

27 March 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 year ending 31 March 2024 ("FY24") and provides an update on trading outlook for the following financial year ("FY25").

The Directors are pleased to report a record year in FY24 with a strong trading performance towards the end of the year. Revenues and adjusted profit before tax* are expected to be ahead of consensus expectations¹ as a result of the recognition of Systems revenue on deliveries made in FY24 on specific contracts previously expected to be recognised in FY25. The acceleration of revenues into the current year is reflected commensurately in the updated expectations for FY25.

Systems

The Systems division has had an exceptionally strong year, with revenues approximately 80% ahead of prior year, due mainly to high demand from customers in the security and defence sectors. The revenue delivered earlier than previously expected has been driven by customer requirements for communications products to be shipped as soon as they are available, reflecting their operational requirements. Cash generation continues to be robust, however the strong end to the year is expected to drive increased working capital investment which will unwind in FY2024/25.

Components

After the exceptional demand of last year ("FY23"), and like others within the sector, the Group is seeing component lead times reduce, with customers moving to more normalised levels of stocking and order cover as previously reported. This is resulting in a continued slowdown in the industrial sector, with some customers pushing out schedules through 2024. Accordingly, the comparative performance appears more exaggerated as the performance of this division is not expected to be as strong as the exceptional year in FY23. Despite this, the open order book for FY25 remains strong and the business is expected to benefit from the operational efficiency gains of higher levels of business which can be booked and delivered in the year.

Corporate Governance

Having previously indicated that the appointment of a fourth Non-Executive Director ("NED") was under active consideration, the Board has reviewed its make-up, skills, and compliance with the recently updated QCA code. As a result of this review, the Board concluded that with the three independent NED's, provide a good skills balance and there is appropriate independent oversight and challenge. Therefore, the Board does not intend to appoint an additional NED at this time.

Outlook and investments

As previously reported, the open orderbook is continuing to return to more normal levels. The Group expects to have a strong orderbook (compared to historic norms of 50% to 60%) with the orderbook expected to be at least 55% of next year's current consensus billings. Furthermore, the shorter lead times across the Group enable more efficient conversion of new orders into billings.

The Group has secured exciting mid-term opportunities with multiple tier one security and defence customers, anchored by a key customer, for which Solid State will need to invest in and expand its “Integrated Systems” production capabilities. The associated key strategic investments, which are commencing, relate to developing the sales channel for the Group’s own brand (Durakool, Antenna and Optical) products and establishing a new Integrated Systems production facility, which will be a cornerstone of driving mid-term operating margin enhancement and organic growth for the Group.

The Board is pleased with the ongoing delivery of Solid State’s growth strategy where the business benefits from the diversity of markets adopting its technology, which continues to give the Group resilience. The exciting progress and opportunities for mid-term strategic partnerships with our tier one customers provides solid commercial foundations for the next phase of the Group’s organic investment and growth plans as the Board looks to deliver on Solid State’s 2030 strategy.

Gary Marsh, Chief Executive Officer, said: “I’m delighted that the Group continues to show excellent resilience and the benefits of our divisional balance and sector focus against head winds in certain parts of the business. While we continue to take a prudent approach to managing expectations for the year ahead, I take comfort that our underlying business remains robust, balanced and I take great pride from the scale of orders that we have delivered during the course of what has been a record year.”

**Adjusted performance metrics reported consistently with those reported in the 31 March 2023 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.*

¹ *The Company considers the average of the most recently published research forecasts prior to this announcement by all providers – Cavendish Securities plc, and WH Ireland plc to represent market expectations for Solid State.*

Market Expectations	FY23/24	FY24/25
Revenue	£155.3m	£152.0m
Adjusted profit before tax*	£12.5m	£12.5m
Net (debt) / cash	(£2.9m)	£1.1m

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.

For further information please contact:

Solid State plc

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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 (Solsta, Pacer, & 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.