



FY22 Results & Investor update

June 2022

FY22 Overview

GOOD PROGRESS FOLLOWING AN EXCEPTIONAL FY21

- FY20 comparisons show strong underlying performance, FY21 comparisons less relevant due to COVID
 - Revenue up 23% compared with FY20, down just 6% compared with exceptional FY21
 - Margins remain strong relative to historic levels, +200bps compared with FY20
 - EBITDA up 44%, PBT up 61% compared with FY20
-

NET DEBT EXPECTED TO REDUCE DURING FY23

- £35m banking facility put to good use during FY22, with £24.2m Net Debt to fund:
 - £17.1m deliberate increase in stock to alleviate supply chain issues
 - £11.4m of M&A to drive future growth, including AV.com, AV Distribution Ltd and Premier Drums
-

STRONG GROWTH PIPELINE TO OFFSET UNCERTAIN CONSUMER OUTLOOK

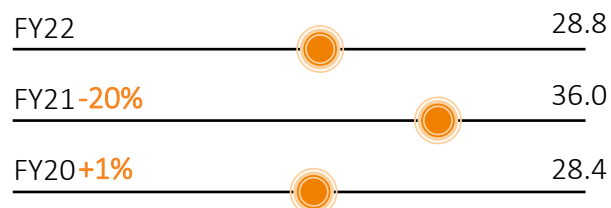
- Multiple e-commerce platform releases anticipated during FY23, including Second Hand
- AV.com expected to gain further traction with European launch
- Rapidly evolving own-brand strategy to drive higher margin sales

FY22 Highlights

WEBSITES

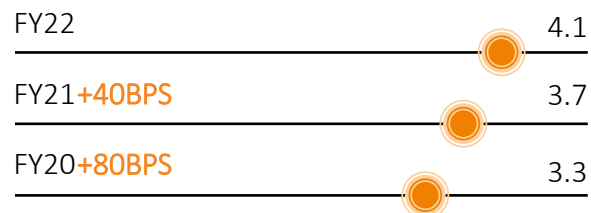
WEBSITE USERS

28.8m



CONVERSION RATE

4.1%



REVENUE

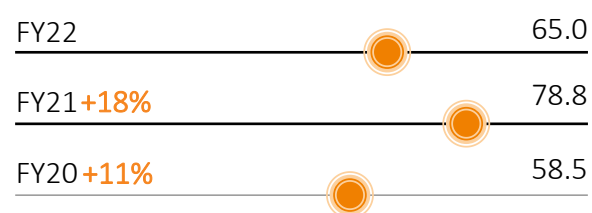
TOTAL REVENUES

£147.6m



INTERNATIONAL GROWTH

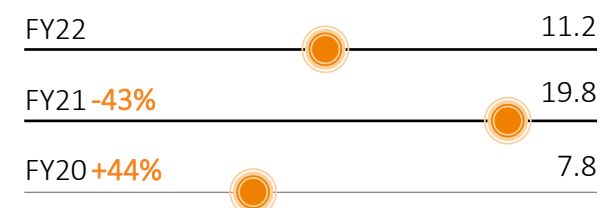
£65.0m



PROFITABILITY

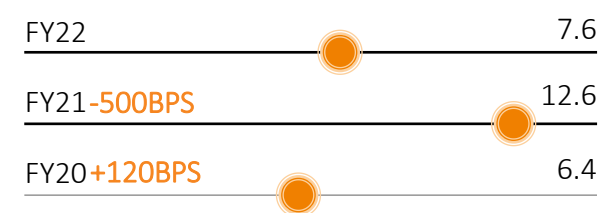
REPORTED EBITDA

£11.2m



EBITDA MARGIN

7.6%





SECTION 02

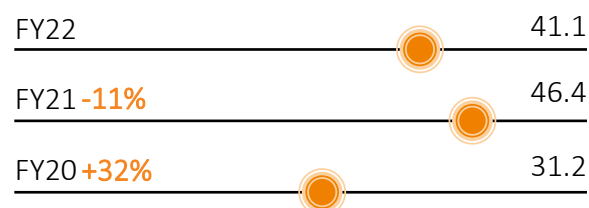
Financial Overview

FY22 Financial Highlights

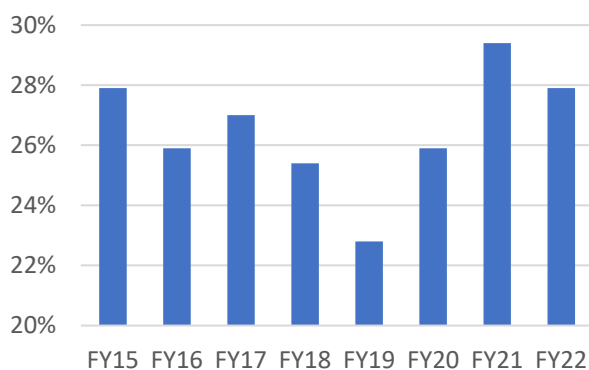
PROFITABILITY

GROSS PROFIT

£41.1M



GROSS MARGIN



	FY22		FY21	FY20
	£'000		% of total sales	
Revenue	147,630	100%	157,451	120,326
Gross profit	41,130	27.9%	29.4%	25.9%
European Distribution	(3,252)	(2.2%)	(1.7%)	(1.5%)
Marketing costs	(10,774)	(7.3%)	(5.9%)	(7.7%)
UK labour costs	(10,676)	(7.2%)	(6.4%)	(6.9%)
Other costs	(5,254)	(3.6%)	(2.8%)	(3.4%)
EBITDA margin	11,174	7.6%	12.6%	6.4%

Product Margin Analysis

	FY22		FY21	FY20
	£'000	% of total sales		
Product profit	45,244	30.7%	32.3%	29.1%
Net carriage & packaging	(4,114)	(2.8%)	(2.9%)	(3.2%)
Gross profit	41,130	27.9%	29.4%	25.9%
		Product Margin (% of products sales)		
Own brand margin	16,565	43.4%	47.0%	42.2%
Other brand margin	28,679	28.0%	28.4%	25.3%
Total product margin	45,244	32.2%	34.1%	30.5%

- Product margin 190bps behind an exceptional FY21 and 170bps ahead of FY20 reflecting:
 - On-going margin improvement and retention strategy
 - FY21 one-off COVID-19 upsides
 - Own brand margin down 360bps on FY21; up 120bps on FY20
 - Other brand margin largely retained – down 40bps on FY21; up 270bps on FY20
- 'Net carriage and other items' decreased again to 2.8% of sales

Trading KPIs

Year ended	31 Mar 22	31 Mar 21	31 Mar 20
Rate of overall sales growth	(6.2%)	30.9%	9.5%
Rate of UK sales growth	5.0%	27.3%	4.9%
Rate of International sales growth	(17.5%)	34.6%	14.7%
Own-brand sales (£'000)	38,121	45,368	35,432
Own-brand growth	(16.0%)	28.0%	21.8%
Other-brand sales (£'000)	102,473	104,199	79,416
Other-brand growth	(1.7%)	31.2%	3.5%
Own-brand % of total sales	25.8%	28.8%	29.4%
Marketing costs (£'000)	10,774	9,248	9,296
Marketing as % of sales	7.3%	5.9%	7.7%
Total labour costs (£'000)	13,146	12,252	9,748
Labour costs as % of sales	8.9%	7.8%	8.1%

- Stronger sales growth in FY22 H1 (+31% on 2-yr basis) than in H2 (+17%)
- UK sales growth every year since IPO (12m basis), with FY22 growth of 5% taking estimated market share to 9.2%
- European sales impacted by UK exit of EU and time to rollout and scale up mitigations
- Own brand growth affected by slow-down in beginner and entry level product, and bulky kit sales into Europe affected post-Brexit
- Marketing returned to more normal levels – 7.3% compared to 7.7% in FY20
- Labour costs increased by £0.9m (7%) reflecting 8% increase in average headcount

Income Statements

Year ended	31 Mar 22	31 Mar 21	31 Mar 20
	£'000	£'000	£'000
Total Sales	147,630	157,451	120,326
Product Profit*	45,244	50,934	35,061
Product Margin	32.2%	34.1%	30.5%
Gross Profit	41,130	46,354	31,156
GP%	27.9%	29.4%	25.9%
EBITDA	11,174	19,781	7,754
EBITDA as % of sales	7.6%	12.6%	6.4%
Depreciation & Amortisation	(5,105)	(4,372)	(3,687)
Finance expenses	(1,055)	(770)	(989)
Tax	(1,291)	(1,998)	(488)
Net profit	3,723	12,641	2,590
Basic earnings per share	17.8p	60.3p	12.4p

- 2-yr sales growth of 23% reflecting progress in underlying business
- Stronger gross margin continues: 27.9% to compared 25.9% in FY20
- Total admin expenses up £4.2m (13%) including £1.5m increase in marketing costs and £0.9m increase in labour costs and a £0.7m increase in depreciation and amortisation.
- European admin expenses of £4.6m (FY20: £3.8m) including £3.3m overheads, £1.3m PPE and right-of-use asset depreciation.
- EBITDA margin of 7.6% compared to an exceptional 12.6% last year and 6.4% in FY20.
- Financial expenses of £1.1m include £0.5m bank interest and £0.4m IFR16 lease interest

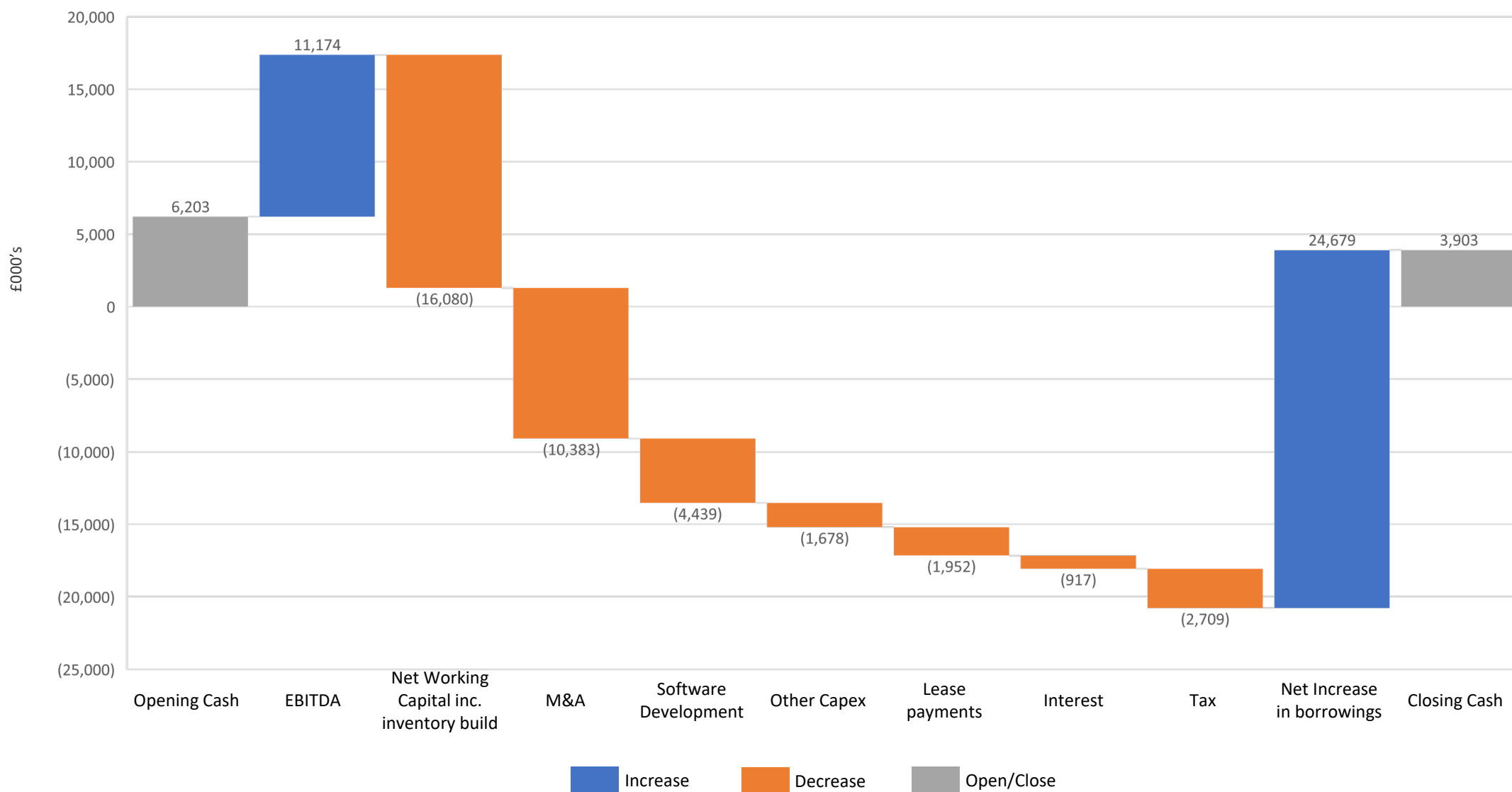
* Representing product profit, excluding warranty income and consumer finance commissions

Balance Sheet Overview

As at	31 Mar 22	31 Mar 21	31 Mar 20
	£'000	£'000	£'000
Freehold land and buildings	8,446	7,350	7,500
Other PPE including Right of Use asset	12,747	11,711	12,681
Intangible asset – software platform	10,519	8,401	7,127
Intangible assets – brand and goodwill	9,293	1,994	1,957
Fixed assets	41,005	29,456	29,265
Inventories	45,516	28,430	22,015
Trade and other receivables	3,841	3,647	2,501
Cash and cash equivalents	3,903	6,203	7,839
Current assets	53,260	38,280	32,355
Loans and borrowings	-	(575)	(9,949)
Trade and other payables	(16,183)	(18,938)	(14,442)
Leases	(1,229)	(1,099)	(1,148)
Current liabilities	(17,412)	(20,612)	(25,539)
Net current assets	35,848	17,668	6,816
Loans and borrowings	(28,000)	(2,901)	(3,439)
Leases	(8,455)	(8,315)	(9,519)
Other long-term liabilities	(2,362)	(1,596)	(1,514)
Non-current liabilities	(38,817)	(12,812)	(14,472)
Net assets	38,036	34,312	21,609

- Strong balance sheet - £38.0m net assets and £35m committed RCF with HSBC
- Net debt of £24.2m reflecting £11.4m M&A and £17.1m increase in stock. Expected to reduce in normal course of business during FY23
- Acquired £1.3m freehold warehouse as part of AV Distribution Ltd acquisition
- PPE capex of £1.9m including opening and scaling of new European DCs
- Continued investment in software platform: capitalised £4.4m (FY21: £3.2m)
- Total 'other intangibles' acquisitions of £7.4m including £3.0m purchase AV.com domain
- Stock increased £17.1m (60%) deliberately and consistently through the year – precautionary against supply chain disruption, and opportunistic early in period of high inflation.

Cash Flow Overview





SECTION 03

Strategy Update

AV.com now live

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

^{†1} Management estimate based on extrapolation of Ibis World data for UK market size

PROGRESS SINCE LAUNCH:

- 2,000+ new SKUs listed, taking total to 6,800
- 20 new Brands, including Bang & Olufsen
- Dedicated content team now in place

Product categories include:

- Home Cinema & TV's
- HiFi & Speakers
- Headphones
- Cables & accessories
- Specialist AV Furniture



AV SITE IN BACUP

- Freehold property acquired with the acquisition of AV Distribution Ltd
- New narrow aisle racking installation completed, providing double the previous storage capacity
- Showroom upgrade to support new brands
- Photo studio to be installed, supporting website content, social media and marketing



Digital Retail Strategy Update

FY23 CORE DEVELOPMENT PROJECTS

AV.COM EUROPE

Following the launch of AV.com (UK) in January, localised European multilingual versions will be launched during FY23

CONSUMER FINANCE

Upgrades to our consumer finance proposition, including 0% finance and improved on-site marketing and checkout.

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.

DIGITAL PRODUCTS

An upgrade to our partner integration will provide access to 1,000+ new digital download products

SUPPORTING UPGRADES

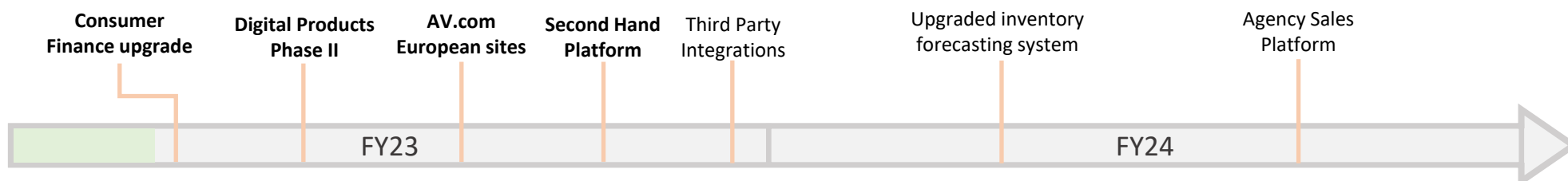
Examples of system upgrades running alongside core development projects during the next two years include:

- Forecasting platform upgrade
- Custom cable builder
- Discount bundle builder
- Amazon EU Integration
- Integrated product reviews
- Brand specific websites
- New courier integrations

Recently completed:

- AV.com launch
- Database architecture upgrade
- Marketing platform update

Roadmap



Evolving Own-brand Strategy

Value focused brands

Existing model continues: B2C e-commerce



- 'By Gear4music' – A specialist beginner brand
- Featuring a wide range of music making products across all categories
- Six category focused sub-brands

REDSUB **playLITE** *Rosedale* *Archer* **WHD** **CG**



- Specialist audio electronics brand
- PA systems, mixers, studio & podcast



- Value focused drum brand
- Acquired by Gear4music in 2021
- Established in 1937



- New home audio visual focused brand
- To be introduced during FY23
- Featuring speakers, amps, TV's

COMING SOON

Premium brands

B2C e-commerce with potential for B2B worldwide distribution



- New brand to be introduced during FY23
- Featuring a wide range of products across all categories, except for drums

COMING SOON



- Established by Gear4music in 2019
- Premium guitar products, featuring a concise range to compliment the branding



- Premium drums and percussion brand
- Acquired by Gear4music in 2021
- Newly designed ranges arriving in October 2022



- Premium bass amplification & pedal brand
- Acquired by Gear4music in 2021
- Previously owned by Marshall Amplification

Operational Growth Activities

INVESTMENT TO DRIVE FUTURE GROWTH

GERMAN HUB

- Capacity to be extended in Q3 FY23 with additional storage facility
- Showroom extension to incorporate European AV brands
- Returns department expansion to support second hand platform

SWEDISH HUB

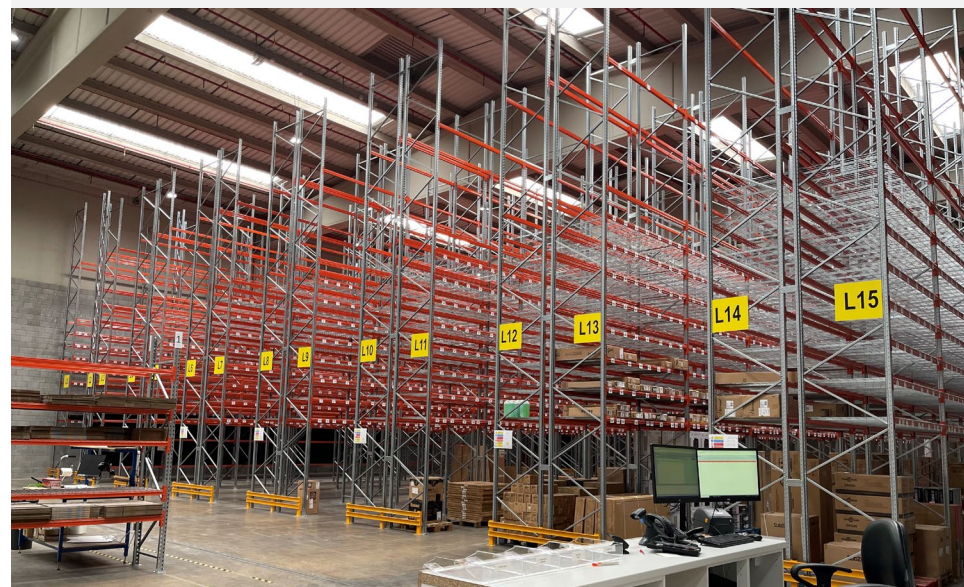
- Dispatch capacity increased in Q1 FY23 with large Mezzanine floor installation
- Returns department upgrades to support second hand platform

IRISH HUB

- Irish hub now fully operational with local returns processing
- Customer collect from hub now operational

SPANISH HUB

- Spanish hub now fully operational
- Returns department now operational to support local returns and forthcoming second hand platform
- Configured to act as a consolidation centre enabling efficiencies for other European hubs





SECTION 04

KPI Review

FY22 Customer metrics



Profitable from first transaction

£14

COST OF ACQUISITION

£125

AVERAGE ORDER VALUE

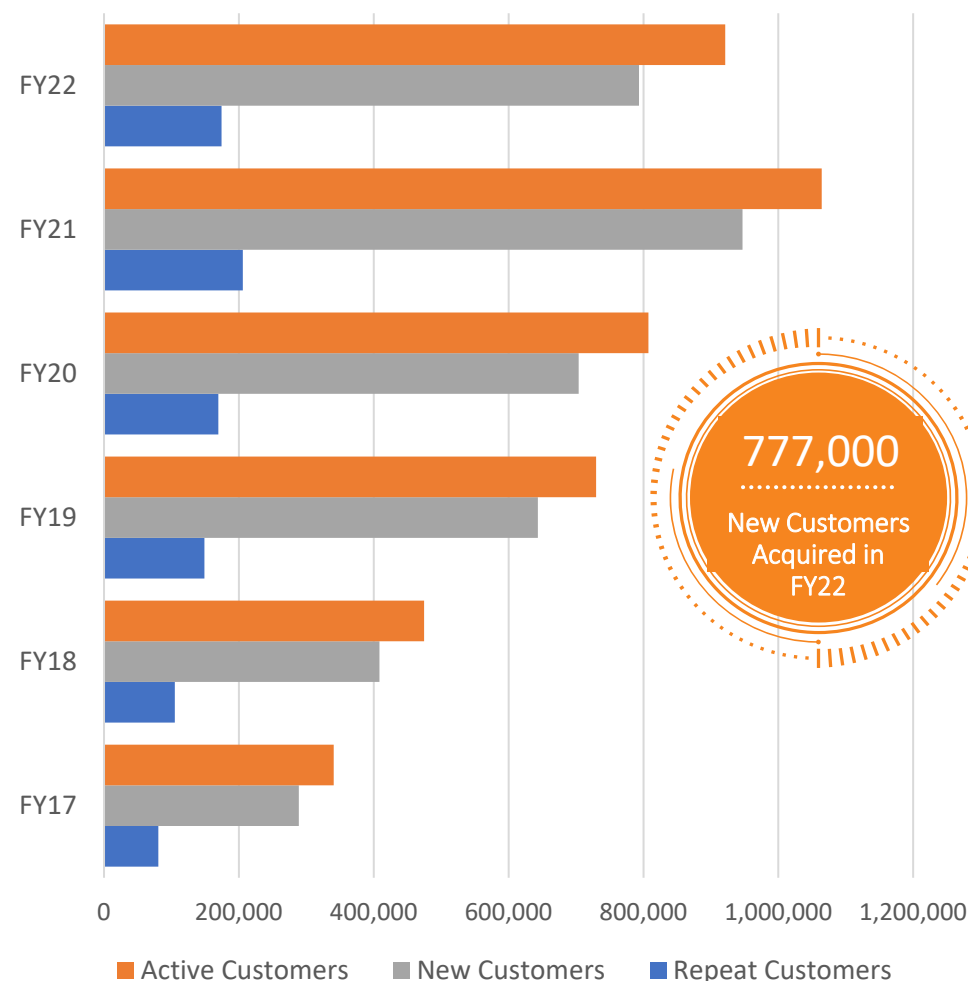
£33

GP PER TRANSACTION

£241

SALES LIFETIME VALUE

Customer Profiles, FY17 – FY22

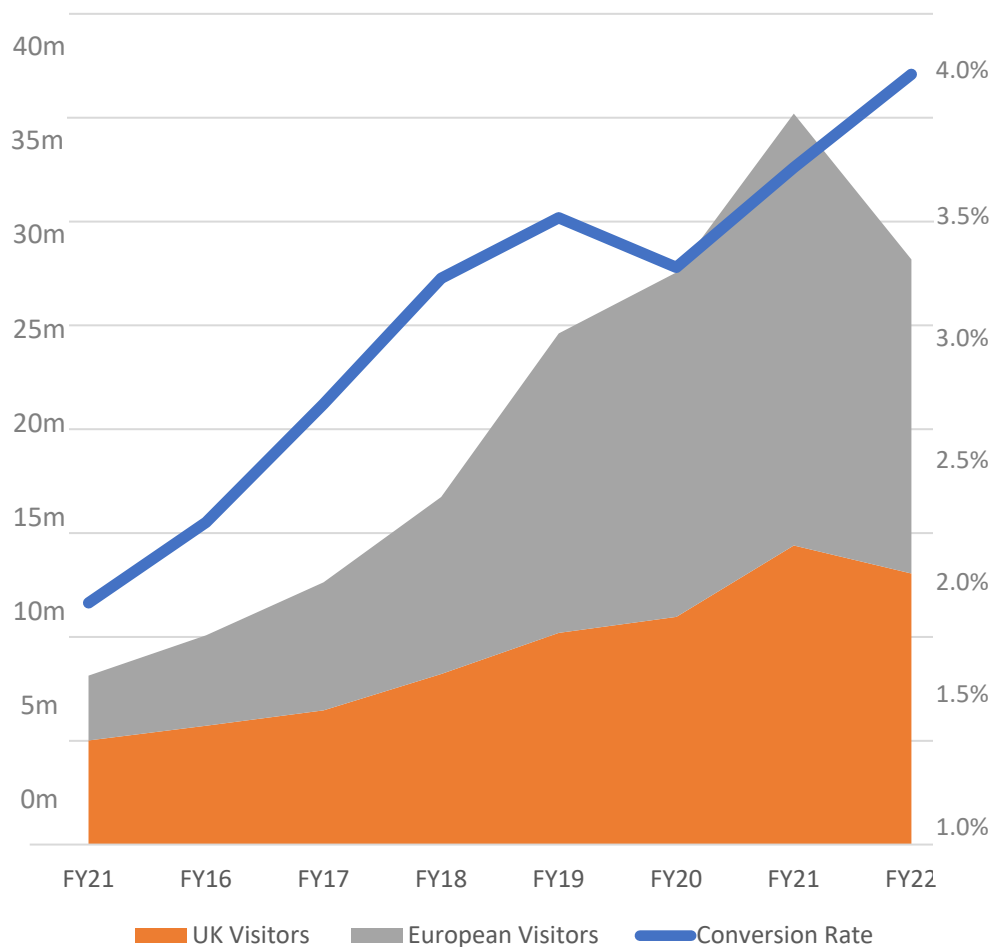


	FY20	FY21	FY22
Average order value	£117	£116	£125
Gross profit per transaction	£30	£32	£33
Relevant Marketing cost*	£8.4m	£8.8m	£10.5m
Cost of acquisition	£12	£9	£14
Sales life time value	£212	£207	£241
Email subscriber database	0.65m	0.98m	1.28m

* Excludes Amazon and POS

FY22 Website metrics

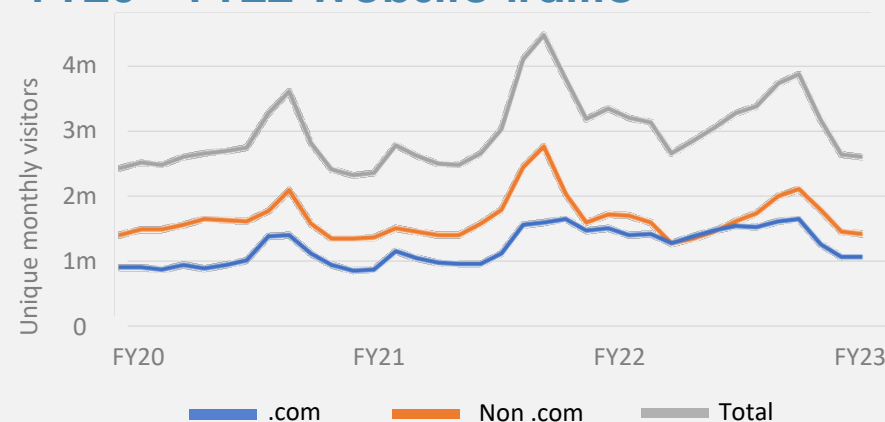
Website conversion & traffic



Website data

	FY20	FY21	FY22	Diff to FY20
Total unique website users	28.4m	36.0m	28.8m	+1%
Total pages viewed	150m	170m	143m	-5%
UK website users	11.0m	14.4m	13.1m	+19%
European website users	16.6m	20.8m	15.1m	-9%
Mobile traffic as % of total	56%	55%	53%	-300BPS
UK conversion rate	4.80%	5.52%	5.52%	+72BPS
European conversion rate	2.37%	2.55%	2.93%	+56BPS
Mobile conversion	2.36%	2.67%	3.19%	+83BPS

FY20 – FY22 Website traffic



FY22 Product sales



31%

GUITARS

Electric, acoustic
& bass guitars

Revenue
£43.4m

Growth
-17%



18%

KEYS

Pianos, synths,
digital keyboards

Revenue
£24.8m

Growth
-24%



13%

STUDIO

Mixers, headphones,
monitors, interfaces

Revenue
£18.2m

Growth
-23%



19%

LIVE & PA

Speakers, lighting
& microphones

Revenue
£27.0m

Growth
61%



10%

DRUMS

Electric, acoustic
& percussion

Revenue
£13.4m

Growth
-6%



6%

ORCHESTRAL

String instruments,
brass, woodwind

Revenue
£8.8m

Growth
-3%

Categories totalling 3% or less of sales are excluded

Summary



Financial

- Good progress compared with pre-pandemic trading
- Access to good levels of working capital
- Net Debt of £24m to be reduced as inventory levels begin to normalise
- FY23 Focus on efficiency and cost management, whilst investing for growth
- Trading during FY23 in-line with board expectations

Strategy

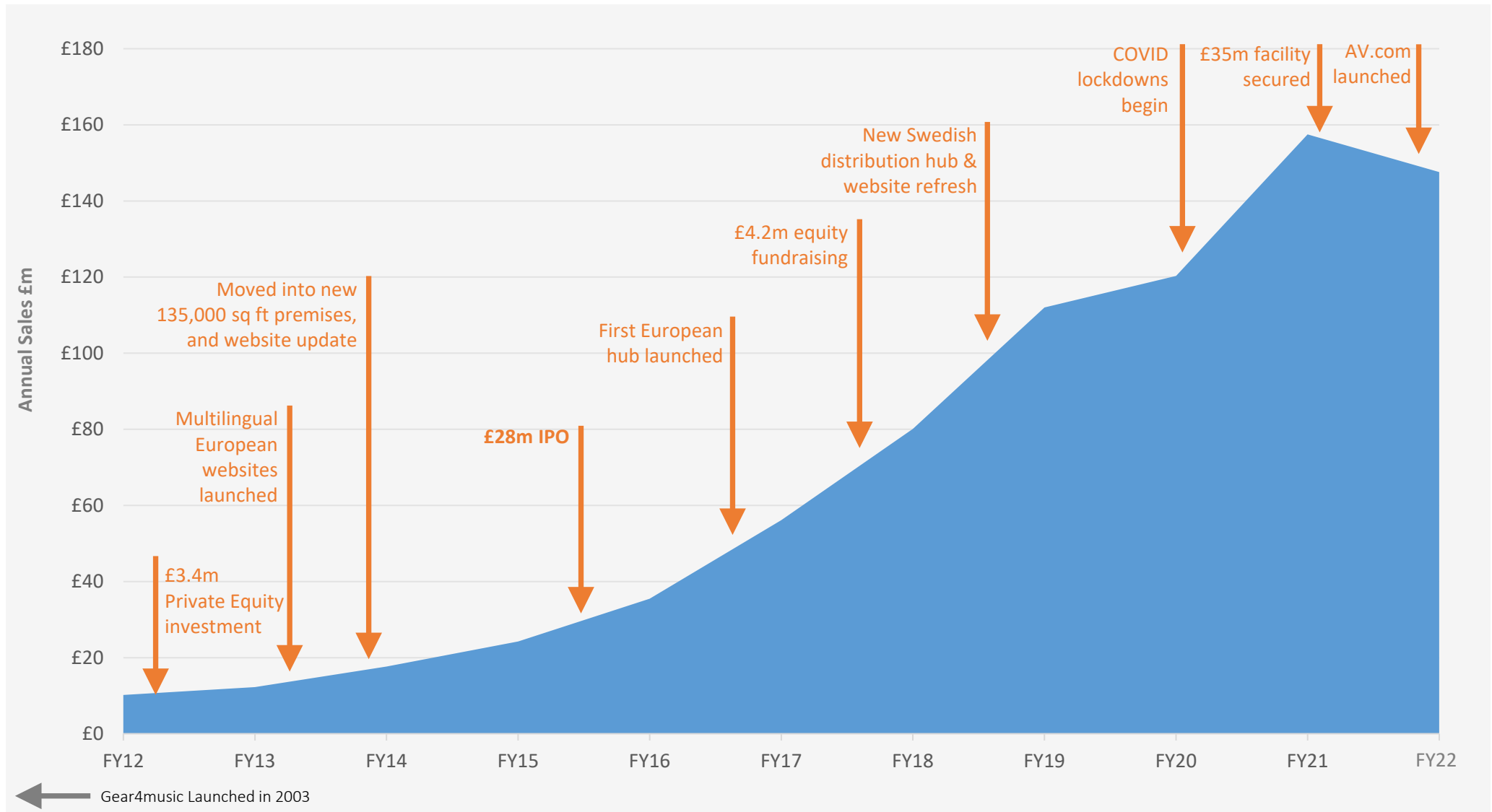
- AV.com Europe expected to support growth from FY23 H2
- Strong pipeline of platform developments during FY23, including second hand platform
- Uncertain consumer outlook, offset by growth initiatives
- European hub expansion will be considered in FY24



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
- Over 21 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



David Fieldhouse
Finance Director
Joined 2020

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



Charlotte Mahon
Director of HR
Joined 2015



Jan Imig
International Operations
Manager
Joined 2017



Victor Burrau
Swedish Logistics
Manager
Joined 2016



Mark Fratson
UK Logistics Manager
Joined 2005

Operations & Competitors

Gear4music

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

Bax Shop

2021 Revenues £129m
2020 Revenues £126m
Growth 2%

S&T Audio (PMT)

2021 Revenues £34m
2020 Revenues £43m
Growth -20%

Kytary.cz

2021 Revenues £35m
2020 Revenues £33m
Growth 7%

Andertons

2021 Revenues £66m
2020 Revenues £57m
Growth 15%

Thomann

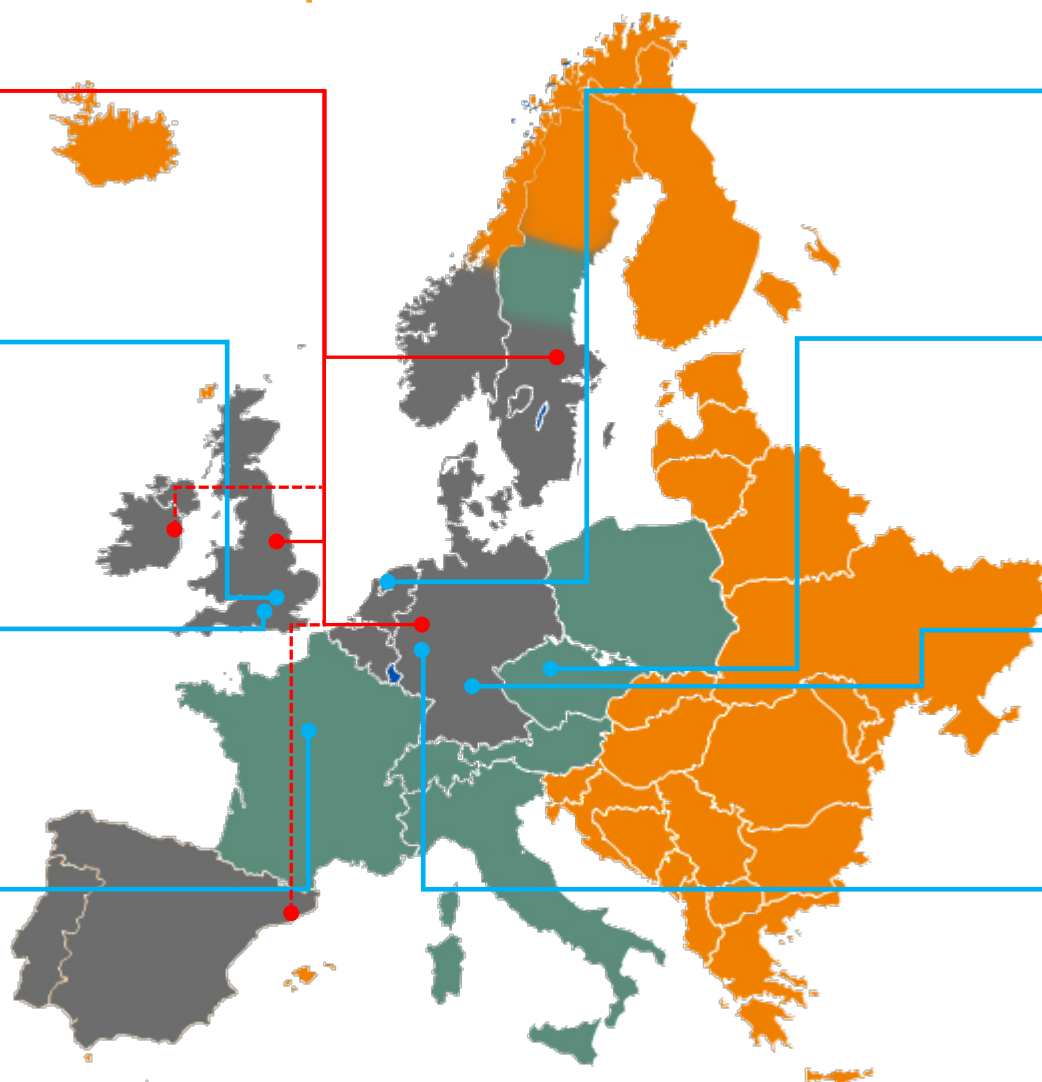
2021 Revenues £1.16bn
2020 Revenues £1bn
Growth 14%

Woodbrass

2021 Revenues £37m
2020 Revenues £44m
Growth -17%

Music Store

2021 Revenues £139m
2020 Revenues £129m
Growth 8%

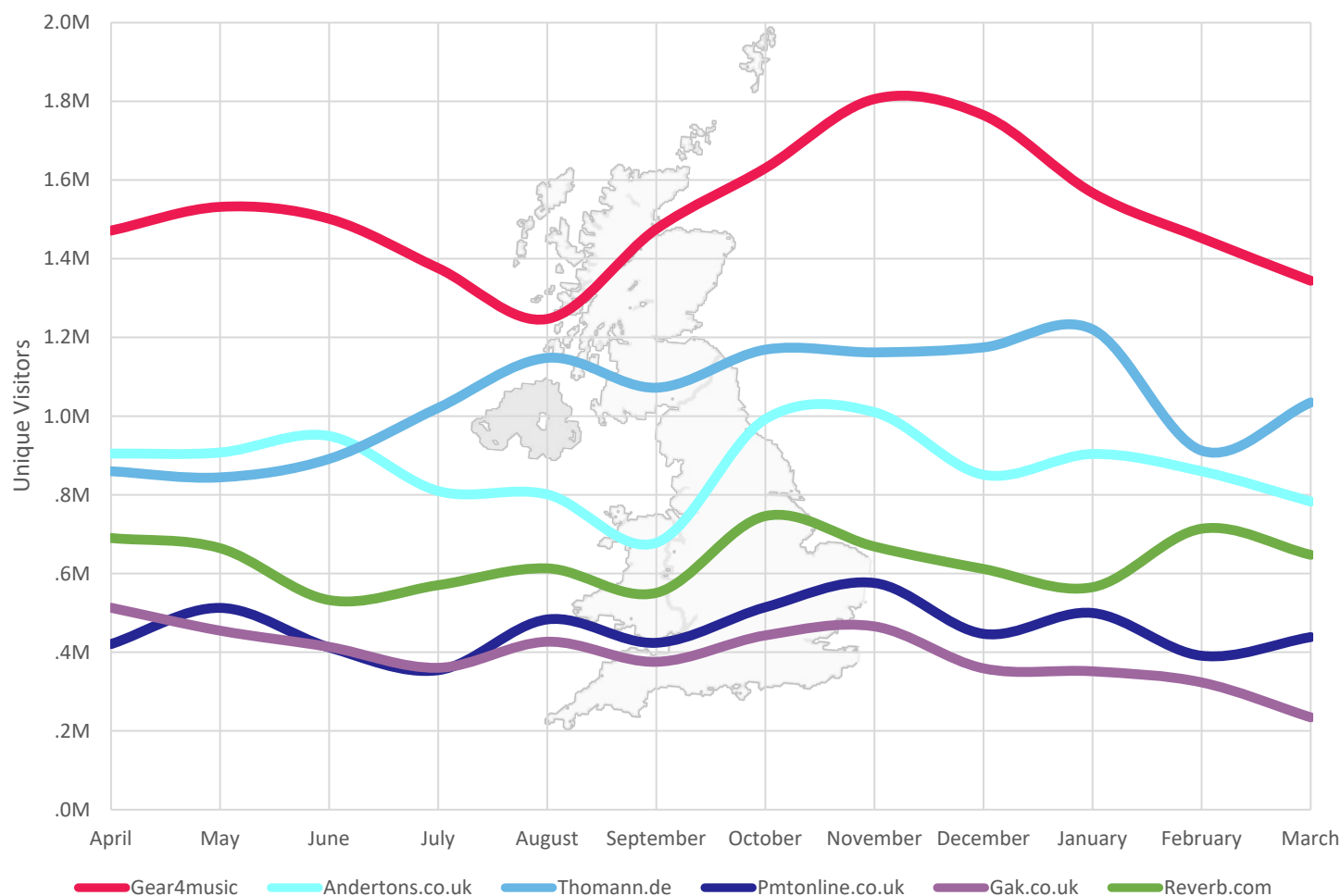


Gear4music delivery timescales: ■ 1 day road/ economy delivery ■ 2 days road/ economy delivery ■ 3+ days road/ economy delivery

Estimated UK market: £898m

FY22 UK Internet traffic share

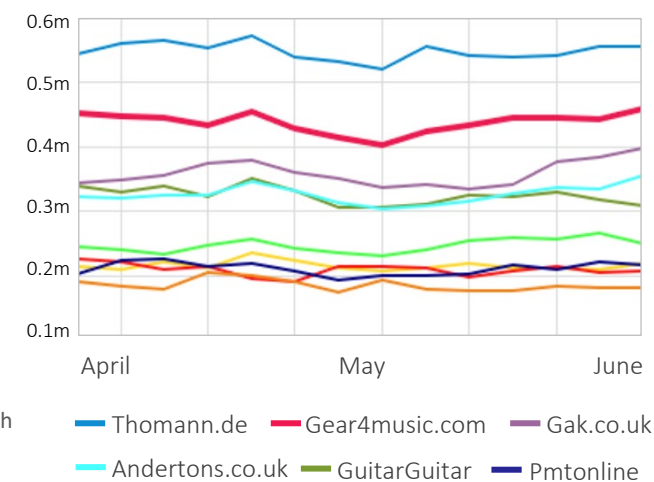
Source: SEMRush



- Gear4music FY22 market share c.9.2%, up 0.3% on FY21
- Estimated UK online market c.£327m
- Highly fragmented market, growing at c.2% (Source: Music Trades)
- Accelerating shift: high street to online

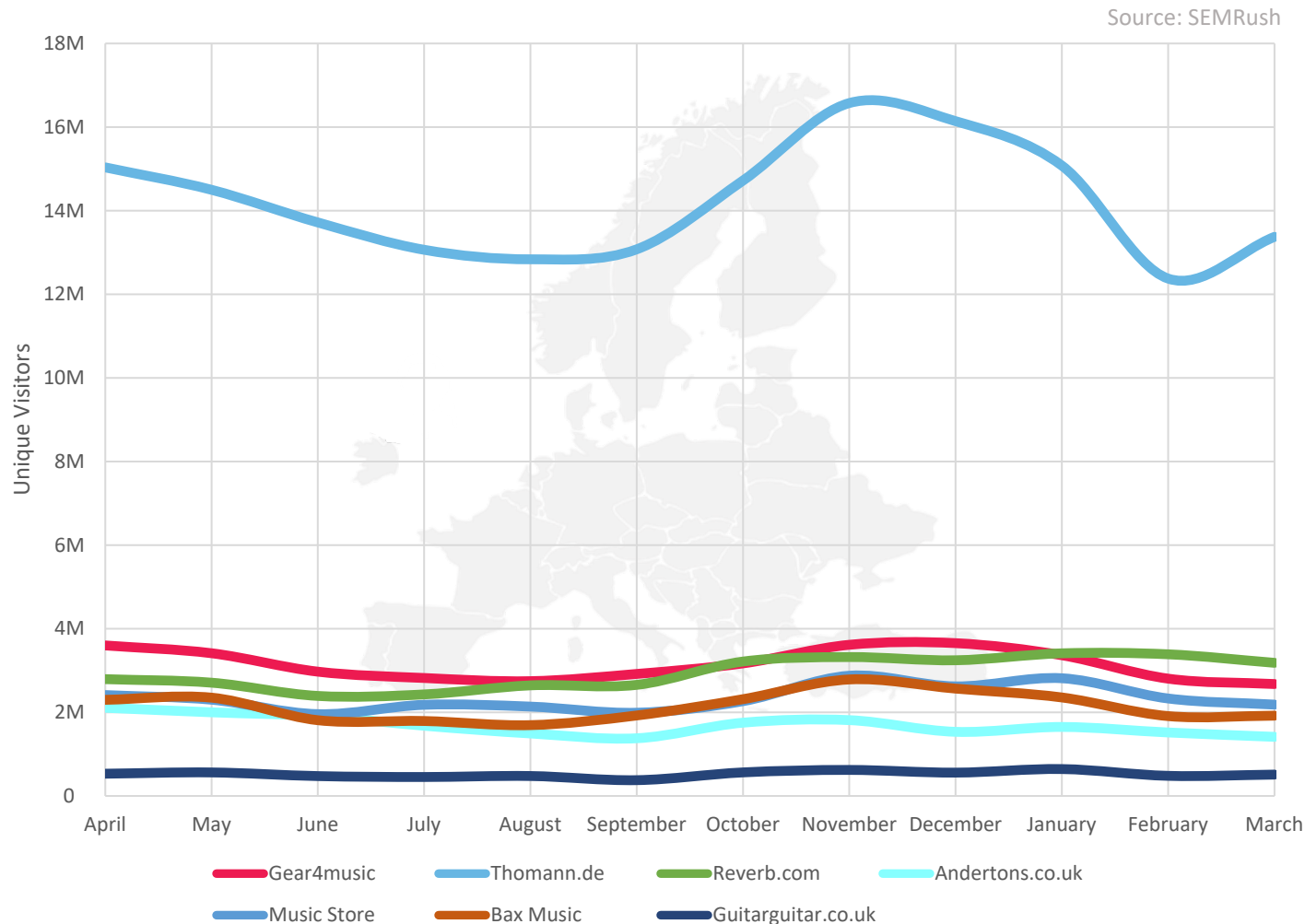
FY16 website traffic

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



Estimated European market: £4.2bn

FY22 European traffic share

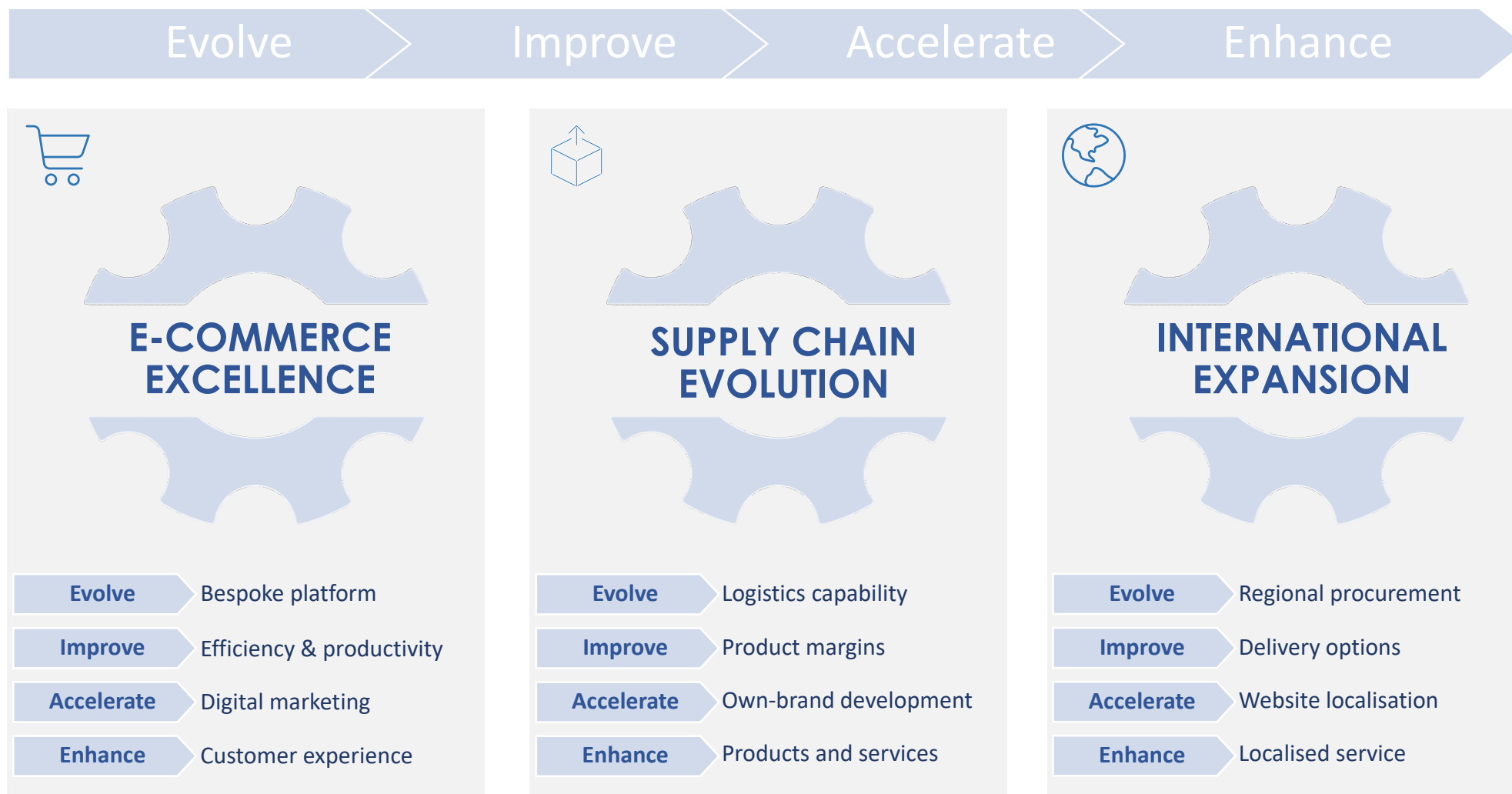


- Gear4music European market share down 0.4% to just 1.5% following Brexit; significant opportunity for growth
- FY22 European revenues of £63m down 18% on FY21; +10% on FY20
- 2 new European Distribution hubs launched in FY22, taking the total to 4
- Localised proposition features 15 languages and 8 currencies

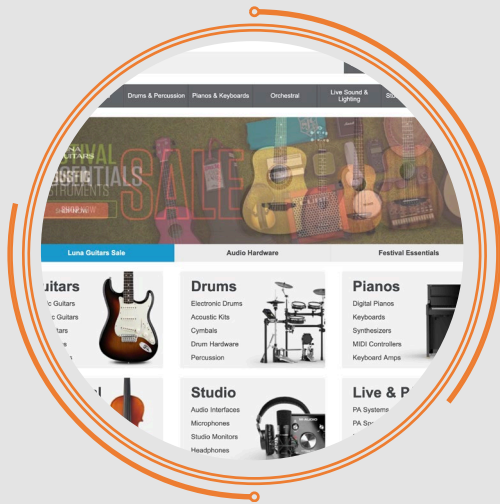
Top European Markets

Country	Estimated Market Size (£m)
Germany	1,426
France	1,030
Italy	691
Netherlands	241
Austria	216
Spain	198
Switzerland	169
Sweden	128
Norway	98
Total Size	4,197

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 4,200 SKUs at very competitive prices

Large branded product range

Over 62,400 products from over 1,050 manufacturers, including major brands



BACK END

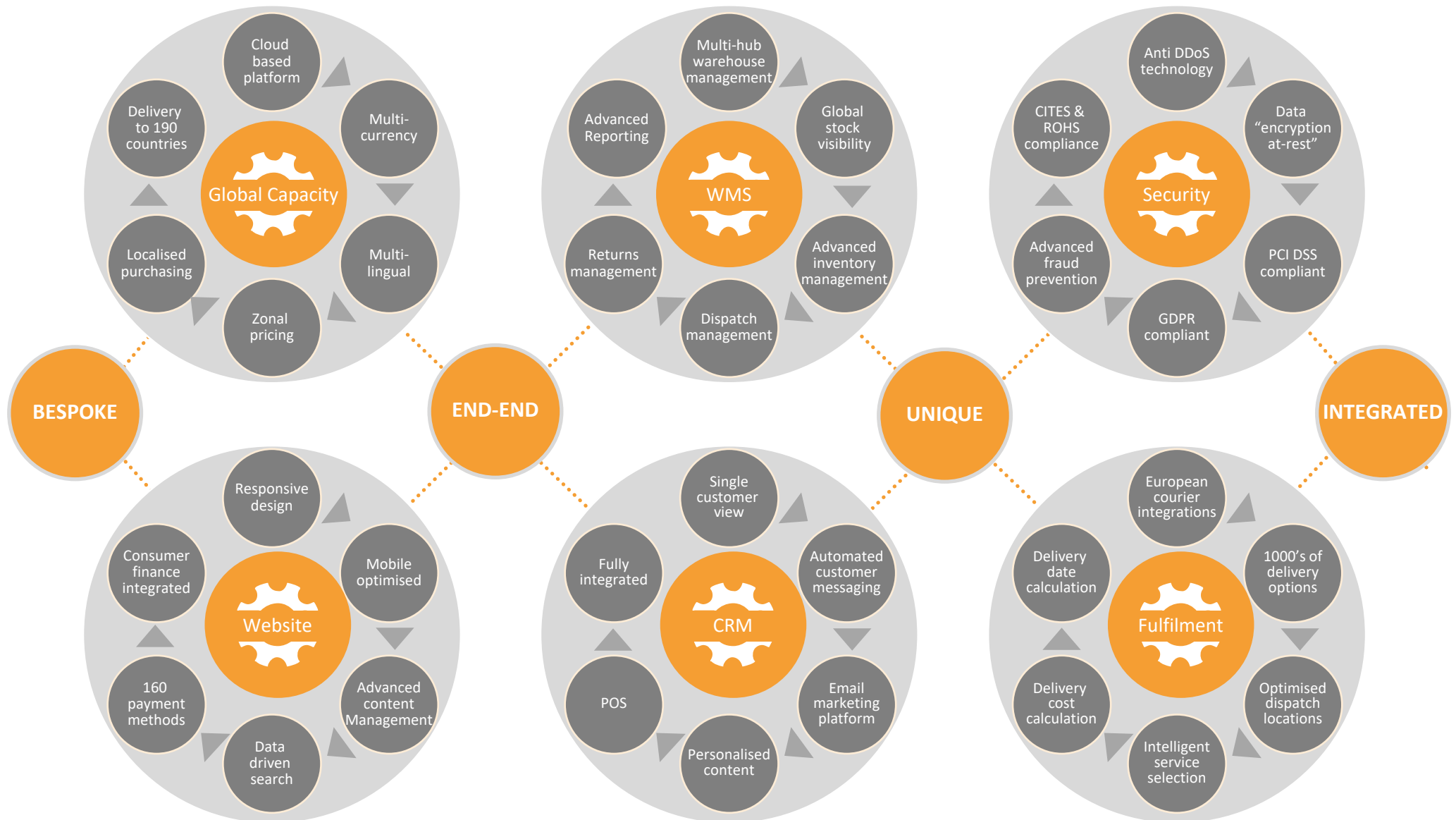
Bespoke, flexible platform

Robust integrated systems developed in house over 16 years

In-house logistics capability

370,000 sq ft total distribution space in UK, Sweden, Germany, Spain & Ireland

Platform Features



European Distribution Capacity Overview

NEW HUBS PROVIDE ADDITIONAL SALES CAPACITY



UK HUBS, YORK & BACUP

- New hub in Bacup, 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: £60m
- Serves Scandinavia & Europe

CENTRAL EUROPEAN HUB, MÜLHEIM

- Extended inventory capacity: £9m, sales capacity: £40m
- Serves Germany & Europe

IRISH HUB, DUBLIN

- Inventory capacity: £2.5m, sales capacity: £15m
- Serves Ireland & Northern Ireland

SOUTHERN EUROPEAN HUB, BARCELONA

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

Major Shareholders as at 29 April 2022

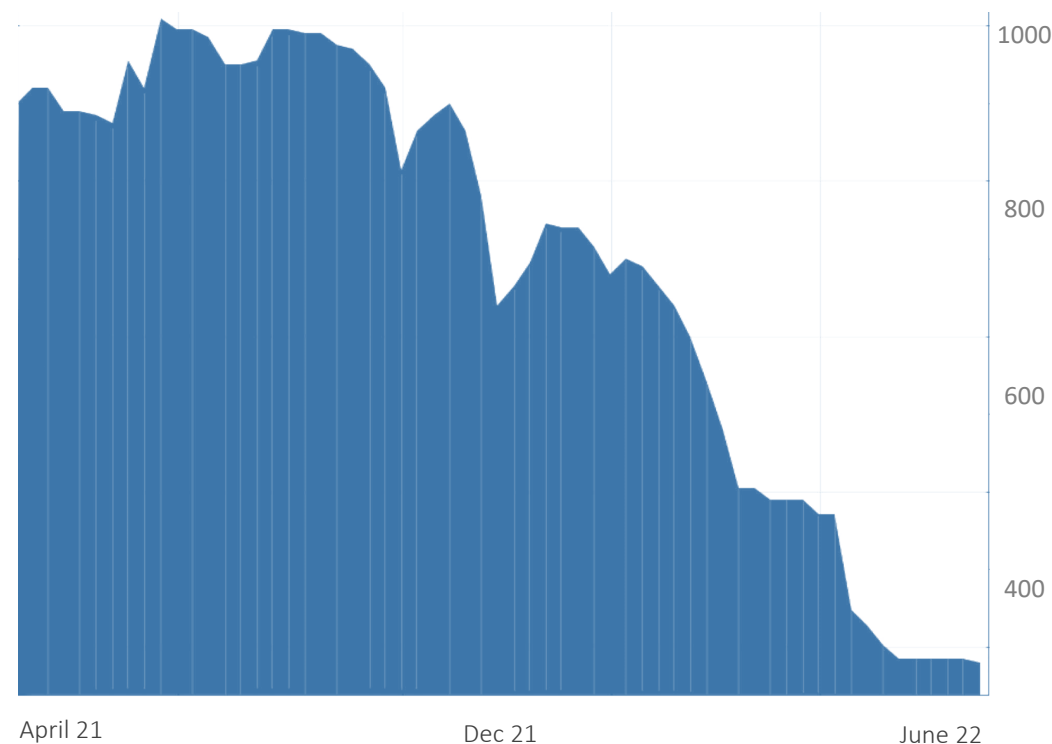
Major Shareholders as at 29 April 2022

Name	Number of shares	% of issued share capital
Andrew Wass	4,701,993	22.4%
AXA Investment Managers	2,688,377	12.8%
Liontrust Investment Partners LLP	2,574,846	12.3%
Standard Life Aberdeen plc	2,146,412	10.2%
TB Amati Investment Funds	1,911,289	9.1%
Cannaccord Genuity Group Inc	1,353,472	6.5%
Octopus Investments Limited	634,018	3.0%

Source: Singers

Note: On 16 May 2022 Andrew Wass acquired 50,000 shares taking his stake to 4,751,993 (22.7%).

Share price graph – April 2021 to June 2022



52 week range: 180p – 1020p

Market cap as of 20 JUNE 2022: £37m

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