

6 November 2024

Solid State plc
("Solid State", the "Group" or the "Company")
Trading Update

Solid State plc (AIM: SOLI), the specialist value added component supplier and design-in manufacturer of computing, power, and communications products, announces a trading update for the six months ending 30 September 2024 ("the Period").

The Directors are pleased to report that the Group is trading in-line with market expectations for the full year.

Encouragingly, notwithstanding the tough trading environment, our core businesses traded robustly in the first half of the financial year and there are positive signs for the second half.

The Group started H2 with a solid orderbook of close to £77m, of which ~ 65% is expected to be billable in this financial year. This reflects a return to historic order patterns, and the more efficient conversion of new orders into billings resulting from shorter component lead times.

Financials

The previous financial year ended 31 March 2024 was characterised by two very sizable defence orders which whilst welcome at the time, could not be expected to reflect normalised annual trading for the business as reflected by market expectations for the current year.

Reported revenues for the first half are expected to be circa £62m and adjusted profits before tax* circa £2.5m. As stated, this compares to a particularly strong comparative period in FY23/24 (Revenue £88m and adjusted profits before tax of £7.3m) when the Group benefitted from recognising £23.4m of security and defence revenues in its Systems Division.

Management expects (based upon the visible order pipeline) that orders, particularly from the defence sector, will be secured and delivered in the second half of the year to enable the Group to meet market expectations.

We note, on a constant currency basis and excluding the timing difference in defence revenue from the prior year, revenues for the Period are expected to be broadly in line year on year.

The Group continues to be cash generative, which underpins the important strategic investments in the Period and post-Period end in line with net debt** expectations.

Systems

Political uncertainty in both the UK and US has resulted in delays to a number of programmes, contributing to weaker order intake in the first half. Post-Period end the Division has seen some improvement in order intake in the US, albeit the UK continues to be sluggish.

As referred to above, the Systems Division had an exceptionally strong start to the prior year, driven by security and defence shipments. Adjusting for these shipments, comparable revenues are expected to be ~7% ahead on a constant currency basis, at just over £35m for the current period.

The Group believes there are similar significant opportunities for material projects and revenues to be secured in future periods as the technology is adopted by a growing security and defence user base across the NATO alliance.

Components

The components market has continued to normalise, with orderbooks adjusting to reflect shorter lead times and unwinding of overstocking. Political and economic uncertainty has affected most sectors, with some customers delaying orders in response to slower demand.

The Division expects to report billings of close to £27m for the Period (2023/24: £31.4m). Margins have remained strong and post-Period end we have seen an upturn in order intake (particularly in the US) which provides confidence that we will see stronger billings in the second half and design activity remains strong.

Outlook and investments

The October orderbook has increased to £84m (with ~ 60% billable in FY24-25). The significant improvement in order intake in the most recent months, combined with the opportunities in security and defence, means we are confident we will deliver a much stronger second half.

The Group's investment in its new "Integrated Systems" production capabilities is progressing as planned. This facility is an important catalyst for mid-term enhancement of the Group's technical capabilities and a driver of organic growth with margin enhancement opportunities. The facility is expected to be operational and contributing to FY25/26.

Similarly, the post Period acquisitions of Gateway and Q-Par USA, which complement the development of the US sales channel for the Group's own brand products (Durakool, Steatite Antenna and Optical), will equally drive mid-term operating margin enhancement and organic growth.

The Company has taken action to manage and adjust the cost base in areas of the business which have faced the toughest trading conditions, while continuing to invest in resources and talent in the areas which are seeing growth and increased demand.

Gary Marsh, Chief Executive Officer, said: "Whilst trading in the first half has been particularly challenging and we expect to see this continuing through the second half in some of our markets, our most recent order intake was stronger than any month this year and we believe there are further opportunities in security and defence which can deliver a much stronger second half. Furthermore, post the Period-end, we have made two small but strategically important acquisitions which will help to drive our mid-term strategic goals in both divisions. The board is maintaining unchanged market guidance."

*Adjusted performance metrics reported consistently with those reported in the 31 March 2024 annual report, the adjustments relate to amortisation of IFRS 3 acquisition intangibles, share based payments charges and non-recurring charges in respect of re-organisation, acquisition costs and fair value adjustments.

** Net debt is defined as cash less borrowings less deferred and contingent consideration obligations, excluding right of use lease obligations.

¹ The Company considers the average of the most recently published research forecasts prior to this announcement by all providers - Cavendish Capital Markets Ltd, and Zeus Capital Ltd to represent market expectations for Solid State.

Market Expectations	FY24/25	FY25/26
Revenue	£143.9m	£153.0m
Adjusted profit before tax*	£10.1m	£11.5m
Net (debt) / cash	(£4.8m)	(£2.2m)

Investor Site Visits to Head Office in Redditch

Solid State holds site visits to its head office in Redditch where operations from both the Systems and Components divisions can be seen. Interested investors should contact solidstate@walbrookpr.com.

This announcement contains inside information for the purposes of Article 7 of the UK version of Regulation (EU) No 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended ("MAR"). Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

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Analyst Research Reports: For further analyst information and research see the Solid State plc website:
<https://solidstateplc.com/research/>

Notes to Editors:

Solid State plc (AIM: SOLI) is a leading value-added electronics group supplying industrial and defence markets with durable components, assemblies and manufactured systems for use in critical applications, with a particular emphasis on harsh operational environments. Solid State's products are found around the world, from the ocean floor and into space, ensuring the smooth operation of systems that augment our everyday lives.

The Company has a core focus on industrial and ruggedised computing, battery power solutions, antennas, secure radio systems, imaging technologies, and electronic components & displays.

Operating through two divisions (Systems and Components) the Group thrives on complex engineering challenges, often requiring design-in support and component sourcing. Serving a wide range of industries, with a particular focus on defence, energy production, aerospace, environmental, oceanographic, industrial, robotics, medical, life sciences, and transportation, the Solid State trading brands have become synonymous with quality and reliability. The Group operates under the brands of Steatite, Solsta, Custom Power, Pacer, Active Silicon, Gateway, Durakool and Q-Par.

Solid State plc is headquartered in Redditch, UK, and employs over 400 people around the world. The business has seven production facilities in the UK and two in the USA. In total, including all office locations, the Group operates from 15 national and international sites.

Solid State was established in 1971 and admitted to AIM in June 1996. The Group has grown organically and by acquisition - having made five acquisitions in the last four years.

Take a look at the videos below for more insight into the Solid State Group.

Introduction to Solid State - https://youtu.be/1M_Q_B1mYic

Why invest in Solid State? - <https://youtu.be/ShmTz6005ws>

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