

3 March 2021

Solid State plc
("Solid State", the "Group" or the "Company")
**Acquisition of Electro-mechanical Component Manufacturer and Supplier
& Investor Presentation**

Solid State plc (AIM: SOLI), the AIM listed manufacturer of computing, power and communications products, and value added supplier of electronic and opto-electronic components, is pleased to announce the acquisition of Willow Technologies Limited and its subsidiaries ("Willow Technologies") (the "Acquisition") for an initial consideration of £10.0m, which, when adjusted for the cash on the balance sheet, results in an effective net initial consideration of approximately £5.5m.

Highlights of the Acquisition include:

- Willow Technologies with American Electronic Components Inc. (AEC) (its US based subsidiary) is a manufacturer and value added distributor of electro-mechanical products used in strategic, structural, growth markets.
- Willow Technologies with AEC brings a range of own brand electro-mechanical relays and contactors under the Durakool® brand and a range of glass to metal seals under the Hermaseal® brand.
- Willow Technologies' range of own brand products significantly enhances the Group's Value Added Supplies division's offering for electric vehicles, EV charging, green tech, medical and military markets.
- The Acquisition complements the Group's opto-electronic and electronic component supplies capability; significantly enhancing the breadth of the Group's offering, adding further scale, strength, and depth in electronic component supplies.
- The acquisition of Willow Technologies supports the Group's strategic objective of increasing geographic reach with over 70% of revenue derived outside of the UK.
- AEC provides an established and respected platform within the USA giving critical mass to the Group's existing American business.
- The Acquisition supports the strategic objective to increase the product offering to the Group's existing customer base.
- Willow Technologies operates at higher gross margin than the Group's existing component assembly and Value Added Supplies division.
- Combining Willow Technologies and Solid State plc's capabilities differentiates the enlarged customer offering.
- The Acquisition is expected to be earnings enhancing in the first full year.

Acquisition consideration:

The Company has acquired the entire share capital of Willow Technologies for an initial cash consideration of £10.0m, which, on a cash free debt free basis, results in an initial net consideration of approximately £5.5m. The initial consideration is subject to a completion accounts pound for pound adjustment in the event of any variance to the expected net assets at completion, with settlement being made out of the Group's existing cash resources and banking facilities.

In addition to the initial consideration there is a 12 month earn out period. The earn out consideration will be calculated as a function of the post-tax profit of Willow Technologies for the period 31 March 2022, subject to a minimum profit threshold of £700,000. The maximum earn out consideration payable is £3.5m.

Information on Willow Technologies Limited and AEC:

Willow Technologies, founded in 1989, is a highly respected value added distributor of electro-mechanical components operating within the UK, Germany, Spain and the USA. Willow Technologies' specialisms are in switching, sensing, resistive devices and hermetic seal solutions, the company sells a wide portfolio of electromechanical technologies. Willow is ISO9001: 2015 registered.

American Electronic Components Inc. ("AEC"), founded as Durakool in 1935 and acquired by Willow Technologies in 2006, is based in Indiana USA. AEC specialises in the design, manufacture and distribution of component level, electro-mechanical switching, sensing and glass to metal seal solutions. The company has over 85 years of applications experience with a well-established and loyal customer base. AEC is ISO9001: 2008 and ISO14001:2004 Registered.

Financial performance:

For the year ended 31 March 2020, Willow Technologies reported revenue of £10.3m, profit before tax of £0.45m and had net assets of £7.0m.

The business experienced a significant downturn in the first half of the current financial year principally due to the COVID-19 pandemic. In recent months, both orders and billings have seen a strong recovery. Although revenues to 31 March 2021 are expected to be down on the prior year, at circa £8.75m, management took appropriate actions to control costs which has meant the business will continue to be profitable with underlying profit before tax expected to be circa £0.6m.

Benefits of the Acquisition:

The acquisition of Willow and AEC into the Value Added Supplies division of Solid State meets a significant number of strategic priorities and offers the opportunity for future growth in multiple structural markets and geographic territories. Furthermore, the Acquisition meets the objective of increasing the division's penetration of the strategically important, EV, EV charging, green tech and medical markets. The consequent acquisition of the Durakool® and Hermaseal® established brand names and associated patents brings further opportunity for growth through product development and the extension of the brand to potentially cover other products within the Group. The widening of the product offering within the Value Added Supplies division will bring greater resilience to the business, access to a wider customer base and increase the importance of the division to its existing customer base.

Whilst the Acquisition falls under the Value Added Supplies division it is expected that both Willow and AEC will operate as stand-alone companies throughout the earn out period. Both companies are however expected to benefit from access to the wider resources available in the Value Added Supplies business and in particular from access to the wider customer base. Post-acquisition a detailed strategic appraisal of non-core manufactured components will be undertaken to evaluate whether or not they should be discontinued with an appropriate last time buy process implemented in order to improve strategic focus and production efficiencies.

Commenting on the Acquisition, Gary Marsh, Chief Executive of Solid State, said:

"It is very rare to find a company that so clearly meets the strategic imperatives that we have set for the Group. The acquisition of Willow and AEC dovetails nicely into our Value Added Supplies division, increasing our geographic reach and own brand products whilst providing a springboard for growth in the USA. I would like to take this opportunity to welcome the teams at both Willow and AEC into the Solid State Group of companies."

Commenting on the Acquisition, Mark Del Giudice, Chief Executive of Willow Technologies, added:

"By joining the Solid State Group, we have become part of a dynamic organisation which shares our approach to providing niche products to new and developing growth markets. Our product portfolios complement one another and we will work together to ensure growth for both our business partners and our staff. I look forward to the next chapter of our business development and becoming part of the Solid State Group's future."

Investor Presentation: 14.00 on Tuesday 9 March 2021

Gary Marsh, Chief Executive Officer, John Macmichael, Managing Director of Value Added Supplies division, and Peter James, Group Finance Director, will hold a presentation on Willow Technologies at 14.00 on Tuesday 9 March 2021. The presentation will be hosted through the digital platform Investor Meet Company. Investors can sign up to Investor Meet Company for free and add to meet Solid State plc via the following link <https://www.investormeetcompany.com/solid-state-plc/register-investor>. Investors who have already registered and added to meet the Company will automatically be invited.

Questions can be submitted pre-event to solidstate@walbrookpr.com, or in real time during the presentation via the "Ask a Question" function.

Certain information contained in this announcement would have constituted inside information (as defined by Article 7 of Regulation (EU) No 596/2014 ("MAR")) prior to its release as part of this announcement and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

No statement in this announcement is intended to be a profit forecast or estimate and no statement in this announcement should be interpreted to mean that earnings per share of the Company for the current or future financial years would necessarily match or exceed the historical published earnings per share of the Company.

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 military markets with durable components, assemblies and manufactured units for use in specialist and harsh environments. The Group's mantra is – 'Trusted technology for demanding applications'. To see an introductory video on the Group - <https://bit.ly/3kzddx7>

Operating through two main divisions: Manufacturing (Steatite & Active Silicon) and Value Added Supplies (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, Solid State employs over 260 staff across the UK with branch offices 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 12 acquisitions since 2002.

Durakool® and Hermaseal® are registered brands of AEC.