

6 April 2023

## Gear4music (Holdings) plc

### Year-End Trading Update

Gear4music (Holdings) plc ("Gear4music" or "the Group"), the largest UK based online retailer of musical instruments and music equipment, today announces a year-end trading update covering the 12 months to 31 March 2023.

£m	12m to 31 Mar 2023	12m to 31 Mar 2022	% Change on FY22
UK sales	82.0	82.6	-1%
European and Rest of the World sales	70.0	65.0	+8%
Total sales	152.0	147.6	+3%

### FY23 Highlights

- FY23 revenues and profits impacted by weaker consumer demand during February and March
- Gross margin expected to be 25.7% reflecting significant reduction in inventory levels through a challenging period for discretionary retail (FY22: 27.8%; FY20: 25.9%)
- EBITDA now expected to be in the range of £7.3m - £7.7m (FY22: £11.0m; FY20: £7.8m)
- Net debt of £14.5m at 31 March 2023, reduced from £24.2m at 31 March 2022
- Second-hand trade-in system launched in March 2023 with promising initial results
- Further reduction of net debt and a return to more profitable growth expected during FY24

<sup>(1)</sup> Note: Gear4music believes that consensus market expectations for the year ending 31 March 2023 prior to release of this announcement were revenues of £155.1 million, EBITDA of £8.9 million, profit before tax of £1.0 million and pre-IFRS16 net debt of £17.5 million

### Gear4music's Chief Executive Officer, Andrew Wass, said:

"Whilst challenging economic conditions meant we were not able to grow revenues and profits as intended during FY23, we are pleased to have made good progress with our objective of significantly reducing the Group's net debt position, from £24.2m a year ago, to £14.5m as at 31 March 2023.

The further investment into our European distribution infrastructure during FY22 underpinned our progress in Europe during FY23, although high rates of inflation continue to squeeze consumer spending on discretionary items across all of our markets. In the UK, as previously announced, courier disruption impacted trading during our busiest period.

We are confident, however, of profitability recovering in FY24 as growth initiatives such as AV.com gain traction and the benefits of our continued focus on overhead cost efficiencies filter through.

In March 2023 we strengthened our position as the UK's leading retailer of musical instruments and equipment by launching our latest growth initiative, entry into the second-hand market. Our proprietary second-hand trade-in system simplifies the process for consumers of selling their equipment, providing instant trade-in prices across thousands of products\*.

Customer trade-in take-up has been encouraging during the initial soft-launch period and, as we scale-up the number of products available for trade-in and launch the system across Europe, we are confident our second-hand platform will help to support a return to stronger growth in the business.

Although the current economic challenges are reflected in our FY23 results, we have taken decisive actions to ensure the Group continues to be appropriately configured and well-funded. As FY24 progresses, we expect to make further progress in reducing our net debt, and believe we are well positioned to return to profitable growth."

\*7,500 products as of 03 April 2023

- Ends -

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**About Gear4music (Holdings) plc**

Operating from a Head Office in York, Distribution Centres in York, Bacup, Sweden, Germany, Ireland & Spain, and showrooms in York, Bacup, Sweden & Germany, the Group sells own-brand musical instruments and music equipment alongside premium third-party brands including Yamaha, Roland and Roland, to customers ranging from beginners to musical enthusiasts and professionals, in the UK, Europe and the Rest of the World.

Having developed its own e-commerce platform, with multilingual, multicurrency websites delivering to over 190 countries, the Group continues to build its overseas presence.

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"). Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

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