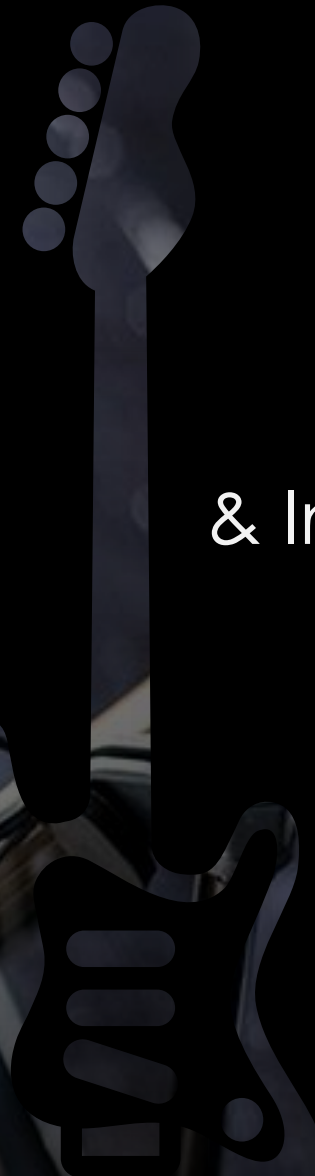




FY22 H1 Results & Investor update



November 2021

FY22 H1 Overview

GOOD MOMENTUM FOLLOWING AN EXCEPTIONAL FY21 H1

- FY21 comparisons less relevant due to COVID, FY20 comparisons show strong underlying performance
- Total sales down 8% compared with FY21 H1, up 31% compared with FY20 H1
- Robust UK Sales: flat against FY21 H1, up 48% compared with FY20 H1
- European sales down 16% reflecting previously announced post-Brexit challenges and exceptional FY21 H1

STRONG MARGIN PERFORMANCE CONTINUES

- Gross margins remained strong at 28.0% (FY21 H1: 28.6%; FY20 H1: 25.2%)
- Gross profit of £18.1m (FY21 H1: £20.1m; FY20 H1: £12.5m)
- Marketing returns continue to be strong

PROFITS IN-LINE WITH BOARD EXPECTATIONS

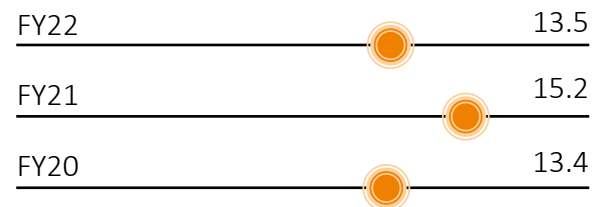
- EBITDA of £4.8m (FY21 H1: £8.5m; FY20 H1: £2.0m)
- 7.4% EBITDA margin (FY21 H1: 12.1%; FY20 H1: 4.0%)
- PBT of £1.9m (FY21 H1: £5.8m; FY20 H1: £0.3m loss)

FY22 H1 Highlights

WEBSITES

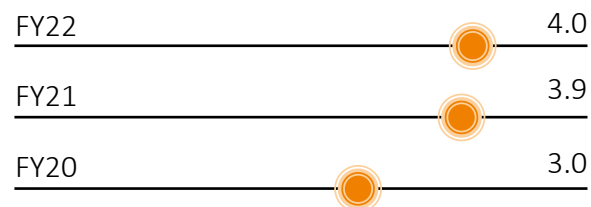
WEBSITE USERS -11%

13.5m



CONVERSION RATE +10BPS

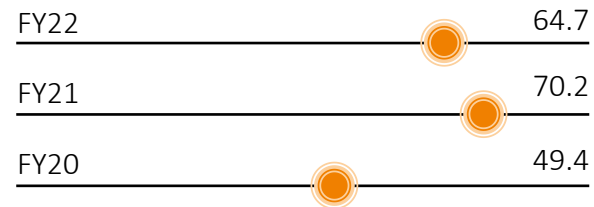
4.0%



SALES

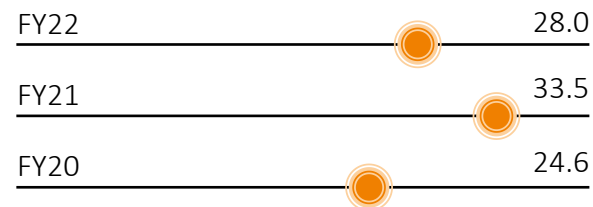
TOTAL REVENUES -8%

£64.7m



INTERNATIONAL GROWTH -16%

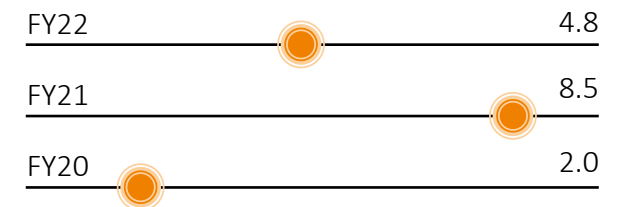
£28.0m



PROFITABILITY

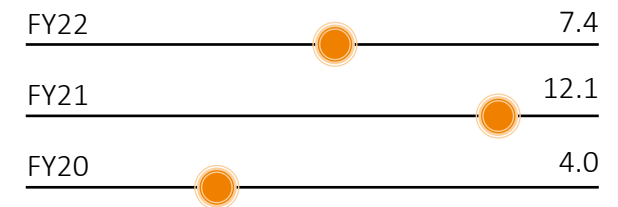
REPORTED EBITDA -43%

£4.8m



EBITDA MARGIN -470BPS

7.4%



Trading Outlook

SHORT TERM CHALLENGES DURING FY22 H2

- Q3 to date: European sales slower due to remaining Brexit related challenges
 - New Irish & Spanish hubs expected to largely resolve Brexit challenges by FY22 Q4
 - Good levels of on-hand inventory, but supply chain disruption slowing new hub progress during Q3
-

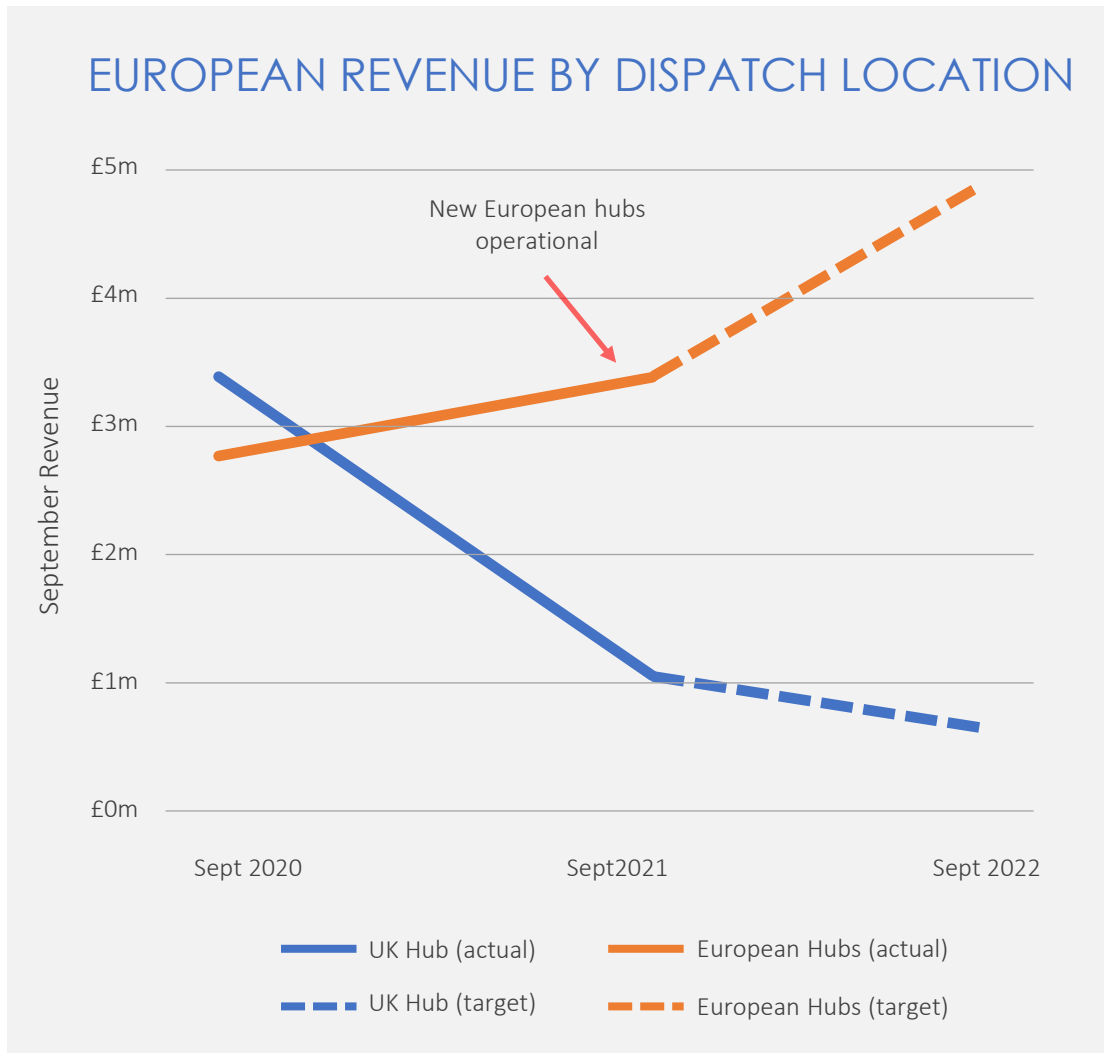
UNDERLYING BUSINESS REMAINS STRONG

- Revenues and Profits well ahead of FY20; FY22 EBITDA expected to be not less than £12m
 - Balance sheet, gross margins and marketing returns remain strong
 - Return to growth expected during FY22 Q4
-

CONFIDENT OUTLOOK FOR FY23

- Increased depth and breadth of inventory in new hubs will help drive growth
- AV Distribution Limited acquisition due to complete in December 2021
- AV.com to launch in January 2022, significantly increasing the Group's addressable market size
- Multiple new platform features to be launched during FY23 will further drive revenues and efficiency

Brexit Impact



PREPARATION

- Significant system changes made ahead of 31 December 2020, to build a low cost order consolidation system

RESULT

- Consolidation system used to dispatch 21,500 orders since 1 January 2021

CHALLENGES

- Effectively a 'Hard Brexit' scenario
- Increased courier costs & extended delivery timescales
- Scaling up European fulfilment in a challenging supply chain environment

SOLUTION

Customer delivery costs and timescales are significantly reduced when an order is fulfilled from a local hub:

- Existing European hubs scaled-up
 - Additional depth and breadth of inventory
- New European hubs launched in September 2021
 - Cheaper and faster delivery options
 - Significantly increased European storage capacity

Strengthening European Distribution

NEW HUBS PROVIDE ADDITIONAL SALES CAPACITY



UK HUBS, YORK & BACUP

- **NEW** hub in Bacup, to be acquired with AV Distribution Ltd
- Total UK inventory capacity: £25m, sales capacity: £125m
- Serves UK and ROTW

NORTHERN EUROPEAN HUB, STOCKHOLM

- Inventory capacity: £8m, sales capacity: £45m
- Serves Scandinavia & Europe

CENTRAL EUROPEAN HUB, MÜLHEIM

- Inventory capacity: £6m, sales capacity: £35m
- Serves Germany & Europe

NEW IRISH HUB, DUBLIN

- Inventory capacity: £2m, sales capacity: £15m
- Serves Ireland & Northern Ireland

NEW SOUTHERN EUROPEAN HUB, BARCELONA

- Inventory capacity: £7m, sales capacity: £40m
- Serves Spain & Southern Europe
- Provides additional bulk storage capacity for other European hubs

FY23 Growth Drivers

STRONG NEW BRAND WILL LEVERAGE PLATFORM & E-COMM EXPERTISE



£2.7 billion

ADDRESSABLE EUROPEAN MARKET⁺¹

- Largely served by store based retailers
- No Dominant specialist online retailers

	AV Distribution Limited FY21 ⁺²	AV.com medium term potential
Revenues:	£8.6m	£50m+
Markets served	UK	UK & Europe
Number of SKU's	3,600	20,000+
Products	Home Cinema HiFi & Speakers Headphones Cables & accessories Specialist AV Furniture	Existing categories plus: Own-brand products Wider range of Projectors & TVs Gaming Accessories Home Automation

⁺¹ Management estimate based on extrapolation of Ibis World data for UK market size

⁺² AV Distribution Limited to be acquired in December 2021

RECENT ACQUISITIONS

Premier

EDEN
Bass Amplification

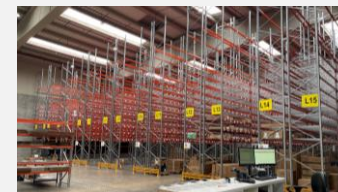
- First inventory arriving during FY22 H2
- FY23 Revenue target: £2m - £2.5m

NEW PLATFORM DEVELOPMENTS

- Digital Downloads, Drop Shipping, Second Hand
- FY23 Revenue target: £6m - £10m

NEW EUROPEAN HUBS

- Irish & Spanish hubs fully scaled-up by FY23
- FY23 Revenue target: £10m - £12m



Storage area No2 in Spanish hub:
October 2021

Digital Retail Strategy

CORE DEVELOPMENT PROJECTS

AV.COM INTEGRATION

Integration of AV Distribution Limited and the launch of AV.com, operating on the Gear4music E-commerce platform.

THIRD PARTY FULFILMENT

Deep level integration with brands and distributors in strategic locations. Increase ranges & reduce hub requirements.

EXISTING MODEL:

Source, stock & sell products from manufacturers & distributors.

FUTURE MODEL:

Platform supports multiple verticals & channels between customers & suppliers.

SECOND HAND PLATFORM

Buy and resell second hand products. Real-time buy offers, self service, high convenience and own-brand margins.

AGENCY SALES

Brands retain control of their content, pricing and inventory. Orders fulfilled by Gear4music.

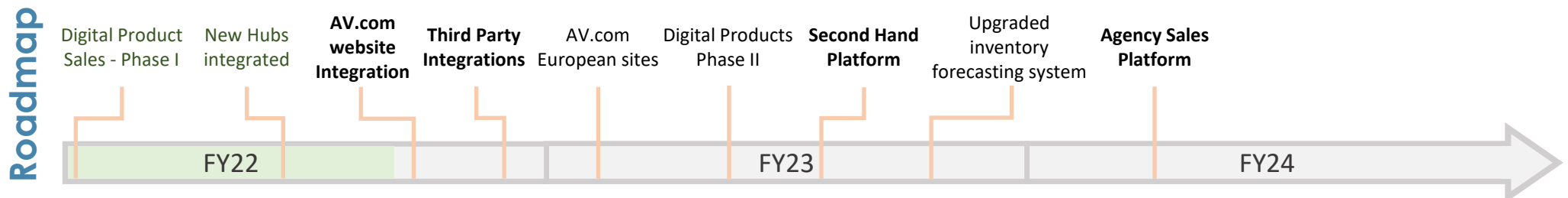
SUPPORTING UPGRADES

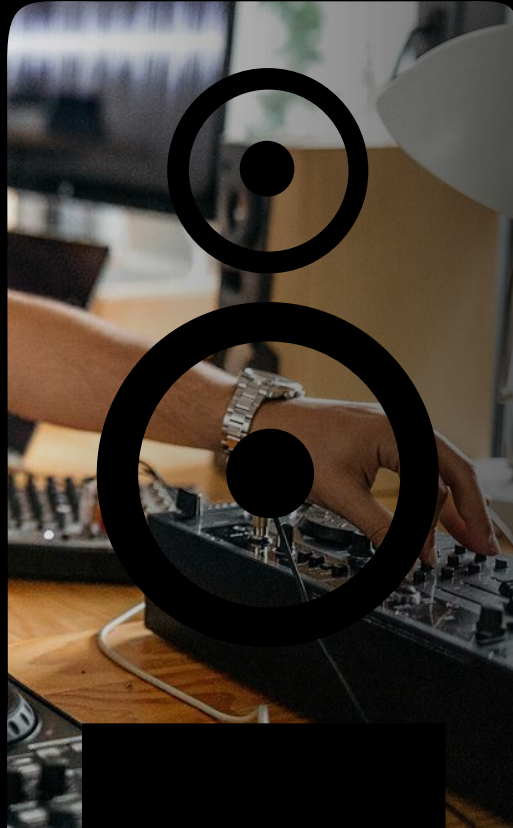
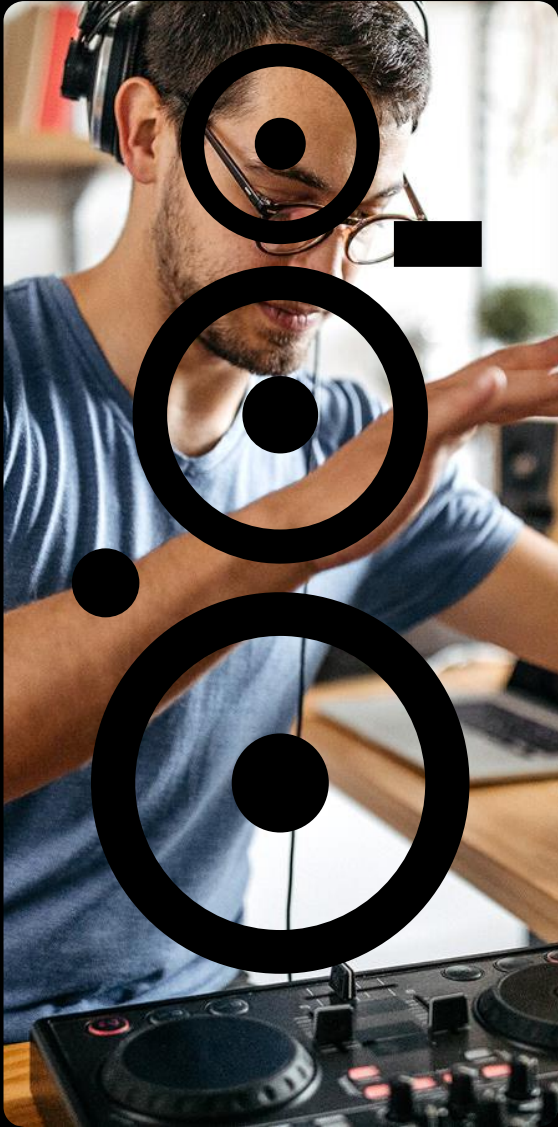
Examples of system upgrades running alongside core development projects during the next two years include:

- Search system upgrade
- Database architecture upgrade
- Integrated product reviews
- Marketing platform updates
- Brand specific websites

Recently completed:

- New Hubs integration
- SKU variations
- Security related upgrades:
 - New payment gateways
 - PHP 7.4





SECTION 02

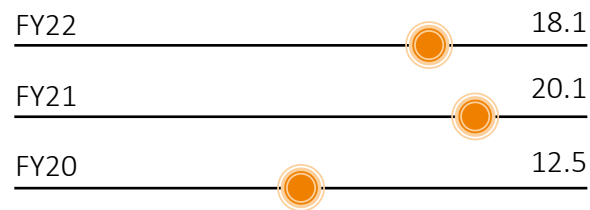
Financial Overview

FY22 H1 Financial Highlights

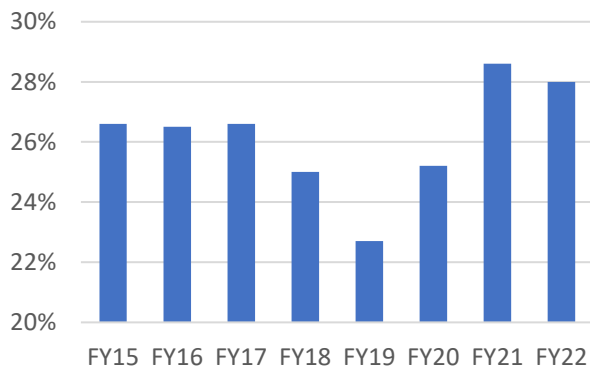
PROFITABILITY

GROSS PROFIT -10%

£18.1m



H1 GROSS MARGIN



N.B. Historically, H1 Gross Margins are lower than H2

	FY22 H1	FY21 H1	FY20 H1
	£'000	% of total sales	
Revenue	64,694	100%	70,217 / 49,397
Gross profit	18,121	28.0%	28.6% / 25.2%
European Distribution	(1,472)	(2.3%)	(1.6%) / (1.7%)
Marketing costs	(4,442)	(6.9%)	(5.3%) / (8.0%)
UK labour costs	(5,014)	(7.8%)	(6.5%) / (8.1%)
Other costs	(2,376)	(3.6%)	(3.1%) / (3.4%)
EBITDA margin	4,817	7.4%	12.1% / 4.0%

Margin Analysis

	FY22 H1		FY21 H1	FY20 H1
	£'000		% of total sales	
Product profit	19,701	30.4%	31.2%	28.3%
Net carriage & packaging	(1,580)	(2.4%)	(2.6%)	(3.1%)
Gross profit	18,121	28.0%	28.6%	25.2%
			Product Margin	
Own brand margin	7,007	45.7%	46.0%	40.3%
Other brand margin	12,694	27.5%	27.8%	25.6%
Total product margin	19,701	32.0%	32.8%	29.6%

- Product margin decreased 80bps on FY21 H1; increased 240bps on FY20 H1 reflecting:
 - FY21 H1 'exceptional' period
 - Strong margins largely retained, and remains a priority going forward
 - Own and Other brand margins both down 30bps
 - Sales mix effect – Own brand accounts for 24.9% of product sales relative to 27.6% last year
- 'Net carriage and other items' improved to 2.4% of sales (FY21 H1: 2.6%)

Trading KPIs

Period ended	6m to 30 Sept 19	6m to 30 Sept 20	6m to 30 Sept 21
Rate of overall sales growth	16.2%	42.1%	-7.9%
Rate of UK sales growth	3.3%	47.7%	0.0%
Rate of International sales growth	33.0%	36.5%	-16.5%
Own-brand sales (£'000)	12,873	18,428	15,339
Own-brand growth	43.4%	43.2%	-16.8%
Other-brand sales (£'000)	34,355	48,353	46,227
Other-brand growth	7.5%	40.7%	-4.4%
Own-brand % of total sales	26.1%	26.2%	23.7%
Marketing costs (£'000)	3,931	3,717	4,442
Marketing as % of sales	8.0%	5.3%	6.9%
Total labour costs (£'000)	4,681	5,470	6,099
Labour costs as % of sales	9.5%	7.8%	9.4%

- Sales down on an exceptional FY21 H1 trading period; ahead of more 'normal' FY20 H1
- Flat UK sales takes estimated market share to 8.9% (FY21 H1 estimate: 8.6%)
- European sales restricted by marked reduction in cross-border fulfilled sales post-Brexit
- Own brand sales £2.5m (+19%) ahead of FY20 H1
- Own brand sales accounted for 24.9% of product sales from 6.4% of SKUs
- Marketing return of 6.9% compared to an exceptional 5.3% in FY21 H1 and 8.0% in FY20 H1
- Labour costs increased by £0.6m (11%) reflecting pay increases, new recruits, and full-period affect of FY21 recruits

Income Statements

Period ended	30 Sept 19 IFRS16	30 Sept 20 IFRS16	30 Sept 21 IFRS16
	£'000	£'000	£'000
Total Sales	49,397	70,217	64,694
Product Profit*	13,966	21,912	19,701
Product Margin	29.6%	32.8%	32.0%
Gross Profit	12,460	20,096	18,121
GP%	25.2%	28.6%	28.0%
EBITDA	1,996	8,511	4,817
EBITDA as % of sales	4.0%	12.1%	7.4%
Depreciation & Amortisation	(1,771)	(2,100)	(2,424)
Net Finance expenses	(504)	(660)	(463)
Tax	134	(802)	(850)
Net (loss)/profit	(145)	4,949	1,080
Basic earnings per share	(0.7p)	23.6p	5.2p

- Sales decline of 8% reflecting an exceptional COVID-19 related prior year comparative
- Stronger gross margin retained at 28.0% compared to 28.6% in FY21 H1 and 25.2% in FY20 H1
- UK admin expenses of £13.7m (FY21: £12.0m), including £5.0m labour costs, £4.4m marketing costs, and £1.9m depreciation and amortisation
- European admin expenses of £2.0m (FY21 H1: £1.7m) including £1.1m labour costs and £0.5m depreciation
- EBITDA margin of 7.4% (FY21 H1: 12.1%; FY20 H1: 4.0%)
- Financial expenses of £0.5m includes £0.2m bank interest and £0.2m IFR16 lease interest

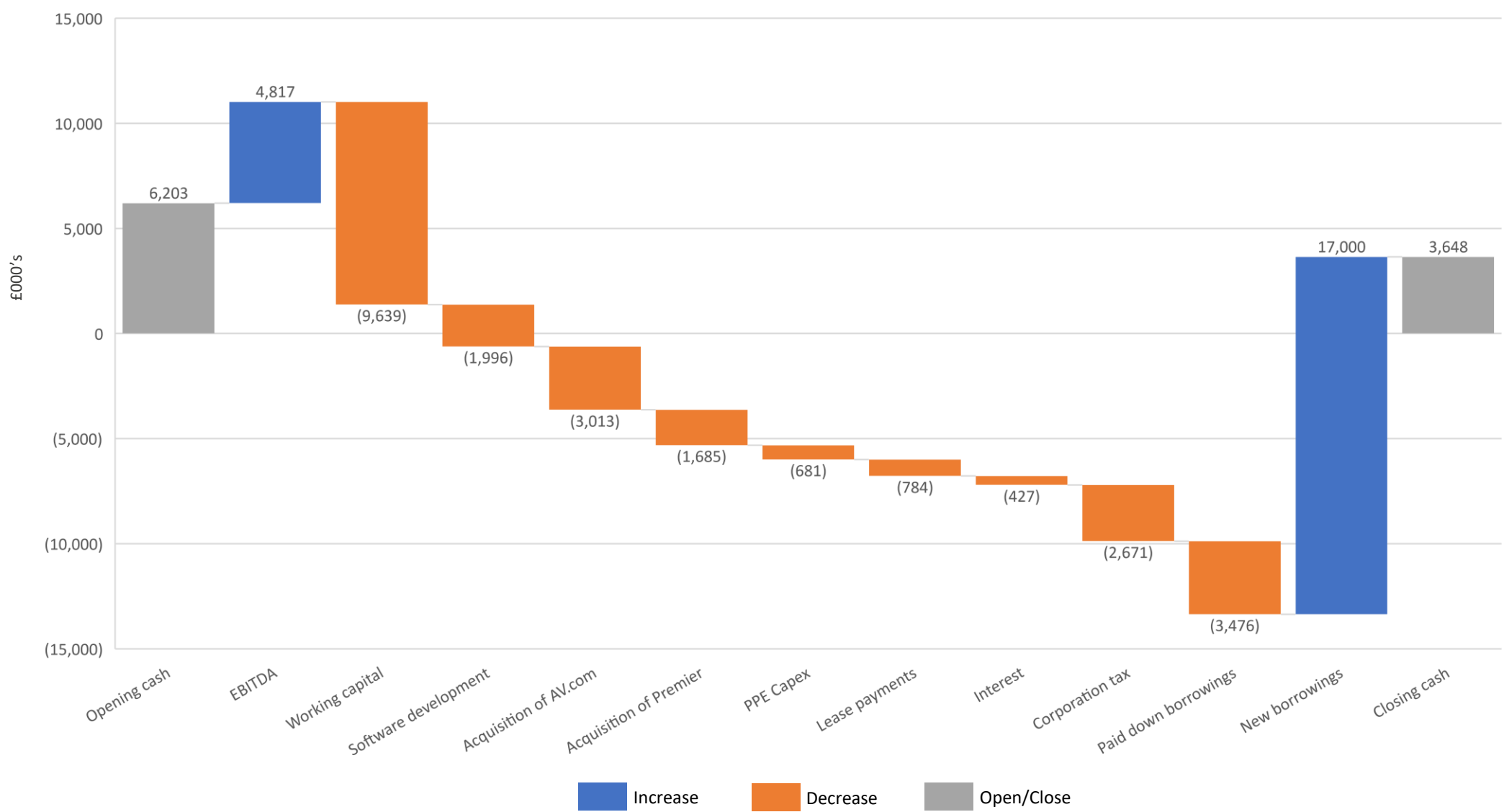
* Representing product profit, excluding warranty income and consumer finance commissions

Balance Sheet Overview

As at	30 Sept 19	30 Sept 20	30 Sept 21
	£'000	£'000	£'000
Freehold land and buildings	7,117	7,425	7,275
Other PPE and Right of Use assets	13,054	12,443	12,967
Intangible asset – software platform	6,563	7,656	9,316
Intangible assets – other	1,984	1,929	6,585
Fixed assets	28,718	29,453	36,143
Inventories	24,032	28,732	37,452
Trade and other receivables	3,812	4,453	3,317
Cash and cash equivalents	3,395	5,434	3,648
Current assets	31,239	38,619	44,417
Loans and borrowings	(9,146)	(7,520)	-
Trade and other payables	(16,876)	(18,675)	(15,591)
Leases	(869)	(1,184)	(1,158)
Current liabilities	(26,891)	(27,379)	(16,749)
Net current assets	4,348	11,240	27,668
Loans and borrowings	(3,970)	(3,166)	(17,000)
Leases	(9,323)	(9,205)	(9,221)
Other long-term liabilities	(1,150)	(1,713)	(2,284)
Non-current liabilities	(14,443)	(14,084)	(28,505)
Net assets	18,623	26,609	35,306

- Strong balance sheet: £35.3m net assets
- Net bank debt of £13.4m (FY21 H1: £5.7m), with £21.6m headroom including £18m within 3-year £35m committed RCF
- Acquired AV.com domain for £3.0m, and the business and assets of Premier for £1.7m
- Continued investment in software platform: capitalised £2.0m (FY21 H1: £1.4m)
- Stock £8.7m (30%) higher than September 2020 to support sales growth and mitigate potential supply chain issues

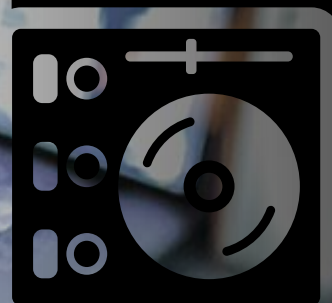
Cash Flow Overview





SECTION 04

KPI Review



FY22 H1 Customer metrics



PROFITABLE FROM FIRST TRANSACTION

£13

COST OF ACQUISITION

£128

AVERAGE ORDER VALUE

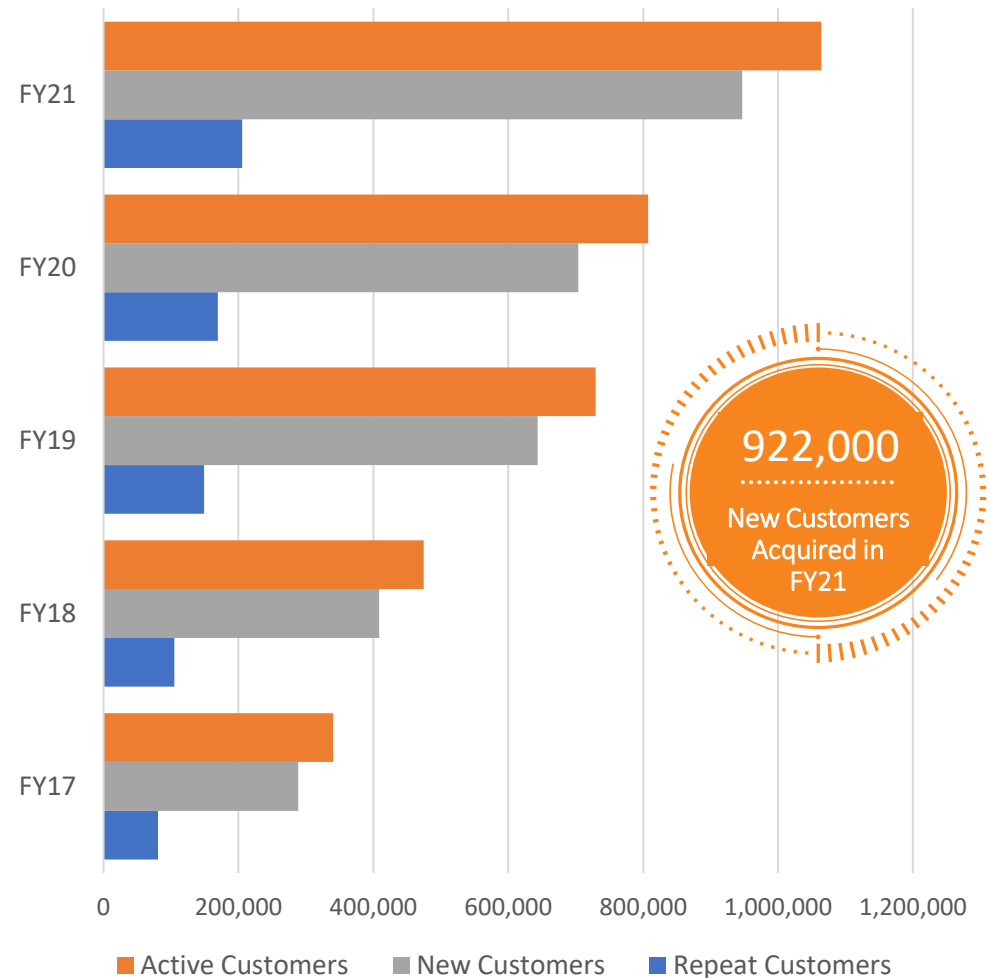
£36

GP PER TRANSACTION

£234

SALES LIFETIME VALUE

CUSTOMER PROFILES, FY17 – FY21



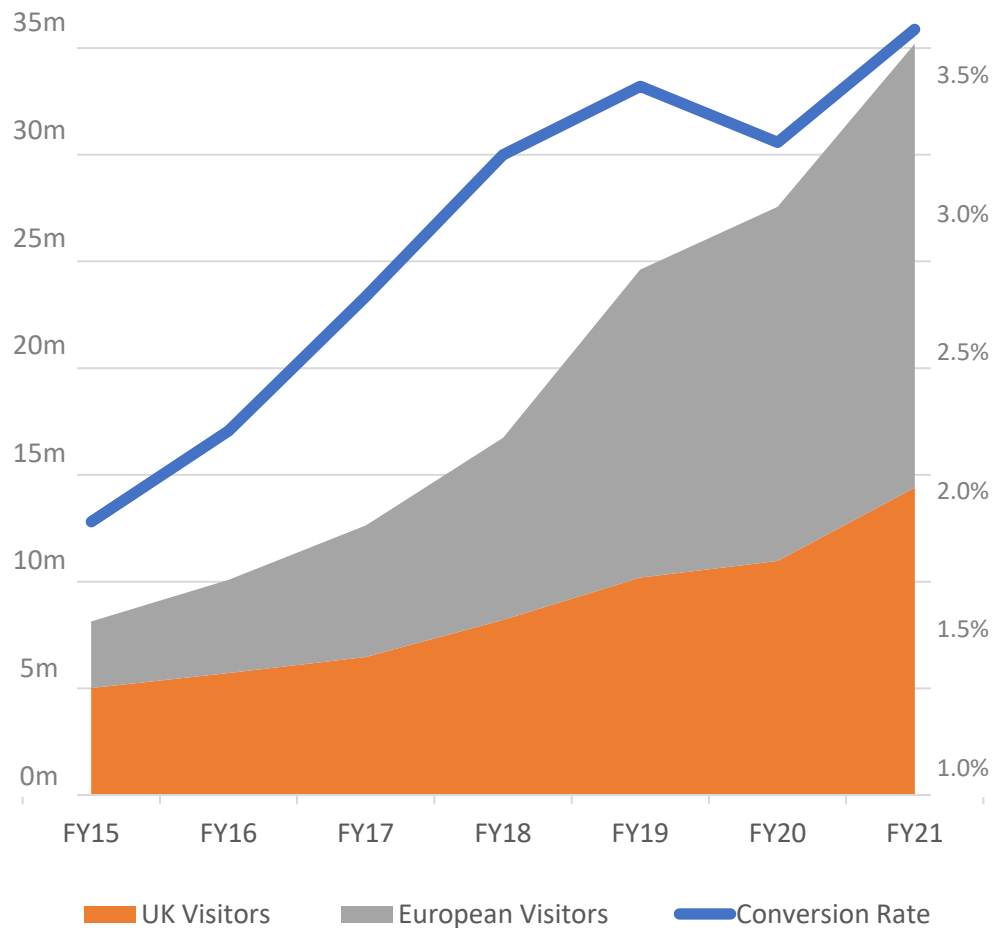
922,000
New Customers Acquired in FY21

	FY20 H1	FY21 H1	FY22 H1
Average order value	£120	£117	£128
Gross profit per transaction	£30	£31	£36
New customers acquired	246,000	389,700	323,000
Cost of acquisition	£13	£9	£13
Sales LTV (<12m cohort)	£214	£211	£234
Email subscriber database	0.72m	0.71m	0.73m

* Excludes Amazon and POS

FY22 H1 Website metrics

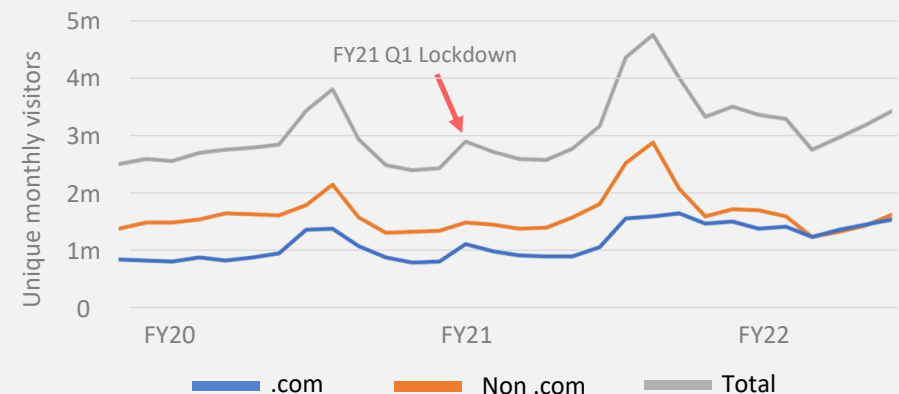
WEBSITE CONVERSION & TRAFFIC



WEBSITE DATA

	FY20 H1	FY21 H1	FY22 H1	diff
Total unique website users	13.4m	15.2m	13.5m	-11%
Total pages viewed	90.6m	75.1m	59.6m	-21%
UK website users	5.0m	5.9m	5.6m	-5%
European website users	7.9m	8.9m	7.6m	-15%
Mobile traffic as % of total	65%	58%	65%	+70 BPS
UK conversion rate	4.78%	6.11%	6.39%	+28 BPS
European conversion rate	2.08%	2.60%	2.41%	-19 BPS
Mobile conversion	1.96%	2.64%	2.30%	-34 BPS

FY20 – FY21 H1 WEBSITE TRAFFIC



FY22 H1 Product sales



32%

GUITARS

Electric, acoustic
& bass guitars

Revenue
£19.8m

Growth
-14%



17%

KEYS

Pianos, synths,
digital keyboards

Revenue
£10.3m

Growth
-25%



15%

STUDIO

Mixers, headphones,
monitors, interfaces

Revenue
£9.0m

Growth
-21%



20%

LIVE & PA

Speakers, lighting
& microphones

Revenue
£12.0m

Growth
+48%



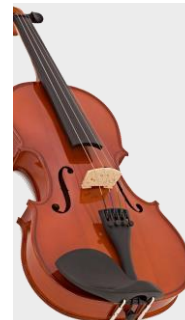
9%

DRUMS

Electric, acoustic
& percussion

Revenue
£5.3m

Growth
-10%



6%

ORCHESTRAL

String instruments,
brass, woodwind

Revenue
£3.8m

Growth
-3%

Categories totalling 1% or less of sales are excluded

Summary



Financial

- Strong profitable growth on a 2-year basis
- Maintained gross margins
- Strong levels of inventory heading into peak and FY23
- Significant cash headroom

Strategy

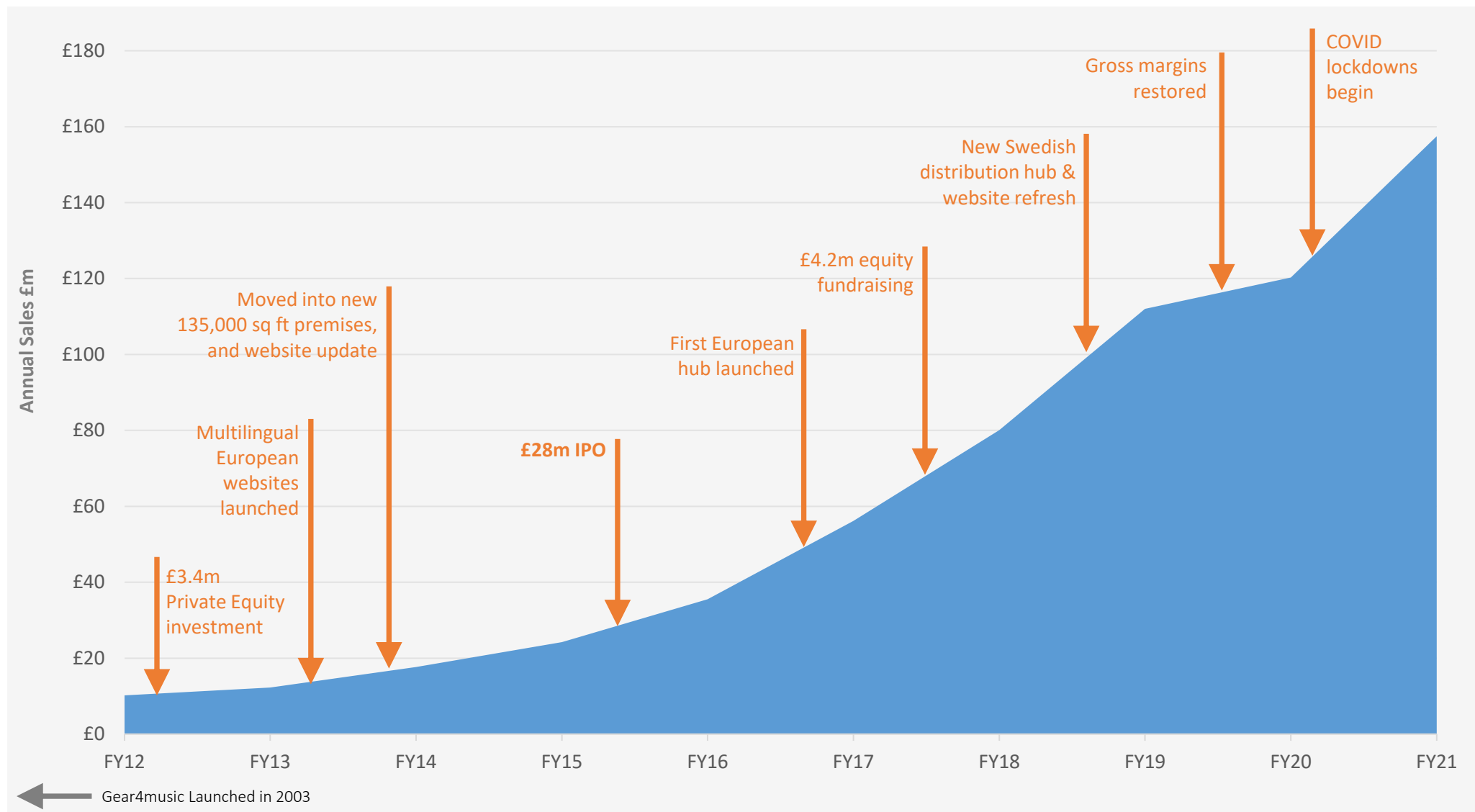
- Continue scale-up of European infrastructure
- Launch and rapidly grow AV.com following acquisition of AV Distribution Ltd
- Significant new channels to market arriving in FY23
- Well placed to support next phase of growth



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 & Non-Executive Director

- Joined Gear4music's board in June 2015
- Previously Chief Executive of Teather & Greenwood & Former Chair of the QCA
- Chairman of SDI Group 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, Company Secretary



Dean Murray

Non-Executive Director

- Joined Gear4music in March 2012
- Chairman of Neville Johnson Group & CEO of CMO Group plc
- 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



Dan Cryer
Technical Operations
Director
Joined 2018



Tom Walder
Technical Consultant &
Advisor
Joined 2017



Alison Lynch
Head of UK Buying
Joined 2018



David Stuart
Head of Customer Service
Joined 2005



Jan Imig
International Operations
Manager
Joined 2017



Victor Burrau
Swedish Logistics
Manager
Joined 2016



Dirk Hendricks
German Logistics
Manager
Joined 2021

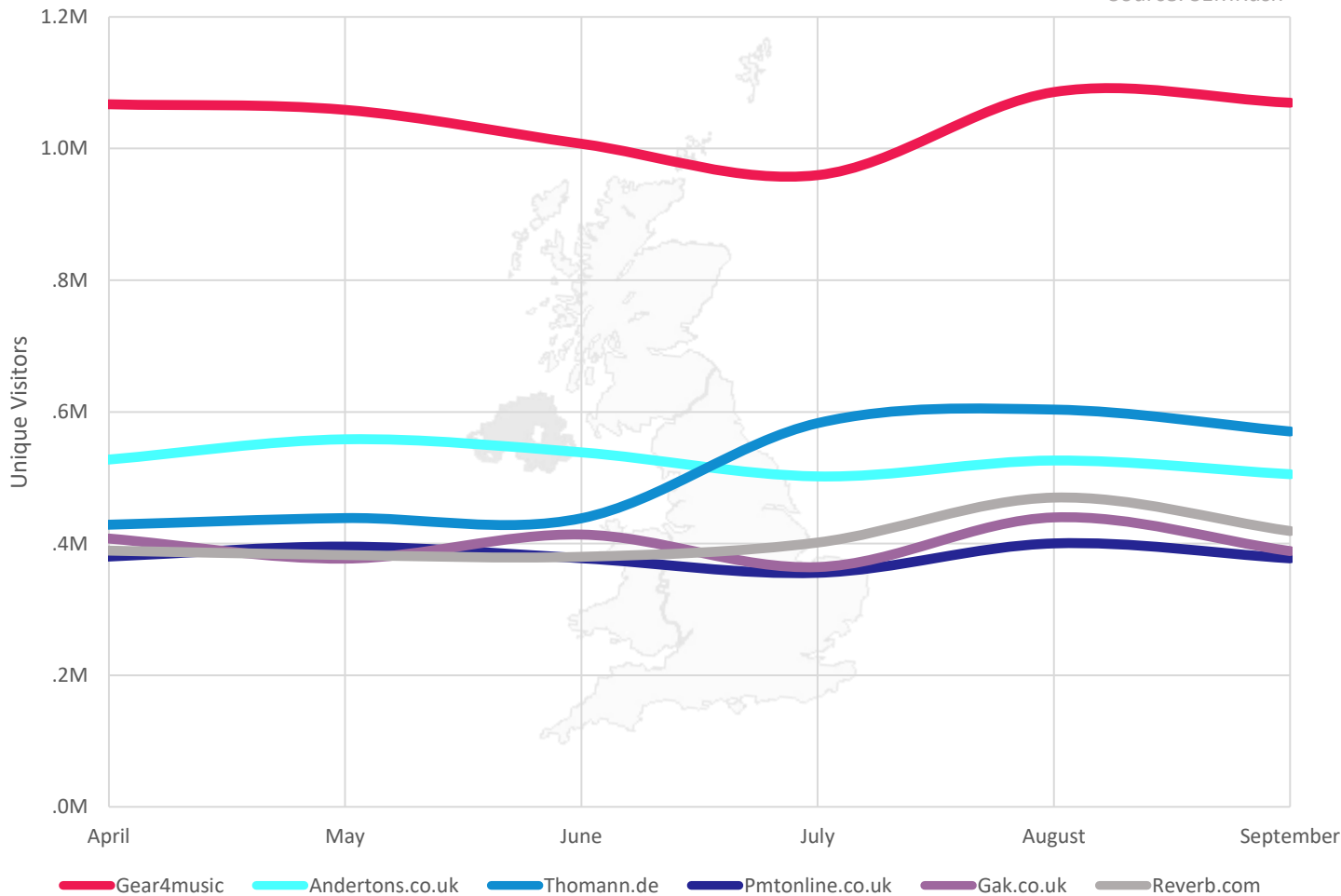


Mark Fratson
UK Logistics Manager
Joined 2005

Estimated UK market: £880m

FY22 H2 UK INTERNET TRAFFIC SHARE

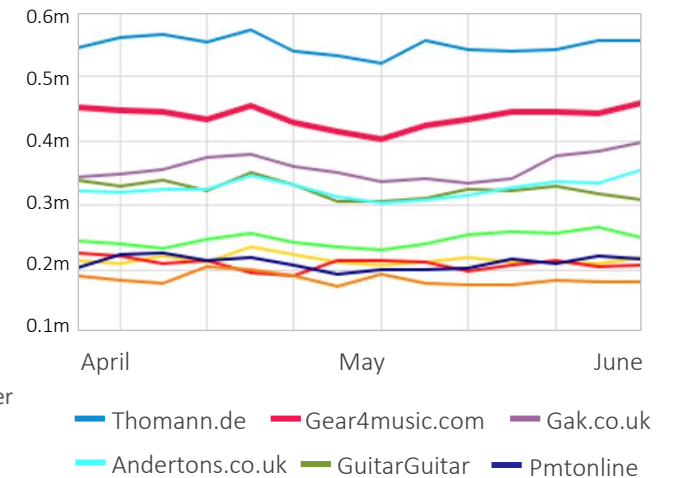
Source: SEMRush



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

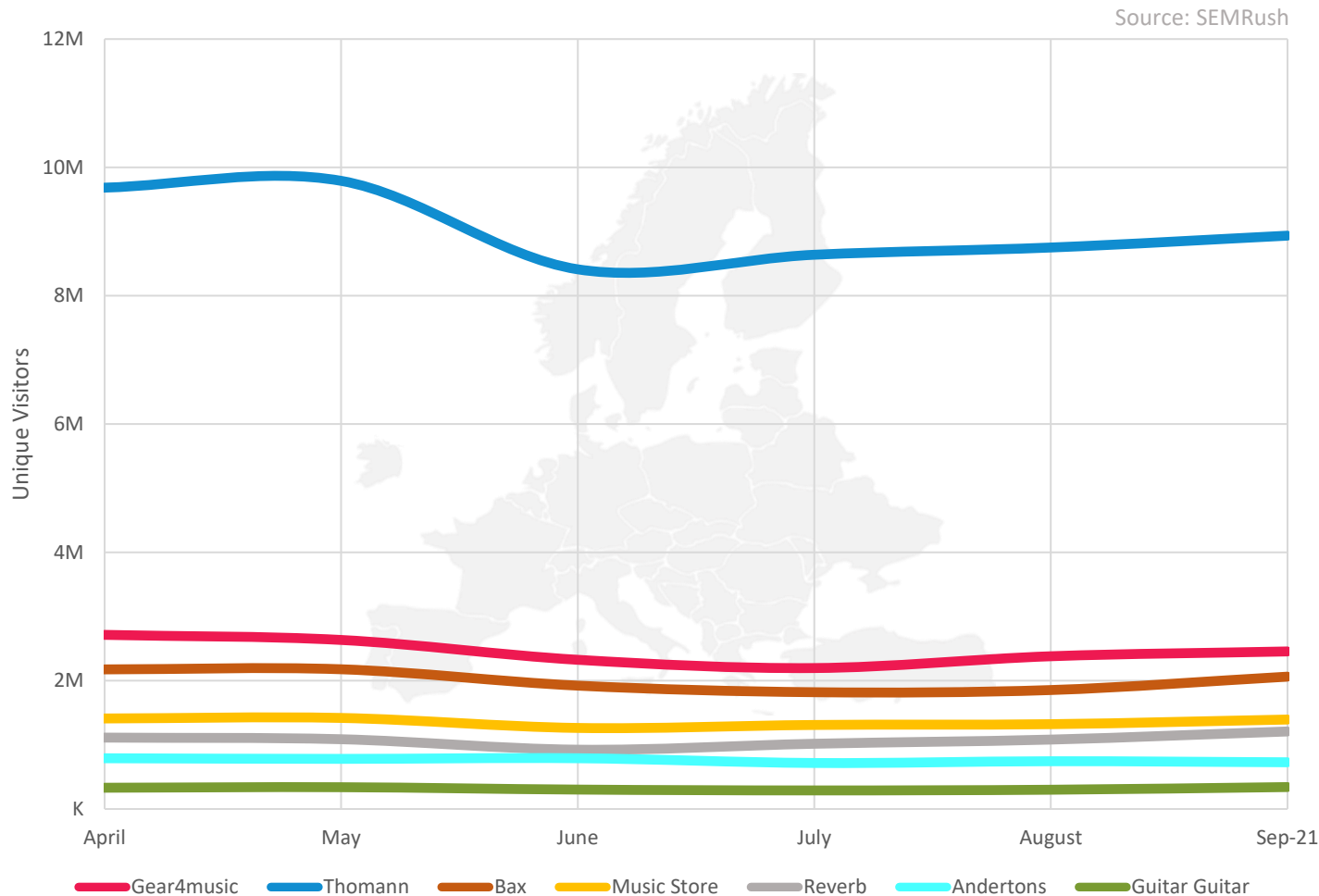
FY16 WEBSITE TRAFFIC

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

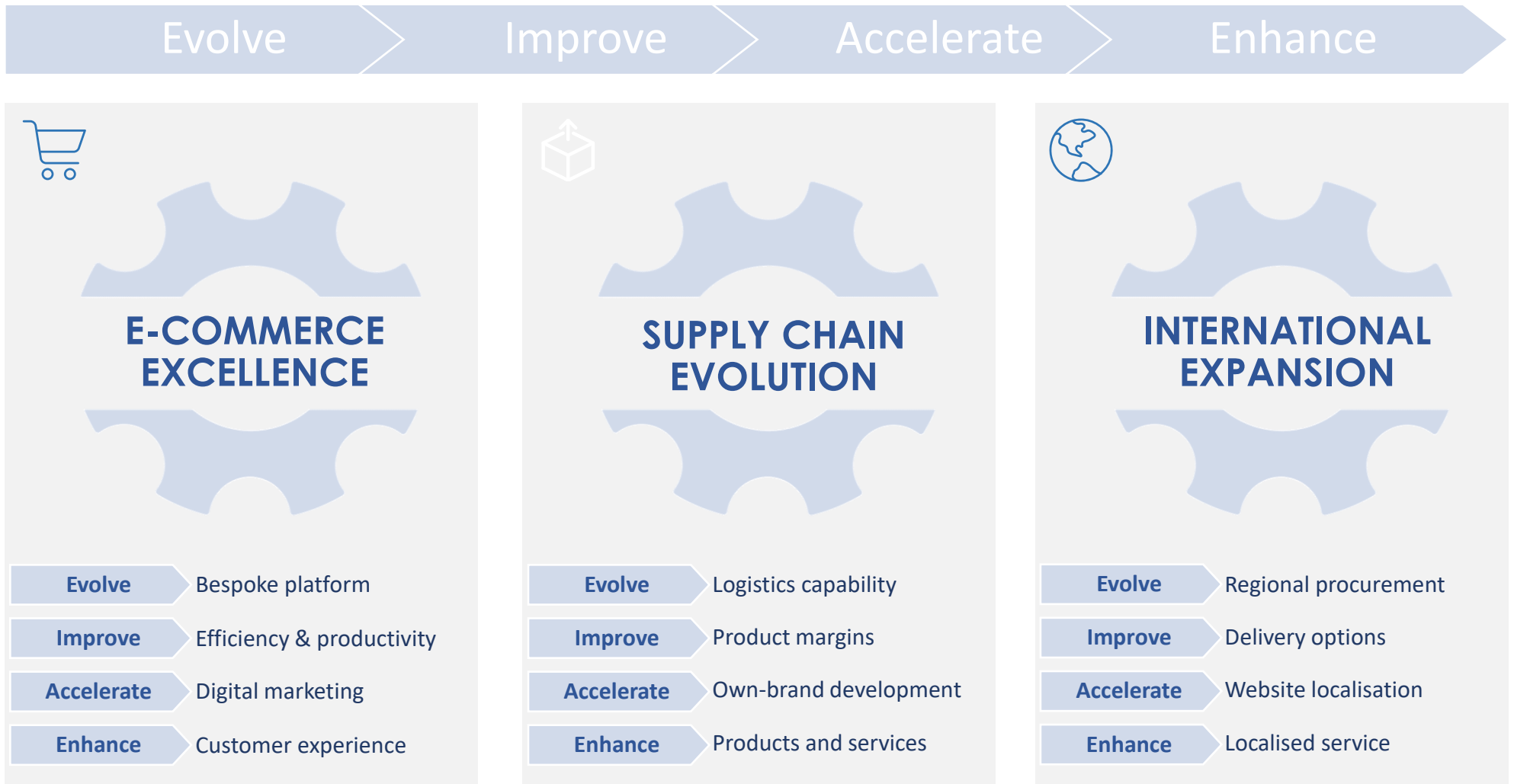


- European revenues of £71m in the last 12 months
- Represents just 1.7% of the European market
- FY21 European sales growth of 35%
- Website features 15 languages & 8 currencies
- Distribution hubs in Sweden, Germany, Spain and Ireland

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

Organic Growth Strategy



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 3,900 SKUs at very competitive prices

Large branded product range

Over 60,500 products from over 900 manufacturers, including major brands



BACK END

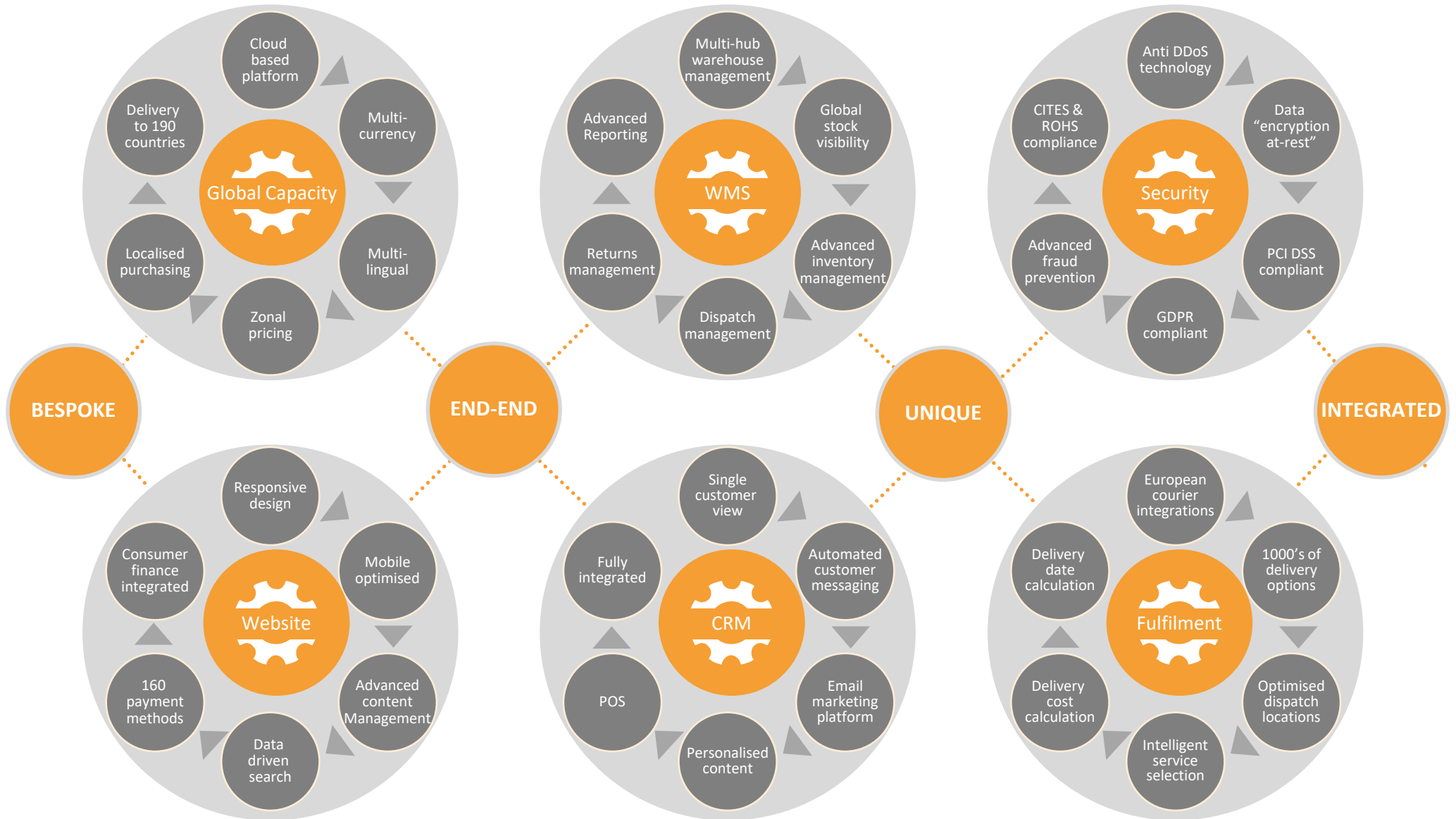
Bespoke, flexible platform

Robust integrated systems developed in house over 15 years

In-house logistics capability

340,000 sq ft total distribution space in UK, Sweden, Germany, Spain & Ireland

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*

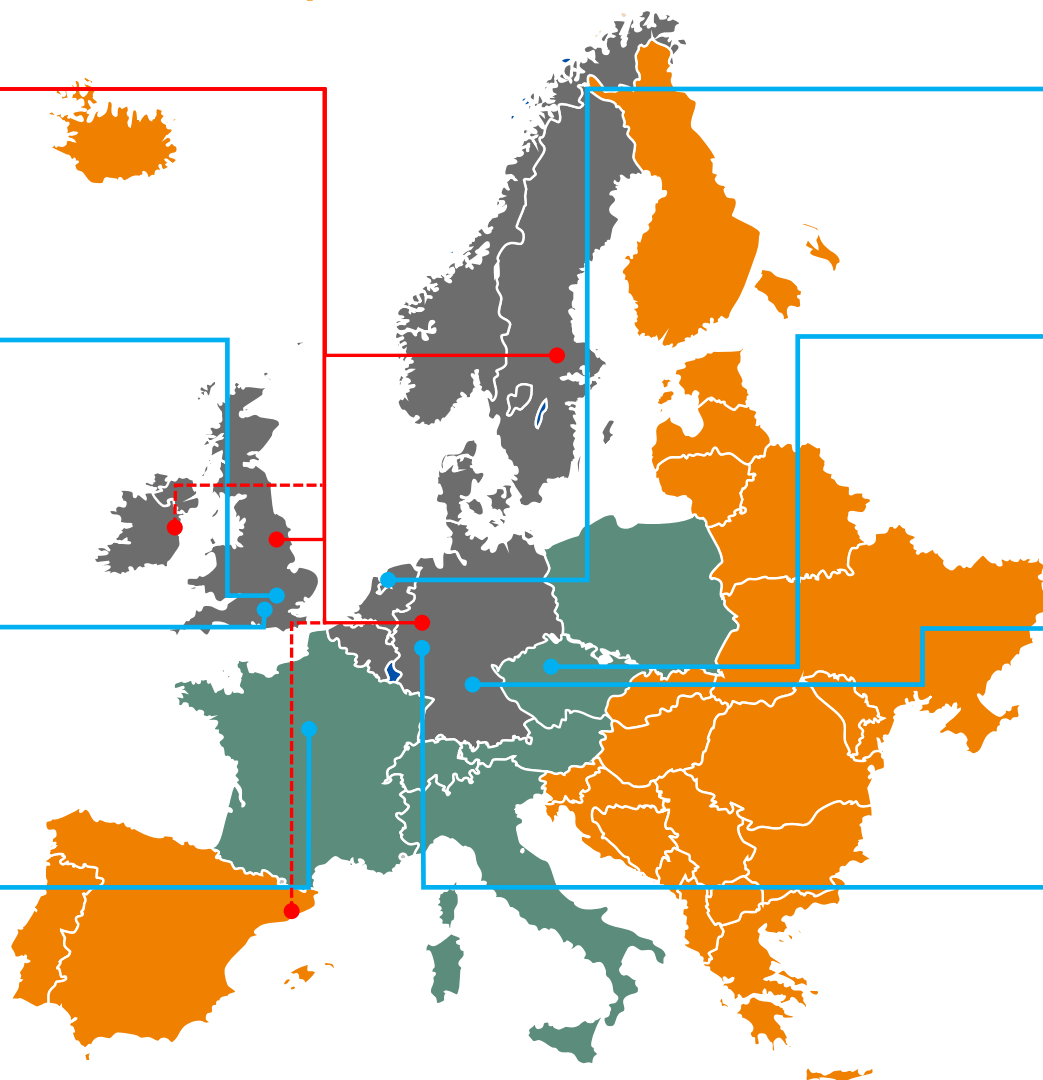
2019 Revenues £847m
 2018 Revenues £729m
 Growth 16%

Woodbrass

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

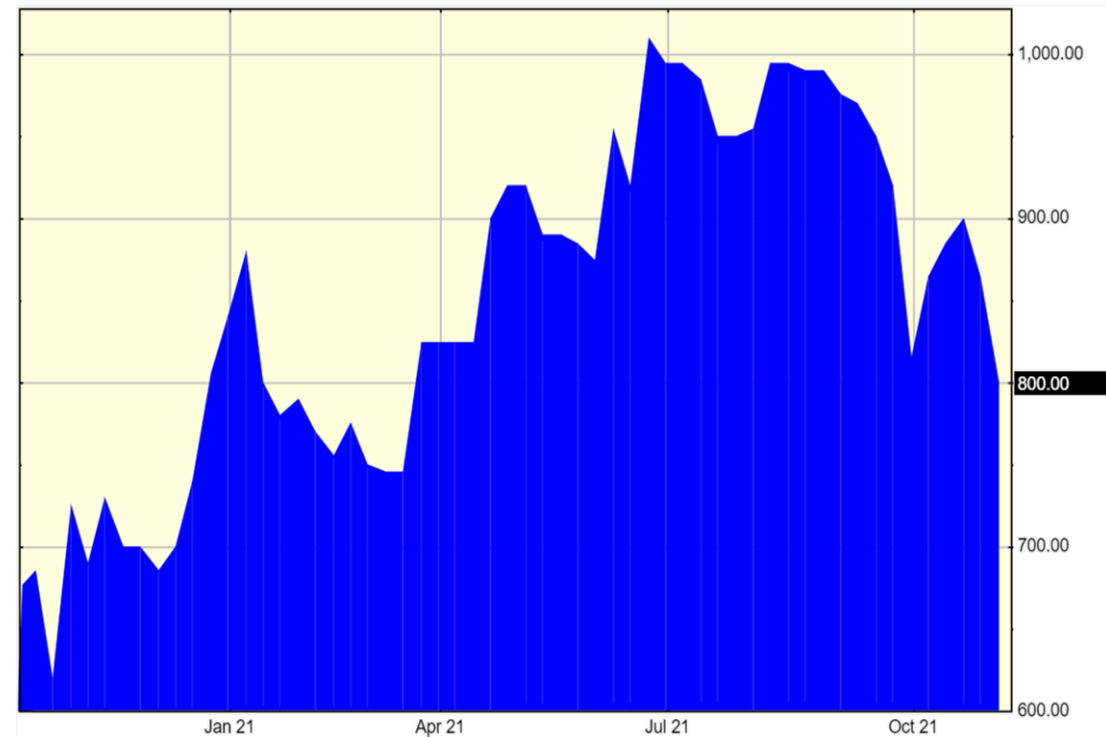
Major Shareholders

MAJOR SHAREHOLDERS AS AT 29 OCTOBER 2021

Name	Number of shares	% of issued share capital
Andrew Wass	6,351,993	30.3%
AXA Investment Managers	2,711,409	12.9%
Aberdeen Standard Investments	2,146,412	10.2%
TB Amati Investment Funds	1,869,789	8.9%
Canaccord Genuity Group Inc	1,609,693	7.7%
Premier Miton Group	762,668	3.6%
Octopus Investments Limited	634,018	3.0%

Source: Singers

12 MONTH SHARE PRICE GRAPH



52 week range: 280p – 975p

Market cap as of 17 JUNE 2021: £196m

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