G4M Gear4Music (Holdings) plc

Guidance slashed as search traffic falls

Following the Interim Results · 17 November 2026

FY27 EBITDA GUIDANCE	H1 REVENUE	NET BANK DEBT	Q3 REVENUE TO DATE
£11.5m	£85.4m	£24.3m	-13%
▼ down from prior £16.0m consensus	▲ up 6% on £80.7m	▲ up £8.3m on 30 September 2025	▼ year-on-year decline

Share price, past 12 months

Daily close; latest price as at 15:21 on 16 November 2026 · Ticker Data API



Today's interim results from Gear4music showed a sharp cut to full-year earnings guidance as the retailer struggles with a drop in paid-search traffic. The company now expects EBITDA of approximately £11.5m for the year ending 31 March 2027, 28% below the £16.0m prior consensus. Although first-half revenue rose 6% to £85.4m, trading has deteriorated into the peak quarter, with third-quarter revenue to date down 13% year on year. Management cites Google's shift towards AI-generated search overviews for the disruption to its primary customer acquisition channel. The warning arrives as the balance sheet carries elevated debt following a seasonal inventory build and capital expenditure. Net bank debt rose to £24.3m from £16.0m a year ago, with £36m drawn against a £45m revolving credit facility. Inventory sits at £55.4m heading into the critical Christmas period. The company has completed the first phase of its new automated UK distribution centre on budget, but must now prove it can clear its stock at acceptable margins without heavy discounting.

> **“Trading in FY27 Q3 to date has been affected by lower paid-search traffic, which we believe reflects changes in the presentation of search results and evolving customer search habits as AI becomes more prominent.”**
>
> **Andrew Wass**, Executive Chair · Interim Results, 17 November 2026

Market share gains offset by search disruption

First-half revenue rose 6% to £85.4m, extending market share gains made last year. UK revenue climbed 3% to £51.0m, taking the company's estimated domestic market share to 13.0%, while European and Rest of the World revenue grew 11% to £34.4m. Own-brand products continue to take a larger share of the mix, accounting for 22.5% of product sales from 8.6% of total stock-keeping units. The email subscriber base grew 33% to 2.83 million following a customer-data migration. However, momentum reversed sharply as the second half began. Third-quarter revenue to date has fallen 13% year on year. Gear4music attributes the decline to lower paid-search traffic, warning that the growing prominence of artificial intelligence in search results is changing consumer habits. Google still captures 78% of the company's marketing spend.

Higher overheads squeeze operating profit

Gross margin declined by 50 basis points to 27.7%. Own-brand product margins improved by 170 basis points to 50.8%, but branded margins fell back to 25.8% from 27.3%, reversing a prior-year benefit from selling discounted competitor stock. Operating profit dropped 39% to £2.1m. Administrative expenses increased 11% to £22.1m, outpacing revenue growth. Marketing spend rose 14% to £5.9m, or 6.9% of sales, while labour costs increased 13% to £8.4m as average headcount grew by 11%. First-half EBITDA fell from £6.9m to £5.7m. Adjusting for the remaining benefit of the discounted competitor stock, underlying EBITDA was £5.4m, compared to £5.8m a year earlier. The group capitalised £1.7m of software development costs, while amortising £2.1m related to its e-commerce platform.

Peak inventory build lifts net bank debt

Net bank debt increased to £24.3m at 30 September, up £8.3m year on year. The business used £6.7m of cash in its operating activities during the half, driven by a £12.6m increase in inventory since March. Total inventory reached £55.4m, which includes £10.0m of stock in transit. Investing activities consumed £11.3m, largely reflecting £9.5m of stage payments for the new automated UK distribution centre. To fund the working capital build and capital expenditure, Gear4music drew £23m of new borrowings. The company has £36m drawn on its £45m revolving credit facility, which runs to August 2029. Alongside the £9m in undrawn capacity, it held £11.7m in cash. Lease liabilities add a further £16.4m to total obligations following a 15-year lease signed for the new warehouse.

> **“Reflecting trading in the financial third quarter to date, the Board now expects full-year FY27 EBITDA of approximately £11.5m.”**
>
> **Andrew Wass**, Executive Chair · Interim Results, 17 November 2026

Guidance cut sharply for the full year

The board cut its full-year expectations, forecasting FY27 EBITDA of approximately £11.5m. The company stated this is significantly below the prior consensus of £16.0m. The guidance implies second-half EBITDA of roughly £5.8m, compared to approximately £11.5m in the second half of last year. Management expects expanding advertising within AI search models and improving website visibility to support a recovery over time, but provided no timeline for when search traffic might stabilise. The business will issue a Christmas trading update on 19 January 2027.

Confirmed downtrend with no identified support

The shares are in a strong, confirmed downtrend on all timeframes. As of the 207.15p price, the stock trades below its 20-day, 50-day, 100-day and 200-day moving averages. The 50-day average crossed below the 200-day average in mid-October. Following the 20 October trading update, the shares gapped down on heavy volume and have ground lower since on moderate liquidity. The price is sitting near its 52-week low of 200p. There is no identified technical support below that level, while overhead resistance begins near 228.5p.

The case for and against

The case for Gear4music rests on its established market share and improving unit economics. Own-brand sales generate a 50.8% gross margin, protecting the business from third-party pricing pressure, and the company has a large addressable market in Europe, where its share is just 1.9%. The heavy capital expenditure cycle is complete, with a new automated distribution centre ready to process orders more efficiently. The customer relationship management platform gives the business direct access to 2.8 million subscribers, reducing its reliance on search engines over time. Against that, the primary customer acquisition funnel is faltering just as the peak quarter begins. Third-quarter revenue is falling, yet marketing and labour costs are rising. The company is carrying £55.4m of inventory funded by an 80%-drawn credit facility. If the stock fails to clear, the business may be forced into margin-dilutive discounting in January, tightening the headroom on undisclosed bank covenants. What will show which case is right is the 19 January 2027 trading update: the clearance rate and margin on peak inventory, the trajectory of paid-search traffic, and net bank debt at the year end.

Risks

- A structural shift towards AI-generated search results could permanently impair the company's primary customer acquisition channel.
- Elevated inventory of £55.4m may require margin-dilutive discounting to clear if peak Christmas trading remains weak.
- With £36m drawn on a £45m credit facility, weaker earnings could tighten covenant headroom, whose thresholds are not disclosed.

THE OTHER VIEW

The drop in paid-search traffic is a temporary disruption rather than a permanent loss of customers. The expanding customer relationship management platform, which grew its email subscriber base by 33% to 2.8 million, alongside an improving own-brand mix, will transition the business away from rented search traffic towards highly profitable direct sales once the new automated distribution centre scales.

This report was produced on 17 November 2026 by Ticker's research system, which uses AI models to analyse a company's announcements, filings and market data. It is not a recommendation to buy, sell or hold any security, and Ticker does not rate the companies it covers in published research. It is not personal advice. The value of investments can fall as well as rise and you may get back less than you invest. Past performance is not a reliable indicator of future results.

This research is produced by Ticker using automated analysis of company announcements, filings and market data. It is for information only, is not personal advice or a recommendation to buy or sell any security, and may contain errors. Past performance is not a reliable indicator of future results. The value of investments can fall as well as rise.