



19 November 2024

Gear4music (Holdings) plc Interim results for the six months ended 30 September 2024

“Return to growth in Q2 demonstrates early progress in executing Growth strategy”

Gear4music (Holdings) plc, (“Gear4music” or “the Group”) (LSE: G4M), the largest UK based online retailer of musical instruments and music equipment, today announces its unaudited financial results for the six months ended 30 September 2024 (“the Period”).

£m	6-months ended 30 Sept 2024 ('FY25 H1')	6-months ended 30 Sept 2023 ('FY24 H1')	Change on FY24 H1
UK revenues	38.7	36.5	+6%
European & Rest of World revenues	23.0	26.1	(12%)
Total revenues	61.7	62.6	(1%)
Gross profit	16.5	17.0	(3%)
Gross margin	26.7%	27.1%	-40bps
EBITDA*	2.9	2.4	0.5m
Operating loss	(0.5)	(0.9)	0.4m
Loss before tax	(1.2)	(1.9)	0.7m

* EBITDA is defined as ‘Earnings before interest, tax, depreciation and amortisation’. In FY24 H1 adjusted EBITDA of £2.9m excluded £0.5m one-off exceptional redundancy costs.

FY25 H1 Highlights:

- Results reflect early progress in starting to deliver our refreshed Growth Strategy:
 - o A return to revenue growth in FY25 Q2 (+1%) following a 4% decrease in FY25 Q1
 - o Disciplined cost control resulted in £1.0m reduction in Admin expenses
 - o Reported EBITDA improved by £0.5m
 - o Loss before tax improved by £0.7m
- Net bank debt of £14.4m was £3.7m lower than last year (30 September 2023: £18.1m), and includes the normal build of inventory ahead of the peak trading period.
- Gross margin of 26.7% (FY24 H1: 27.1%; FY23 H1: 26.3%), reflecting early-stage challenges with the implementation of a new outsourced AI-based marketing system impacting own-brand revenues which are now resolved.

Trading Outlook:

- 5% revenue growth achieved during FY25 H2 trading to date, in what continues to be a challenging consumer environment, particularly in our European markets
- Well-positioned and prepared for the upcoming peak seasonal trading period
- Full-year outlook remains in-line with consensus market expectations**

Commenting on the results, Andrew Wass, Executive Chair said:

“We are pleased to report progress in executing our refreshed growth strategy announced in June 2024, resulting in improvements in our financial performance during FY25 H1. Building on our return to sales growth in FY25 Q2, we have achieved a 5% increase in revenue during FY25 H2 trading to date, following the resolution of the challenges associated with the initial roll-out of our new outsourced AI-based marketing platform.

Aware of the potential for ongoing weakness in the European consumer retail environment, we maintained a disciplined approach to cost management during FY25 H1, contributing to a further reduction in our net debt. While the recent UK budget will introduce additional employment costs from FY26 onwards estimated at £0.3m, we are confident these can be largely mitigated through further cost-saving measures.

Our second-hand sales platform continued to gain significant traction during FY25 H1, with sales growing by 286% to £1.4m in the Period. We anticipate sustained strong growth in this area as we expand consumer awareness and our channels to market.

Our long-term focus remains on growing higher-margin revenues, and we will continue to invest in areas that support this objective, such as the Studiospares acquisition announced on 22 October 2024, our second-hand platform, and our own-brand product offering, teams and infrastructure.

Our full-year outlook remains in-line with consensus market expectations, we are well prepared for our seasonal peak trading period, and look forward to providing a further trading update after the Christmas period on 21 January 2025.”

*** Gear4music believes that current consensus market expectations for the year ending 31 March 2025 are revenues of £154.7 million, EBITDA of £11.7 million and profit before tax of £2.8 million.*

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About Gear4music.com

Gear4music is the largest retailer of musical instruments and music equipment in the UK, delivering to 190 countries across Europe and the Rest of the World.

The Group sells own-brand musical instruments and music equipment alongside premium third-party brands including Fender, Yamaha and Roland, to customers ranging from beginners to musical enthusiasts and professionals.

Operating from a Head Office in York, the Group has Distribution Centres in York, Bacup, Sweden, Germany, Ireland & Spain, and showrooms in York, Bacup, Sweden & Germany.

Having developed its own e-commerce platform, with multilingual, multicurrency websites, the Group continues to build its overseas presence.

Business Review

The Group reports its results for the six months to 30 September 2024, and updates on the Strategic, Commercial and Financial progress made in the Period.

Overview

Further to the announcement of our refreshed Growth Strategy in June 2024, our focus in FY25 H1 has been on investing in the people, processes and structures to lay the foundations to deliver sustained profitable revenue growth, and pleasingly we report a return to revenue growth in FY25 Q2 accelerating post year-end in FY25 Q3 to date. As previously highlighted, during the Period we encountered challenges with the implementation of a new outsourced AI-based marketing system, which adversely impacted own-brand and European sales. We have resolved these issues.

Consumer confidence remains low in many European markets, which at times has created unusually price competitive situations for certain branded products. Our approach continues to be to maintain a disciplined approach to product pricing.

The Board is also continuing its focus on further reducing net debt through cost reduction, core business cash generation, and actively managing inventory levels across our six distribution centres.

Growth Strategy

Our priority in FY23 and FY24 was to reduce net debt and increase profitability to ensure the Group is leaner and more resilient, and in FY25 we are now re-focused on growth. Whilst early days we update on progress below:

- *Brand acquisitions – Studiospares*

On 1 October 2024 we acquired the brand, IP, and certain other assets of Studiospares Europe Limited for £150,000 from the liquidator. As part of the transaction, we acquired £148,000 of inventory.

Studiospares has a well-established and strong reputation for high-quality studio equipment and accessories and in the year-ended 31 December 2023 generated own-brand sales and gross profit of £1.5m and £0.8m respectively.

- *Second-hand – Continuing significant growth*

Our second-hand sales platform continues to gain traction with 286% revenue growth to £1.4m in the Period and is on-track to deliver FY25 revenue of £4m.

- *Recruitment*

In September 2024 we recruited a new experienced Marketing Director with a background in e-commerce, and a proven track record in developing broader marketing channels and reducing reliance on 'Pay-per-Click' ('PPC').

We also recruited a European Commercial Director in September to lead European purchasing and support expansion of marketing channels across Europe.

Our own-brand team increased from 21 to 25 over the Period as we recruited into roles to support product development, efficient purchasing and inventory management across our distribution centres, and help us increase own-brand revenue into the medium term.

Current trading and outlook

Whilst macro-economic uncertainties continue to weigh on consumers in the UK and across Europe, we have seen a return to revenue growth and maintained a disciplined approach to cost control. We are well-prepared ahead of the seasonal peak trading period and our full-year outlook remains in-line with current consensus market expectations.

We remain confident in the enduring consumer demand for Gear4music products, and we are well-placed to benefit once the consumer discretionary spend environment improves.

The Group plans to issue a Christmas trading update on 21 January 2025.

Commercial Review

	FY25 H1	FY24 H1	Change on FY24 H1
Revenue	£61.7m	£62.6m	(1%)
Total unique website users	9.3m	9.8m	(5%)
Mobile site unique users	7.0m	6.6m	+6%
Conversion rate	4.03%	3.97%	+6bps
Average order value	£153	£161	(5%)
Active customers *	805,000	823,000	(2%)
Proportion of repeat customers **	26.6%	26.3%	+30bps
Email subscriber database	1,919,000	1,720,000	+12%
Trustpilot rating	4.7/5	4.7/5	-

* Active customers are those that have purchased products within the last 12 months

** Repeat customers are those that have made a purchase in the Period and have historically made at least one purchase

UK revenue in the Period was 6% ahead of last year (FY24 H1: +3%), reflecting the strength of G4M's brand and proposition into the UK market, which is proving more resilient than other territories, and initiatives such as second-hand being launched in the UK first.

Teething problems with an outsourced AI-based marketing system during the Period led to cost-allocation inefficiencies and marketing over-spend, also impacting the mix between own-brand and other-brand sales. This has since been rectified. 'Cost-per-Click' ('CPC') continues to be high relative to where it has historically been, with competition for less traffic in a challenging economic climate. A primary focus will be to reduce our reliance on CPC/PPC going forward.

International revenue in the Period was 12% down on last year (FY24 H1: down 15%) as certain markets became highly price competitive at times and we took the decision to maintain pricing levels in-line with our strategy. European sales were also impacted for a period by marketing under-investment as we transitioned to a new AI based marketing platform.

Website user numbers decreased 5% to 9.3m being the net of a 10% increase in UK traffic and a 19% decline in international traffic, in part reflecting PPC under-investment in European markets. The shift to mobile continues with 75% of users coming through this channel (FY24 H1: 68%).

Conversion rates were stable at 4.0% with a fall in UK conversion from 4.4% to 4.2% as European conversion improved from 3.6% to 3.8%. Mobile conversion increased from 2.4% to 2.5%.

It is important we enhance our organic and direct marketing capabilities, which in the longer term should underpin our ambition to reduce marketing spend as a proportion of sales – users from direct and organic sources accounted for 59% of all users (FY24 H1: 51%). We also received positive results from our initial own-brand influencer marketing initiative.

‘Average Order Value’ (‘AOV’) decreased 5% to £153 partly reversing a 7% increase last year, reflecting proportionally less high value sales and competitive pricing pressures on some SKUs in certain territories.

The Group served 348,000 customers in the Period (+2% on FY24 H1) and ‘Active customers’, being those that have purchased products within the last 12 months, decreased by 2%.

The proportion of repeat customers increased to 26.6% (FY24 H1: 26.3%) reflecting a proportionally lower level of paid-for new customers. The level of repeat custom is lower than in other e-commerce sectors, reflecting the nature of the Group’s product range and high average order value, and re-affirms the importance of the Group being profitable from the first customer transaction.

Our email subscriber database increased 0.2 million to 1.9 million and we are continuously refining our email retargeting strategies to cost-effectively boost the number of repeat customers.

We continue to invest in our customer proposition and service teams, resulting in an excellent overall customer experience, reflected in Gear4music.com’s Trustpilot score of 4.7/5 and ‘Excellent’ rating from over 134,000 reviews.

Product and Supply Chain

	FY25 H1	FY24 H1	Change on FY24 H1
Own-brand product sales	£14.0m	£15.2m	(8%)
Other brand product sales	£45.3m	£44.7m	+1%
Product margin	30.9%	30.9%	-
Products listed	63,300	63,900	(1%)
Brands listed	1,111	1,134	(2%)

Achieving strong gross margins is important to the profitability of the Group and is a key business objective. FY25 H1 gross margin of 26.7% is 40bps behind FY24 H1 reflecting:

- a flat product margin as a 320bps improvement in own-brand margin to 47.3% was offset by proportionally less own-brand sales (22.6% of total sales v 24.3% in FY24 H1), and other-branded margin challenges particularly in certain European markets (25.9% v 26.4% in FY24 H1); and
- a 40bps increase in net shipping costs reflecting lower AOV, and carrier inflationary costs that are expected to be partially mitigated by new carrier deals done ahead of peak.

We traditionally report higher gross margins in H2 than H1 and we expect that trend to continue in the current financial year.

The number of ‘Stock-Keeping-Units’ (‘SKUs’) listed decreased from 63,900 at 30 September 2023 to 63,000 at 31 March 2024 and increased back to 63,300 at 30 September 2024, representing a net 1% decrease in 12 months, as we de-list less profitable, slow-moving SKUs.

Own-brand

Expanding on last year's efforts to elevate brand identity, we are focused on brand and range development and growing our in-house product and engineering teams to enable us to create wider appeal and innovative product offering.

Operationally we now have a tried and tested outsourced consolidation infrastructure within China, enabling us to increase SKU coverage across our distribution centres whilst minimising the working capital investment. This also helped maintain strong product margins despite increased sea freight shipping costs.

Product highlights include:

- Expansion of our affordable VISION musical instruments range offering the perfect starting point for beginners of all ages
- Launched Premier NXT GEN - an exciting spin-off of Premier offering great value educational, marching and orchestral percussion instruments
- Launched G4M Sonori and Keynote Digital Pianos
- G4M Solus Electric String Instruments which were recently awarded 'Gold' at the prestigious New York Product Design Awards
- Expansion of our Hartwood Acoustic Guitars range providing premium, retro inspired acoustic instruments

The number of own-brand SKUs increased from 5,200 at 30 September 2023 to 5,510 (+6%) at 30 September 2024, with own-brand revenue accounting for 23.5% of total product sales (FY24 H1: 25.4%) from 8.7% of total SKUs (FY24 H1: 8.1%), reflecting the significant on-going efforts of our in-house team in developing our range of high-quality instruments and equipment at affordable prices.

Software Development

We continue to leverage a combination of in-house capability with a team of 32 developers, and the outsourcing of one distinct project to external contractors.

The Group invested £1.6m (FY24 H1: £2.4m) in its e-commerce platform in the Period with deployments including:

- Improved site search
- Customer Service AI chatbot launched
- Various platform infrastructure upgrades

The next major project in the pipeline that will have a significant impact on our business, is our 'AI-based Forecasting and Purchasing platform' that is on-track for delivery by Spring 2025.

Financial Review

	FY25 H1	FY24 H1	Change on FY24 H1
Revenue	£61.7m	£62.6m	(1%)
Gross profit	£16.5m	£17.0m	(3%)
Gross margin	26.7%	27.1%	-40bps
Unadjusted EBITDA	£2.9m	£2.4m	21%
Exceptional item - Redundancy costs	-	(£0.5m)	£0.5m
Adjusted EBITDA	£2.9m	£2.9m	-
Adjusted EBITDA margin	4.7%	4.6%	+10bps
Operating loss	(£0.5m)	(£0.9m)	£0.4m
Marketing costs	£4.5m	£4.3m	(5%)
Marketing costs as % of revenue	7.3%	6.9%	+40bps
Total Labour costs	£6.4m	£6.9m	(7%)
Total Labour costs as % of revenue	10.3%	11.0%	-70bps

Revenue

The Group returned to revenue growth in FY25 Q2 with 1% growth on FY24 Q2, further to year-on-year decreases of 4% in FY25 Q1 and 5% in FY24 H2. Growth has increased in FY25 H2 to date.

Revenue of £61.7m was £0.9m (1%) lower than last year. UK revenue was up 6% taking our estimated share of a flat UK market to 9.7% (FY24 H1: 9.3%). International revenues of £23.0m were 12% down on last year reflecting difficult trading conditions and an under-investment in European marketing for a period. International revenue accounted for 37% of the Group total revenue compared to 42% in FY24 H1.

Gross Margin and Gross Profit

As outlined in the 'Commercial Review' gross margin decreased 40bps from 27.1% last year to 26.7%, reflecting a flat product margin, and a 40bps increase in net delivery costs reflecting increasing costs and a lower AOV.

The net result of revenue and gross margin movements was gross profit of £16.5m, which was £0.5m (3%) behind last year.

Operating Loss and Administrative Expenses

The operating loss of £0.5m represents a £0.4m improvement on FY24 H1, being the net of a £0.5m reduction in Admin expenses reflecting tight cost control offsetting the £0.5m fall in gross profit, and £0.5m exceptional costs last year.

Underlying Admin expenses (excluding exceptional costs) decreased from 28.5% of revenue in FY24 H1 to 28.1% in FY25 H1. Marketing and labour costs continue to be key components of our cost base, accounting for a combined 63% of total administrative expenses in the Period and prior year:

Marketing

Marketing costs of £4.5m (FY24 H1: £4.3m) equated to 7.3% of sales (FY24 H1: 6.9%). Our marketing continues to be heavily PPC-focused, accounting for 88% of total marketing spend (FY24 H1: 87%) targeting a pre-defined and measurable return on investment. In FY25 H1 we experienced challenges with the rollout of a new outsourced AI-based marketing system which temporarily increased marketing costs resulting in an estimated £0.2m over-spend, and also adversely impacted our own-brand and European sales. These issues have now been resolved.

Labour costs

Total labour costs decreased £0.5m (7%) on FY24 H1 to £6.4m reflecting a full-period impact of the FY24 H1 redundancies:

- FY25 H1 average headcount of 414 is 71 (9%) lower than FY24 H1; and
- FY25 H1 average cost per head is 8% higher than FY24 H1.

Total headcount at 30 September 2024 is 434, the same as at 30 September 2023.

Other Administrative expenses

European distribution centre local expenses decreased £0.1m (5%) on FY24 H1 to £2.4m reflecting cost reductions linked to reduced activity net of inflationary cost increases.

Depreciation and amortisation in the Period totalled £3.4m (FY24 H1: £3.3m) including amortisation of £2.0m (FY24 H1: £1.8m) relating to our bespoke e-commerce platform, and £0.8m depreciation of 'Right of Use' assets (FY24 H1: £0.9m).

Last year we reported one-off non-recurring costs of £0.5m relating to redundancy costs incurred during the restructure of various Head Office teams, principally Software Development.

An FY25 H1 EBITDA margin of 4.7% compares to an EBITDA margin (excluding redundancy costs) of 4.6% last year and 4.1% in FY23 H1.

Net Loss and Financial Expenses

Net financial expenses of £0.7m include £0.5m net bank interest (FY23 H1: £0.8m) reflecting a lower debt level, and £0.2m interest on lease liabilities (FY24 H1: £0.2m).

A tax charge has arisen following adjustments to reflect the Corporate Income Tax position of the Group's overseas subsidiaries per their latest local statutory audits.

We report a loss in the Period of £1.2m compared to a £1.6m net loss in FY24 H1.

Cash Flow and Balance Sheet

Net bank debt at 30 September 2024 was £14.4m (FY24 H1: £18.1m) at what is historically a low point in the annual cash cycle as we invest in inventory ahead of peak seasonal trading. This provides significant headroom of £15.6m within the Group's £30m RCF, and further reductions are expected by 31 March 2025.

	FY25 H1	FY24 H1	Change on FY24 H1
	£m	£m	£m
Opening cash	4.7	4.4	0.3
Net cash (used in)/from Operating Activities	(3.8)	0.4	(4.2)
Net cash used in Investing Activities	(1.7)	(2.4)	0.7
Net cash from Financing Activities	7.4	3.5	3.9
Closing cash	6.6	5.9	0.7
Net bank debt	(14.4)	(18.1)	3.7

Reported inventory of £40.1m (FY24 H1: £39.0m) includes £7.6m of inbound stock-in-transit (FY24 H1: £4.4m) as we are utilising our warehouse capacity to pull-forward intake to provide certainty and reduce pressure during peak to focus on fulfilling orders.

Trade and other payables of £21.1m were £0.8m (4%) higher than last year and includes £1.1m of customer prepayments (30 September 2022: £1.4m).

Capitalised software development costs totalled £1.6m in the Period (FY24 H1: £2.4m) compared to amortisation of £2.0m, resulting in a £0.4m decrease in net book value since the start of the financial year.

Property, plant and equipment capital expenditure was limited to £123,000 in the Period (FY24 H1: £0.04m) principally being investment in solar panels at our Head Office.

Dividend Policy

The Board does not recommend the payment of a dividend (FY24 H1: nil). Consistent with its previously stated approach, the Group will revisit its shareholder distribution policy at the appropriate time.

Unaudited consolidated interim statement of profit and loss and other comprehensive income

		6 months ended 30 September 2024 (unaudited) £000	6 months ended 30 September 2023 (unaudited) £000	Year ended 31 March 2024 (audited) £000
	Note			
Revenue	3	61,742	62,641	144,384
Cost of sales		(45,247)	(45,656)	(104,947)
Gross profit		16,495	16,985	39,437
Administrative expenses	3,4	(17,360)	(18,324)	(37,609)
Other income	4	374	407	935
Operating (loss)/profit before exceptional items	4	(491)	(445)	3,250
Exceptional items	5	-	(487)	(487)
Operating (loss)/profit after exceptional items		(491)	(932)	2,763
Financial expenses	7	(763)	(981)	(2,223)
Financial income	7	50	-	44
(Loss)/profit before tax		(1,204)	(1,913)	584
Taxation	8	(25)	353	67
(Loss)/profit for the Period		(1,229)	(1,560)	651
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Deferred tax movements		104	-	150
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences – foreign operations		44	272	177
Total comprehensive (loss)/profit for the Period		(1,081)	(1,288)	978
(Loss)/profit per share attributable to equity shareholders of the company				
Basic (loss)/profit per share	6	(5.9p)	(7.4p)	3.1p
Diluted (loss)/profit per share	6	(5.9p)	(7.4p)	3.0p

Unaudited consolidated interim statement of financial position

		30 September 2024 (unaudited) £000	30 September 2023 (unaudited) £000	31 March 2024 (audited) £000
	Note			
Non-current assets				
Property, plant and equipment	9	10,461	11,326	10,862
Right-of-use assets	10	7,283	9,088	8,099
Intangible assets	11	21,689	22,616	22,049
		<u>39,433</u>	<u>43,030</u>	<u>41,010</u>
Current assets				
Inventories	12	40,065	38,954	25,643
Trade and other receivables	13	3,049	4,083	3,079
Corporation tax receivable		505	371	768
Cash and cash equivalents		6,553	5,919	4,696
		<u>50,172</u>	<u>49,327</u>	<u>34,186</u>
Total assets		<u><u>89,605</u></u>	<u><u>92,357</u></u>	<u><u>75,196</u></u>
Current liabilities				
Trade and other payables	15	(21,086)	(20,303)	(13,478)
Lease liabilities	16	(1,790)	(1,057)	(1,794)
		<u>(22,876)</u>	<u>(21,360)</u>	<u>(15,272)</u>
Non-current liabilities				
Interest bearing loans and borrowings	14	(21,000)	(24,000)	(12,000)
Other payables	15	(30)	(89)	(91)
Lease liabilities	16	(6,865)	(9,215)	(7,599)
Deferred tax liability		(1,546)	(1,679)	(1,868)
		<u>(29,441)</u>	<u>(34,983)</u>	<u>(21,558)</u>
Total liabilities		<u><u>(52,317)</u></u>	<u><u>(56,343)</u></u>	<u><u>(36,830)</u></u>
Net assets		<u><u>37,288</u></u>	<u><u>36,014</u></u>	<u><u>38,366</u></u>
Equity				
Share capital		2,098	2,098	2,098
Share premium		13,286	13,286	13,286
Foreign currency translation reserve		147	198	103
Revaluation reserve		1,171	1,203	1,171
Retained earnings		20,586	19,229	21,708
Total equity		<u><u>37,288</u></u>	<u><u>36,014</u></u>	<u><u>38,366</u></u>

Unaudited consolidated interim statement of cash flows

	<i>Note</i>	6 months ended 30 September 2024 (unaudited) £000	6 months ended 30 September 2023 (unaudited) £000	Year ended 31 March 2024 (audited) £000
Cash flows from operating activities				
(Loss)/profit for the Period:		(1,229)	(1,560)	651
<i>Adjustments for:</i>				
Depreciation and amortisation	9-11	3,364	3,313	6,642
Financial expense	7	713	978	2,173
Loss/(profit) on sales of property, plant and equipment		1	(6)	(16)
Share-based payment (credit)/charge		(59)	71	184
Tax income	8	(131)	(353)	(456)
		2,659	2,443	9,178
Decrease/(increase) in trade and other receivables		31	(649)	355
(Increase)/decrease in inventories		(14,422)	(4,573)	8,738
Increase/(decrease) in trade and other payables		7,709	2,342	(4,383)
		(4,023)	(437)	13,888
Tax received		175	824	736
Net cash from operating activities		(3,848)	387	14,624
Cash flows from investing activities				
Proceeds from sales of property, plant and equipment		6	14	26
Acquisition of property, plant and equipment	9	(144)	(36)	(166)
Acquisition of domains	11	-	-	(12)
Capitalised development expenditure	11	(1,649)	(2,382)	(3,726)
Payment of deferred consideration		-	-	(25)
Interest received		50	-	44
Net cash from investing activities		(1,737)	(2,404)	(3,859)
Cash flows from financing activities				
Proceeds from new borrowings	14	9,000	5,000	-
Repayment of borrowings		-	-	(7,000)
Interest paid	7	(718)	(880)	(2,106)
Payment of lease liabilities		(840)	(644)	(1,401)
Net cash from financing activities		7,442	3,476	(10,507)
Net increase in cash and cash equivalents		1,857	1,459	258
Cash at beginning of Period		4,696	4,460	4,460
Foreign exchange movement		-	-	(22)
Cash at end of Period		6,553	5,919	4,696

Unaudited consolidated interim statement of changes in equity

	Share capital £000	Share premium £000	Foreign currency translation reserve £000	Revaluation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2024	2,098	13,286	103	1,171	21,708	38,366
Loss for the Period	-	-	-	-	(1,229)	(1,229)
Other comprehensive income	-	-	44	-	104	148
Share based payments charge	-	-	-	-	3	3
Balance at 30 September 2024	2,098	13,286	147	1,171	20,586	37,288

	Share Capital £000	Share premium £000	Foreign currency translation reserve £000	Revaluation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2023	2,098	13,286	(74)	1,203	20,721	37,234
Loss for the Period	-	-	-	-	(1,560)	(1,560)
Other comprehensive income	-	-	272	-	-	272
Share based payments charge	-	-	-	-	68	68
Balance at 30 September 2023	2,098	13,286	198	1,203	19,229	36,014

	Share capital £000	Share premium £000	Foreign currency translation reserve £000	Revaluation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2023	2,098	13,286	(74)	1,203	20,721	37,234
Profit for the year	-	-	-	-	651	651
Other comprehensive income	-	-	177	-	-	177
Depreciation transfer	-	-	-	(32)	32	-
Deferred tax adjustment	-	-	-	-	150	150
Share based payments charge	-	-	-	-	154	154
Balance at 31 March 2024	2,098	13,286	103	1,171	21,708	38,366

Notes to the Interim Financial Information

General Information

Gear4music (Holdings) plc is a public limited company incorporated and domiciled in the United Kingdom and is listed on the Alternative Investment Market ('AIM') of the London Stock Exchange.

The Group financial information consolidates the financial information of the Company and its subsidiaries (collectively referred to as the "Group"). The Group has 100% owned trading subsidiaries in the UK ('Gear4music Limited'), Sweden ('Gear4music Sweden AB'), Germany ('Gear4music GmbH'), Ireland ('Gear4music Ireland Limited') and Spain ('Gear4music Spain S.L.'). The Group also has one 100% owned dormant subsidiary in the UK ('Cagney Limited').

The principal activity of the Group is the retail of musical instruments and equipment.

The registered office of Gear4music (Holdings) plc (company number: 07786708) and Gear4music Limited (company number: 03113256) is Holgate Park Drive, York, YO26 4GN.

1 Accounting policies

Basis of preparation

The consolidated interim financial information, which has been neither audited nor reviewed by the auditor, has been prepared under the historical cost convention, except for land and buildings that are stated at their fair value, and in accordance with the recognition and measurement requirements of UK-adopted International Accounting Standards. The condensed consolidated interim financial information does not constitute financial statements within the meaning of Section 434 of the Companies Act 2006 and does not include all of the information and disclosures required for full annual financial statements and is thus not in full compliance with UK-adopted international accounting standards. It should therefore be read in conjunction with the Group's Annual Report for the year ended 31 March 2024, which has been prepared in accordance with UK-adopted International Financial Reporting Standards and is available on the Group's investor website.

The accounting policies used in the financial information are consistent with those used in the Group's consolidated financial statements as at and for the year ended 31 March 2024, as detailed on pages 73 to 78 of the Group's Annual Report and Financial Statements for the year ended 31 March 2024, a copy of which is available on the Group's website, www.gear4musicplc.com.

As permitted, this interim report has been prepared in accordance with the AIM rules and not in accordance with IAS 34 "Interim financial reporting".

The comparative financial information contained in the condensed consolidated financial information in respect of the year ended 31 March 2024 has been extracted from the 2024 Financial Statements. Those financial statements have been reported on by Grant Thornton UK LLP and delivered to the Registrar of Companies. The report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at the year ended 31 March 2024.

Exceptional items

The business classifies certain events as exceptional items due to their size and nature where it feels that separate disclosure would help understand the underlying performance of the business. Restructuring and transformational costs are considered on a case-by-case basis as to whether they meet the exceptional criteria. Other items are considered against the exceptional criteria based on the specific circumstances. The presentation is consistent with the way Financial Performance is measured by management and reported to the Board. Further information is disclosed in note 5.

Notes to the Interim Financial Information (continued)

Going concern

The Group's business activities and position in the market, and principal risks, uncertainties and mitigations are described in detail in the Strategic Report included on pages 1 to 49 of the Group's 2024 Annual Report and Financial Statements.

In June 2023 the Group renewed its RCF with HSBC at £30m for a further three-year period. This facility provides a good and appropriate level of headroom that has been factored into the Directors going concern assessment.

The Group's policy is to ensure that it has sufficient facilities to cover its future funding requirements.

At 30 September 2024 the Group had net debt of £14.4m (30 September 2023: £18.1m) including £6.6m cash (30 September 2023: £5.9m), with a good and appropriate level of headroom that has also been factored into the Directors going concern assessment.

The Directors have considered the Group's prospects based on its current proposition and online offering in the UK and Europe, strategic developments delivered and in progress and concluded that there are significant opportunities for profitable growth as channel shift continues and customers move online.

There is a diverse supply chain with no key dependencies.

Having duly considered all of these factors and having reviewed the forecasts for the period to 31 December 2025, the Directors have a reasonable expectation that the Group has adequate resources to continue trading for the foreseeable future, and as such continue to adopt the going concern basis of accounting in preparing the financial statements.

2 Principal risks and uncertainties

The Board considers the principal risks and uncertainties which could impact the Group over the remaining six months of the financial year to 31 March 2025 to be unchanged from those set out in the group's Annual Report and Financial Statements for the year ended 31 March 2024, and can be summarised as:

- Macroeconomic and geopolitical factors
- Climate risk and sustainability
- UK outside the EU
- Change management – Operational, Regulatory and Technological
- IT and Cyber Security
- Warehousing and Distribution
- Brand and proposition
- Competition
- Supplier relationships
- Financial risk
- ESG

These are set out in detail on pages 42 to 47 of the Group's Annual Report and Financial Statements for the year ended 31 March 2024, a copy of which is available on the Group's Plc website, www.gear4musicplc.com.

Notes to the Interim Financial Information (continued)

3 Segmental analysis

Revenue by Geography:

	6 months ended 30 September 2024 £000	6 months ended 30 September 2023 £000	Year ended 31 March 2024 £000
UK	38,711	36,535	83,109
Europe and Rest of the World	23,031	26,106	61,275
	61,742	62,641	144,384

Administrative Expenses by Geography:

	6 months ended 30 September 2024 £000	6 months ended 30 September 2023 £000	Year ended 31 March 2024 £000
UK	14,976	15,330	32,182
Europe and Rest of the World	2,384	2,507	4,940
Exceptional items - UK	-	487	487
	17,360	18,324	37,609

Revenue by Category:

	6 months ended 30 September 2024 £000	6 months ended 30 September 2023 £000	Year ended 31 March 2024 £000
Other-brand products	45,334	44,682	100,404
Own-brand products	13,787	15,219	37,607
Carriage income	2,382	2,484	5,809
Warranty income	172	184	411
Other	67	72	153
	61,742	62,641	144,384

Notes to the Interim Financial Information (continued)

4 Expenses and other income

Included in profit/loss are the following:

	6 months ended 30 September 2024 £000	6 months ended 30 September 2023 £000	Year ended 31 March 2024 £000
Depreciation of property, plant and equipment	539	634	1,227
Depreciation of right-of-use assets	817	863	1,677
Amortisation of intangible assets	2,008	1,815	3,739
Loss/(profit) on disposal of property, plant and equipment	1	(6)	(16)
R&D expenditure recognised as an expense	105	117	183
	<u> </u>	<u> </u>	<u> </u>

Other income

	6 months ended 30 September 2024 £000	6 months ended 30 September 2023 £000	Year ended 31 March 2024 £000
RDEC tax credits	156	145	389
Rental income	115	99	244
Other	103	163	302
	<u> </u>	<u> </u>	<u> </u>
Total other income	374	407	935
	<u> </u>	<u> </u>	<u> </u>

Rental income relates to our freehold Head Office in York. 'Other' includes income from on-site café at our Head Office in York, grants and marketing support.

5 Exceptional items

Costs incurred comprise redundancies relating to the restructure and reorganisation of various Head Office teams, principally Software Development.

	6 months ended 30 September 2024 £000	6 months ended 30 September 2023 £000	Year ended 31 March 2024 £000
Redundancy costs	-	487	487
	<u> </u>	<u> </u>	<u> </u>

Notes to the Interim Financial Information (continued)

6 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

Dilutive shares are not included as where their effect is anti-dilutive.

	6 months ended 30 September 2024	6 months ended 30 September 2023	Year ended 31 March 2024
(Loss)/profit attributable to equity shareholders of the parent (£'000)	(1,229)	(1,560)	651
Basic weighted average number of shares	20,976,938	20,976,938	20,976,938
Dilutive potential Ordinary shares	1,119,604	1,104,302	1,102,450
Dilutive weighted average number of shares	22,096,542	22,081,240	22,079,388
Basic (loss)/profit per share	(5.9p)	(7.4p)	3.1p
Diluted (loss)/profit per share	(5.9p)	(7.4p)	3.0p

7 Financial expenses & Financial Income

	6 months ended 30 September 2024 £000	6 months ended 30 September 2023 £000	Year ended 31 March 2024 £000
Bank interest	559	754	1,545
IFRS16 lease interest	220	225	490
Net foreign exchange (gain)/loss	(16)	2	185
Net fair value movements	-	-	3
Total financial expenses	763	981	2,223

	6 months ended 30 September 2024 £000	6 months ended 30 September 2023 £000	Year ended 31 March 2024 £000
Interest Received	50	-	44
Total financial income	50	-	44

Notes to the Interim Financial Information (continued)

8 Taxation

	6 months ended 30 September 2024 £000	6 months ended 30 September 2023 £000	Year ended 31 March 2024 £000
Current tax expense/(credit)	243	15	(50)
Deferred tax (credit)/expense	(218)	(368)	(17)
Total tax expense/(credit)	25	(353)	(67)

The deferred tax liability has been decreased by £322,000 to £1,546,000 reflecting the recognition of a £176,000 deferred tax asset arising on the tax losses in the Period.

Deferred tax balances have been provided at 25% which was the tax rate which was substantively enacted at 30 September 2024.

Notes to the Interim Financial Information (continued)

9 Property, plant and equipment

	Freehold property £000	Plant and equipment £000	Fixtures and fittings £000	Motor vehicles £000	Computer equipment £000	Total £000
Cost						
Balance at 1 October 2023	8,201	2,438	7,424	30	1,408	19,501
Additions	-	-	125	-	4	129
Disposals	-	-	-	-	(16)	(16)
	<u>8,201</u>	<u>2,438</u>	<u>7,549</u>	<u>30</u>	<u>1,396</u>	<u>19,614</u>
Balance at 31 March 2024	8,201	2,438	7,549	30	1,396	19,614
	<u>8,201</u>	<u>2,438</u>	<u>7,549</u>	<u>30</u>	<u>1,396</u>	<u>19,614</u>
Additions	-	-	133	-	11	144
Disposals	-	-	(4)	-	(17)	(21)
	<u>-</u>	<u>-</u>	<u>(4)</u>	<u>-</u>	<u>(17)</u>	<u>(21)</u>
Balance at 30 September 2024	8,201	2,438	7,678	30	1,390	19,737
	<u>8,201</u>	<u>2,438</u>	<u>7,678</u>	<u>30</u>	<u>1,390</u>	<u>19,737</u>
Depreciation						
Balance at 1 October 2023	619	2,000	4,340	30	1,186	8,175
Charge for the Period	26	102	414	4	50	596
Disposals	-	-	-	(9)	(10)	(19)
	<u>645</u>	<u>2,102</u>	<u>4,754</u>	<u>25</u>	<u>1,226</u>	<u>8,752</u>
Balance at 31 March 2024	645	2,102	4,754	25	1,226	8,752
	<u>645</u>	<u>2,102</u>	<u>4,754</u>	<u>25</u>	<u>1,226</u>	<u>8,752</u>
Charge for the Period	82	97	305	1	54	539
Disposals	-	-	(2)	-	(12)	(14)
	<u>82</u>	<u>97</u>	<u>(2)</u>	<u>1</u>	<u>(12)</u>	<u>(14)</u>
Balance at 30 September 2024	727	2,199	5,057	26	1,268	9,277
	<u>727</u>	<u>2,199</u>	<u>5,057</u>	<u>26</u>	<u>1,268</u>	<u>9,277</u>
Net book value as at 30 September 2024	7,474	239	2,621	4	122	10,461
	<u>7,474</u>	<u>239</u>	<u>2,621</u>	<u>4</u>	<u>122</u>	<u>10,461</u>
Net book value as at 31 March 2024	7,556	336	2,795	5	170	10,862
	<u>7,556</u>	<u>336</u>	<u>2,795</u>	<u>5</u>	<u>170</u>	<u>10,862</u>
Net book value as at 30 September 2023	7,582	438	3,084	-	222	11,326
	<u>7,582</u>	<u>438</u>	<u>3,084</u>	<u>-</u>	<u>222</u>	<u>11,326</u>

Notes to the Interim Financial Information (continued)

10 Right-of-use Assets

Leasehold properties

At 30 September 2024 the Group had five leased properties: Distribution centres and showrooms in York, Sweden and Germany, and Distribution centres in Ireland and Spain.

As at 30 September 2024 the associated right of use assets are as follows:

	Land and Buildings
	£000
Cost	
Balance at 1 October 2023	15,428
Net exchange differences	(175)
Balance at 31 March 2024	15,253
Modifications	-
Balance at 30 September 2024	15,253
Depreciation	
Balance at 1 October 2023	6,340
Charge for the Period	814
Balance at 31 March 2024	7,154
Charge for the Period	817
Balance at 30 September 2024	7,971
Net book value as at 30 September 2024	7,283
Net book value as at 31 March 2024	8,099
Net book value as at 30 September 2023	9,088

Notes to the Interim Financial Information (continued)

11 Intangible assets

	Goodwill £000	Software platform £000	Brand £000	Domain names £000	Other Intangibles £000	Total £000
Cost						
Balance at 1 October 2023	5,324	27,387	1,372	3,031	149	37,263
Additions	-	1,344	-	12	-	1,356
Balance at 31 March 2024	5,324	28,731	1,372	3,043	149	38,619
Additions	-	1,649	-	-	-	1,649
Balance at 30 September 2024	5,324	30,380	1,372	3,043	149	40,268
Amortisation						
Balance at 1 October 2023	-	14,013	563	4	67	14,647
Amortisation for the Period	-	1,903	-	2	18	1,923
Balance at 31 March 2024	-	15,916	563	6	85	16,570
Amortisation for the Period	-	1,988	-	2	18	2,008
Balance at 30 September 2024	-	17,904	563	8	103	18,578
Net book value as at 30 September 2024	5,324	12,476	809	3,035	46	21,689
Net book value as at 31 March 2024	5,324	12,814	809	3,037	64	22,049
Net book value as at 30 September 2023	5,324	13,409	809	3,027	47	22,616

12 Inventories

	30 September 2024 £000	30 September 2023 £000	31 March 2024 £000
Finished goods	40,065	38,954	25,643

The cost of inventories recognised as an expense and included in cost of sales in the period ended 30 September 2024 amounted to £41.5m (FY24 H1: £41.8m).

Inventories include £7.6m of predominantly Own-brand stock-in-transit (30 September 2023: £4.4m) from Far East manufacturers.

Notes to the Interim Financial Information (continued)

13 Trade and other receivables

	30 September 2024 £000	30 September 2023 £000	31 March 2024 £000
Trade receivables	1,377	1,563	1,125
Prepayments	1,672	2,520	1,954
	<u>3,049</u>	<u>4,083</u>	<u>3,079</u>

Corporation tax asset of £505,000 (30 September 2023: £371,000) has been disclosed separately on the face of balance sheet in all three periods, in accordance with IAS 1.54(n).

Trade receivables include cash lodged with payment providers, Amazon and the Group's consumer finance partners, and UK and International education and trade accounts where standard credit terms are 30-days.

14 Interest bearing loans and borrowings

	30 September 2024 £000	30 September 2023 £000	31 March 2024 £000
Non-current liabilities			
Bank loans	21,000	24,000	12,000
	<u>21,000</u>	<u>24,000</u>	<u>12,000</u>
Current liabilities			
Bank loans	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities			
Bank loans	21,000	24,000	12,000
	<u>21,000</u>	<u>24,000</u>	<u>12,000</u>

Revolving Credit Facility

On 15 June 2023 the Group renewed its banking facilities entering into a three year £30m RCF with HSBC. This facility expires in June 2026 and is secured by a debenture over the Group's assets.

Loans incur interest at variables rates linked to SONIA, with a margin non-utilisation fee.

Notes to the Interim Financial Information (continued)

15 Trade and other payables

	30 September 2024 £000	30 September 2023 £000	31 March 2024 £000
Current			
Trade payables	14,803	13,120	6,895
Accruals and deferred income	4,059	4,519	3,585
Deferred consideration	23	23	23
Other creditors including tax and social security	2,201	2,641	2,975
	<u>21,086</u>	<u>20,303</u>	<u>13,478</u>
Non-current			
Accruals and deferred income	30	67	91
Deferred consideration	-	22	-
	<u>30</u>	<u>89</u>	<u>91</u>

Accruals at 30 September 2024 include:

- £1,136,000 (30 September 2023: £1,445,000) relating to customer prepayments; and
- £30,000 (30 September 2023: £66,000) relating to the estimated cash bonuses accrued relating to the CSOP schemes.

Deferred consideration

In March 2021 the Group acquired the Eden brand and associated assets from Marshall Amplification plc for £140,000 of which £100,000 was deferred and payable in four equal instalments of £25,000 on the first, second, third and fourth anniversary of the completion date, with £25,000 outstanding at 30 September 2024. These amounts are valued in the accounts at fair value and subsequently amortised.

The Directors consider the carrying amount of other 'trade and other payables' to approximate their fair value.

16 Lease liabilities

The Group has five property leases. Each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

Lease liabilities are presented in the statement of financial position as follows:

	30 September 2024 £000	30 September 2023 £000	31 March 2024 £000
Current	1,790	1,057	1,794
Non-current	6,865	9,215	7,599
	<u>8,655</u>	<u>10,272</u>	<u>9,393</u>

Notes to the Interim Financial Information (continued)

17 Share based payments

The Group operates share option plans for qualifying employees of the Group. Options in the plans are settled in equity in the Company and are subject to vesting conditions. Relevant events in the Period include:

Options forfeit – CSOP (2021)

On 2 August 2024 options over a total of 6,977 Ordinary shares were renounced and forfeit.

Options granted – CSOP (2024)

On 2 August 2024 options over a total of 35,767 Ordinary shares were granted to three non-Director employees under the Company's CSOP scheme.

18 Related party transactions

There were no significant related party transactions during the six months to 30 September 2024 (30 September 2023: none).