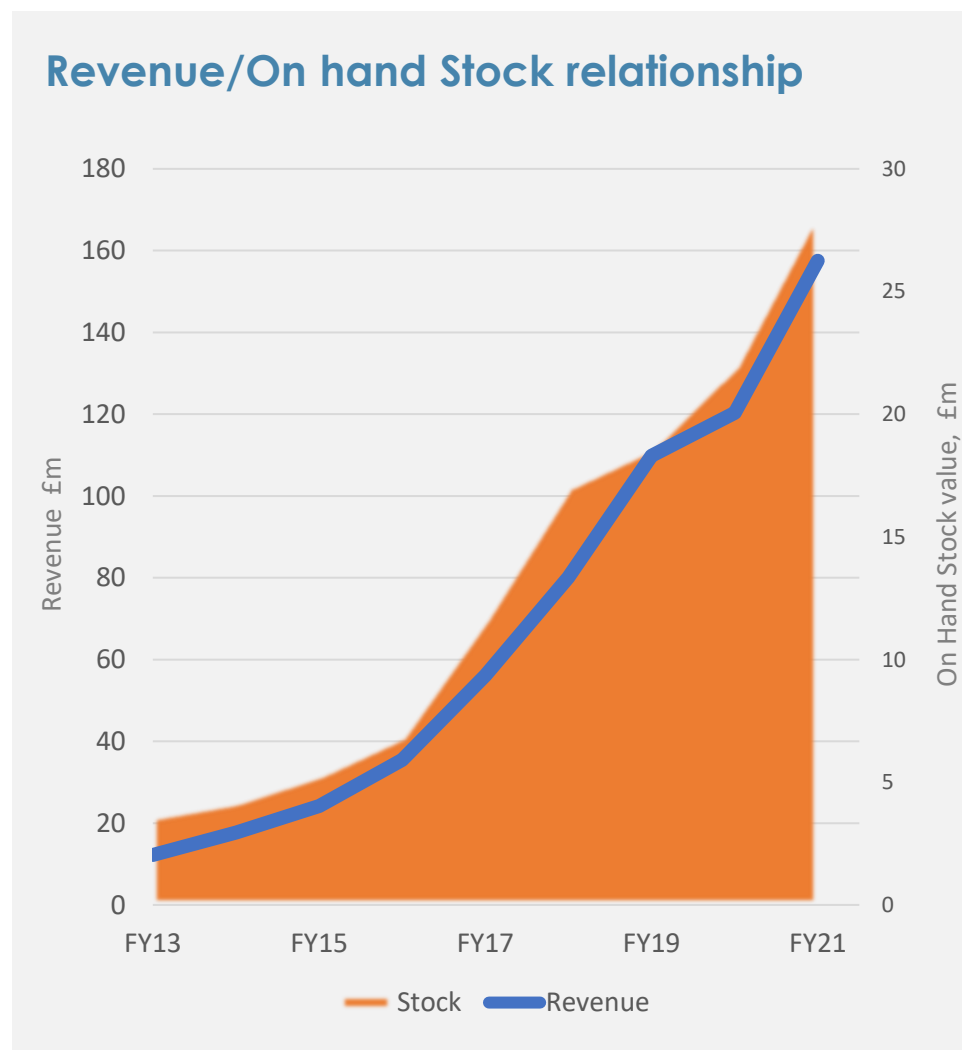
Music Store*

2019 Revenues £118m
2018 Revenues £99m
Growth 19%



Gear4music delivery timescales: ■ 1 day road/ economy delivery ■ 2 days road/ economy delivery ■ 3+ days road/ economy delivery

Historic inventory trends



Major Shareholders as at 30 April 2021

Major Shareholders as at 30 April 2021

Name	Number of shares	% of issued share capital
Andrew Wass	6,351,993	30.3%
AXA Investment Managers	2,751,193	13.1%
Aberdeen Standard Investments	2,042,412	9.8%
TB Amati Investment Funds	1,857,289	8.9%
Cannaccord Genuity Group Inc	1,515,722	7.2%
Premier Miton Group	759,481	3.6%
Octopus Investments Limited	668,345	3.2%

Source: N+1 Singer

12 month Share price graph



52 week range: 280p – 975p

Market cap as of 17 JUNE 2021: £196m

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This presentation is being made only to and directed at: (a) persons who have professional experience in matters relating to investments falling within Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “FPO”); or (b) high net worth entities, and other persons to whom it may otherwise lawfully be communicated, falling within Article 49 of the FPO (all such persons together being referred to as “relevant persons”); or (c) any other person to whom this promotion may lawfully be directed. Any person who is not a relevant person should not act or rely on this presentation or any of its contents.

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