

4 April 2023

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

**Organic and M&A growth. Record revenues, profits and a strong orderbook**

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 12 months ended 31 March 2023 (the "Period" or "FY23").

The Board is pleased to report continued strong trading in the second half of the year, resulting in a performance for the Period that is at least in line with consensus expectations<sup>1</sup>. The Company expects to announce record revenues for FY23 of approximately £125m (2022: £85.0m) up ~47% over the prior year. Furthermore, organic revenue growth on a constant currency basis, (excluding the revenue contributions from US based Custom Power, acquired in August 2022) is expected to be close to 20%.

The Group expects to deliver record adjusted profit before tax for the Period of at least £10.5m (2022: £7.2m) up more than 46% on the prior year. Driving and improving adjusted operating margins remains a focus and, despite ongoing supply chain challenges, they are expected to be at least maintained or marginally improved at circa 9% (2022: 8.7%).

Custom Power, the battery systems and energy solutions provider based in Southern California in the United States, acquired in August 2022 and integrated into the Power business unit, continues to perform in-line with management's expectations. Positive co-operation with the Group sales and marketing teams and exposure to an existing customer base is generating new international opportunities in target markets.

The Custom Power open order book was up 11% on the prior year at \$18.6m (31 March 2022 \$16.8m), giving the Board confidence in the growth prospects in the year ahead, albeit due to the continued impact of supply chain challenges for both Custom Power and their customers, the higher, stretch earn out hurdle is not expected to be exceeded and as such the Group's obligations payable to the vendors will be reduced.

The geo-political environment continues to drive government spending in security and defence, with Group revenue in these sectors approaching 20%. Solid State has been successful in building relationships with Tier 1 suppliers to the security and defence sectors, such as BAE Systems and NATO, and sees further growth opportunities in this sector.

In November 2022, the Systems division reported notable contract wins to supply communications equipment to a client in the defence sector through NATO. While these contracts are likely to dilute the margin mix within the Systems business in the year ahead, they will contribute positively to the attainment of expectations for FY23/24 and provide a foundation for long term recurring revenue in this sector as the Group targets 'through-life' support opportunities.

Furthermore, our focus on chosen structural growth markets has resulted in progress in the medical and transport sectors, strengthened by the acquisitions of Custom Power, and the previously acquired Willow Technologies and Active Silicon.

The strong open orderbook continues to reflect extended order schedules as clients manage supply chain risks. At 31 March 2023 the open order book stood at £120.1m (31 March 2022: £85.5m). This order book extends over approximately 18 months. This is expected to moderate as component supply becomes more predictable and order schedules shorten as confidence in the supply chain improves.

The Company continues to manage its own supply chain through the investment in inventory to support order fulfilment in H1 FY23/24 and beyond. Whilst some stability has returned to the component supply chain, inconsistencies remain

such that pro-active inventory management continues to provide competitive advantages to the Group and supply chain confidence for clients.

The Group has seen a significant improvement in cash generation in the second half with net debt expected to reduce to circa £9m (30 Sept 2022: £16.1m). This, in part, is driven by a \$5m reduction in the deferred contingent consideration liabilities recognised, as the maximum amount of the Custom Power earn out will no longer be achieved.

The Period demonstrates the success of the Group's organic and M&A driven growth strategy, with contributions from the acquisitions of Willow Technologies, Active Silicon and Custom Power making a material impact, complemented by organic growth driven by collaboration, additions of new own brand products, and a focus on structural growth markets.

The Board is confident it will continue to deliver further growth for shareholders as the Group expands its international presence, broadens its product and service offering, and continues to target complementary acquisitions. The team and the strategic foundation which the Group has put in place over recent years underpins the ambition to maintain in excess of 20% compound growth in total shareholder return ("TSR") over the next phase of the Solid State's development to 2030, maintaining the record performance which has been delivered over the last 5 years.

<sup>1</sup> Analysts from brokers WH Ireland Limited and finnCap Limited, provide equity research on Solid State, and the Company considers the average of their research forecasts to represent market expectations, which were prior to issuing this update, for Solid State's FY2022/23 financial year, revenue of £120.3m, and adjusted profit before tax\* of £10.45m.

\* 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.

#### **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](mailto: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 (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 three acquisitions in the last three years.