

15 April 2020

**Solid State plc**  
("Solid State", the "Group" or the "Company")  
**Trading Update &  
COVID-19 Update**

Solid State plc (AIM: SOLI), the AIM listed manufacturer of computing, power and communications products, and value added distributor of electronic components, announces a trading update for the 12 months to 31 March 2020 and a further update on the impact of COVID-19 on the business.

**Trading update for 12 months to 31 March 2020:**

The Board expects to announce revenue close to the consensus forecast of £68m and adjusted profit before tax is expected to be approximately 10% ahead of current consensus forecast of £4.2m, which is a record year for the Group.

During the second half we have continued the successful integration of Pacer with the consolidation of the two Pacer offices in Pangbourne into one new office in Pangbourne to integrate the team. Year on year the UK distribution market has declined 7% as reported by our industry association AFDEC. Very pleasingly, in spite of the backdrop of a declining market, proforma revenue\* in our Value Added Distribution ('VAD') division has significantly outperformed the market, being broadly flat year on year. Our Manufacturing division has delivered high single digit organic growth at good margins which has driven record profits.

Net cash at 31 March 2020 stood at circa £3.0m as a result of continued strong cash generation and proactive cash management with clients and suppliers (2019: net debt £2.0m). Cash generation has also benefitted from a number of advanced payments totalling approximately £2.5m which will unwind across the course of the financial year ending 31 March 2021.

The open order book at 31 March 2020 was up 11% at £39.9m (31 March 2019: £35.9m). We have approximately £34.5m of orders scheduled for delivery in the coming year, however, in the current environment with the COVID-19 lock downs we expect to see some rescheduling of orders from this financial year into next.

**COVID-19 update:**

Solid State operates across four independent manufacturing sites in the UK. These sites are open and operating effectively and adhering to best practice guidelines on social distancing and hygiene protocols. In terms of risk mitigation, all measures are in place to ensure that there is limited risk of cross-contamination within the business. Where possible, staff are working from home.

COVID-19 is affecting the business in contrasting ways: On the plus side, Solid State has been notified by numerous customers in both its Manufacturing and VAD divisions that the Group has been designated a critical supplier under the government's critical industries and key workers guidance. Sectors highlighting this dependency include medical, food retail, security, transportation and defence.

Conversely, on the weaker side, the Group is experiencing softness in the demand for batteries for the commercial aerospace market and in computing products for certain niche applications in the industrial sector. Separately, owing to the fall in oil prices, we are currently experiencing lower levels of orders for battery packs from the oil and gas industry.

The Group continues to hold relatively high levels of stock to limit exposure to supply chain volatility. At present, the Group holds approximately 2.5 months' stock.

### **Cash management:**

The Group had net cash of £3.0m at 31 March 2020 and has a renewed and unutilised Revolving Credit Facility with its bank of £7.5m.

The Board has taken measures to ensure cash conservation in the short-term. These include a recruitment freeze; a salary increase freeze for all Directors and staff; delayed payment of accrued bonuses for FY19/20 for all Directors and staff; adoption of available deferrals for VAT and PAYE payments to HMRC; and furloughing of some staff under the Coronavirus Job Retention Scheme.

The Group's acquisition strategy has been suspended temporarily during this period of uncertainty. Communication continues with prospective acquisitions however progress will be limited in the short-term.

New planned capex has been suspended, for example in new EMC test equipment for manufacturing; however, ongoing projects around ERP system upgrades are continuing.

The Board is taking prudent steps to mitigate and manage its cashflow and cost base to withstand this near-term uncertainty.

### **Outlook:**

Whilst the business has taken all steps to mitigate the risks of the COVID-19 outbreak, the Board is closely monitoring the situation.

This began as a supply side risk in our Asian supply chain, which is now returning to normal. The future uncertainty relates to the demand side, which is very difficult to predict.

The Board considers that in the current circumstances it is hard to provide guidance as to the future performance of the Group and this will remain the case until there is more meaningful visibility over customer order schedules and broader market conditions.

The Board expects to provide a further update ahead of the full year results announcement. In addition, it will confirm the notice of its results announcement date.

### **Commenting on the trading update and the short-term outlook, Gary Marsh, Chief Executive commented:**

"We are very happy with the performance of the business in the past year and consider that it demonstrates the cash generative nature of the business model despite the macroeconomic and political uncertainties which became defining characteristics of the period.

"The last two months have presented challenges previously unseen. That said, the Board is optimistic that the structure of the Group and the diversity of its exposure to differing product groups and industrial sectors puts it in a relatively resilient position to navigate the challenges of the COVID-19 outbreak. We are not complacent and will respond accordingly to the changing pressures and opportunities where appropriate.

"Our staff have risen to the challenge presented by COVID-19 admirably and we would like to acknowledge their dedication and commitment."

\*Proforma revenue restates the prior year on a like for like basis to include the pre-acquisition Pacer revenue and exclude £1.0m non recurring electronics revenue as reported in prior year.

*This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.*

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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 (SOLI) is a value added electronics group supplying industrial and military markets with ruggedised/durable components, assemblies and manufactured units for use in harsh environments. The Group's mantra is – 'Trusted technology for demanding applications'. To see an introductory video on the Group - <https://youtu.be/bp4WfLCEc5Y>

Operating through two main divisions: Manufacturing (Steatite) and Value Added Distribution (Solid State Supplies & Pacer); the Group specialises in complex engineering challenges often requiring design-in support and component sourcing for computing, power, communications, electronic and optoelectronic products.

Headquartered in Redditch, Solid State employs over 200 staff across the UK with a branch office in the USA, serving specialist markets in oil & gas production, transportation, medical, construction, security, military and field maintenance.

Solid State was established in 1971 and admitted to AIM in June 1996. The Group has grown organically and by acquisition – having made 10 acquisitions since 2002.