

**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 ended 30 September 2022 (the 'Period' or 'First Half').

The Directors are pleased to report a period of considerable progress, including:

- revenues for the Period of approximately £59.0m (2021: £39.0m) including like for like constant currency revenue growth of circa 30% for the Period
- adjusted profit before tax\* for the Period of approximately £5.0m (2021: £3.25m) reflecting a 54% year on year increase
- completion of the acquisition of US based Custom Power in early August part funded by an oversubscribed placing raising £28.26m before expenses; and
- organic growth combined with just under two months of contribution from Custom Power has delivered an exceptionally strong start to the year ending 31 March 2023 ("FY23").

The integration of Custom Power is well underway, with commercial collaboration progressing well, albeit at an early stage. Order intake has been encouraging post period end with the open order book now exceeding \$21M; a record level for the business. Pleasingly margins have also continued to trend positively with a focus on battery packs where the engineering expertise is valued.

Order intake in the period was strong with the Group achieving a book to bill ratio of 1.14:1.00. Typically, the order book covers an 18 month period, however it remains difficult to forecast the exact shipment profile given the extended component lead times and macro-economic challenges. The order book on 30 September 2022 was £112.5m (31 March 2022: £85.5m), reflecting the benefits of the increasingly diversified geographic footprint, broader product range, the ability to engage with clients on larger and more complex solution sales, and better cross-selling across the Group. This represents like for like organic growth of ~12% in the open order book since the year end.

The Group has seen a significant revenue benefit in the First Half from the strength of the US Dollar. The First Half average US Dollar exchange rate strengthened circa 13% to \$1.21:£1 (2021/22: \$1.38:£1) which resulted in a revenue benefit of circa £4.5m. The Group expects to report like for like constant currency revenue growth of circa 30% for the Period.

As previously reported, the Company has a natural US Dollar currency hedge (with its US revenues providing funds to meet USD costs and component purchases). This largely mitigates the impact of changes in foreign exchange movements at a gross profit level in absolute terms.

The product mix and margin across the Group has been solid in the First Half with margins benefiting from enhanced engineering and design-in value add. The acquisitions the Group has completed in both divisions in the last two years have provided a step change in the Group's engineering capabilities and own brand products, which have helped to improve the Group's operating margins.

Compared to last year, component supply lead times have started to shorten across a number of key suppliers, albeit that many lead times remain extended, and some devices remain in short supply. The Group's strong cash generation has enabled it to continue to invest in inventory to secure product to meet organic growth in the open order book. It is expected that the component supply cycle will moderate going into the next financial year, with an according benefit to both availability and supply lead times.

The Group has long term loan and revolving credit facilities with Lloyds Bank totaling £20.5m. Having completed the acquisition of Custom Power in early August 2022, and as a result of the increase in base rates, the interest cost in the second half of the Year is expected to be significantly higher than the First Half. The Group's net debt (excluding IFRS16

lease obligations) is expected to be approximately £17.3m which includes cash at bank of ~£14.1m, less drawn bank facilities of ~£16.0m and deferred contingent consideration of ~£15.4m.

The Board is very pleased with the ongoing delivery of Solid State's growth strategy. The strong trading, combined with further currency benefit in the second half of the Year, means the Company expects to exceed the current revenue expectations<sup>1</sup> and be marginally ahead of the adjusted PBT consensus expectations<sup>1</sup> for FY23, despite the expected increase in interest charges.

<sup>1</sup> Analysts from brokers WH Ireland Limited, finnCap Limited, and Edison Investment Research Limited, provide equity research on Solid State, and the Company considers the average of their research forecasts to represent market expectations updated today, being, for Solid State's 2022/23 financial year, revenue of £117.3m (previously £108m), and adjusted profit before tax\* of £9.4m (previously £9.15m).

\* The adjustments relate to IFRS 3 acquisition amortisation, share based payments charges, and non-recurring charges in respect of redundancies and acquisition costs and fair value adjustments.

*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 (SOLI) is a value added electronics group supplying commercial, industrial and defence markets with durable components, assemblies, manufactured units and power units for use in specialist and harsh environments. The Group's mantra is - 'Trusted technology for demanding environments'. To see an introductory video on the Group - <https://bit.ly/3kzddx7>

Operating through two main divisions: Systems (Steatite, Active Silicon & Custom Power) and Components (Solid State Supplies, Pacer, Willow Technologies & AEC); the Group specialises in complex engineering challenges often requiring

design-in support and component sourcing for computing, power, communications, electronic, electro-mechanical and opto-electronic products.

Headquartered in Redditch, UK, Solid State employs approximately 400 staff across the UK and US, serving specialist markets with high barriers to entry in industrial, defence and security, transportation, medical and energy.

Solid State was established in 1971 and admitted to AIM in June 1996. The Group has grown organically and by acquisition - having made 4 acquisitions in the last 5 years.