

SOLID STATE PLC
TRUSTED TECHNOLOGY FOR DEMANDING ENVIRONMENTS

SOLID STATE PLC PRESENTS:

Solid State PLC

Final results to 31 March 2022

PRESENTED BY:

Gary Marsh

Peter James

Matthew Richards

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EXECUTIVE TEAM

SOLID STATE PLC
TRUSTED TECHNOLOGY FOR DEMANDING ENVIRONMENTS



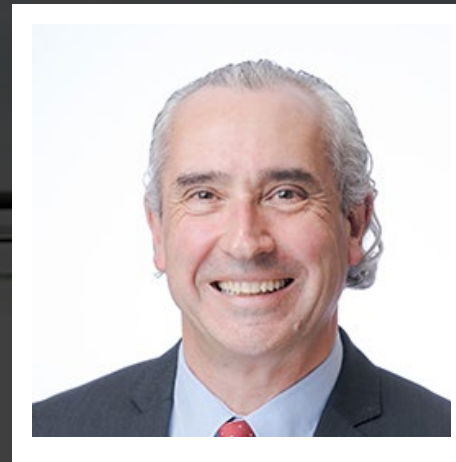
GARY
MARSH

Chief Executive Officer



PETER
JAMES

Chief Financial Officer



MATTHEW
RICHARDS

Managing Director
Systems Division



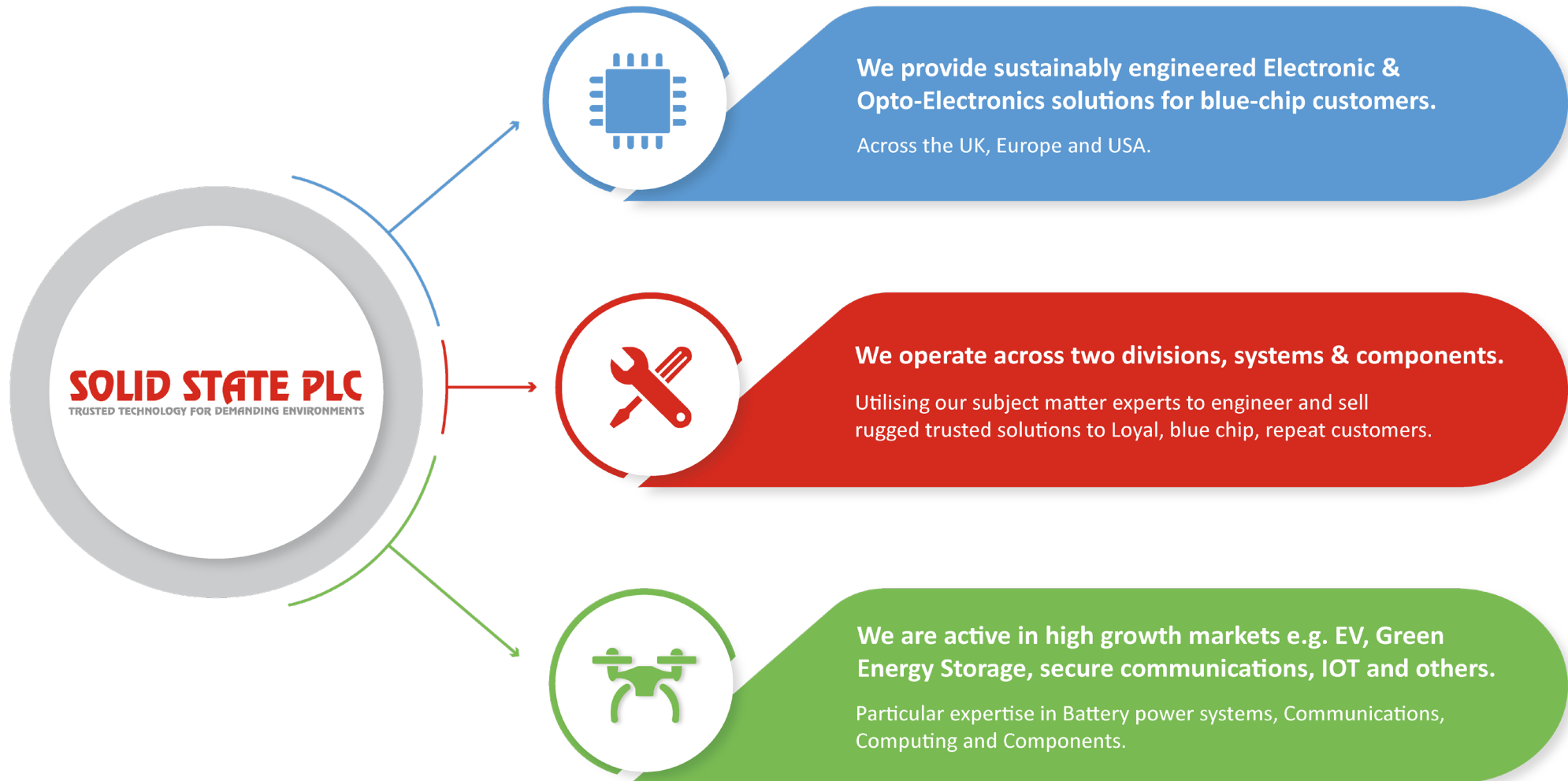
JOHN
MACMICHAEL

Managing Director
Components Division

Introduction to Solid State PLC

Solid State PLC – who are we?

SOLID STATE PLC – DELIVERS TRUSTED TECHNOLOGY FOR DEMANDING ENVIRONMENTS



Our facility locations



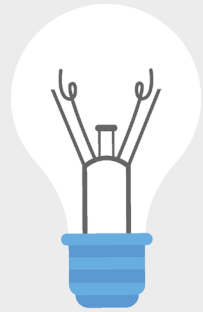
International operations
across 12 locations



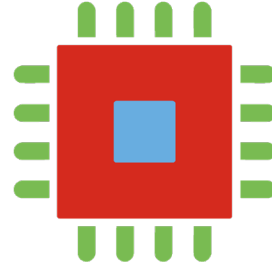
300+ employees

Solid State PLC a profitable and resilient business model

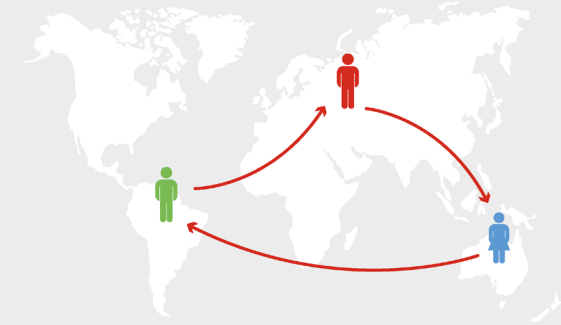
Solid State PLC – supplying specialist engineered systems and value added components



EXPERIENCE



TECHNOLOGY



CUSTOMERS



RELATIONSHIPS



SUPPLIERS



ENGINEERED SOLUTIONS

Group structure - Custom Power will be included in the Power BU

SOLID STATE PLC

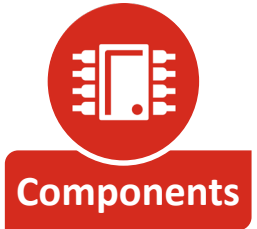
TRUSTED TECHNOLOGY FOR DEMANDING ENVIRONMENTS



Solid State Plc – What do we do

Antennas and subsystems
COTS and custom high-performance microwave and RF antennas

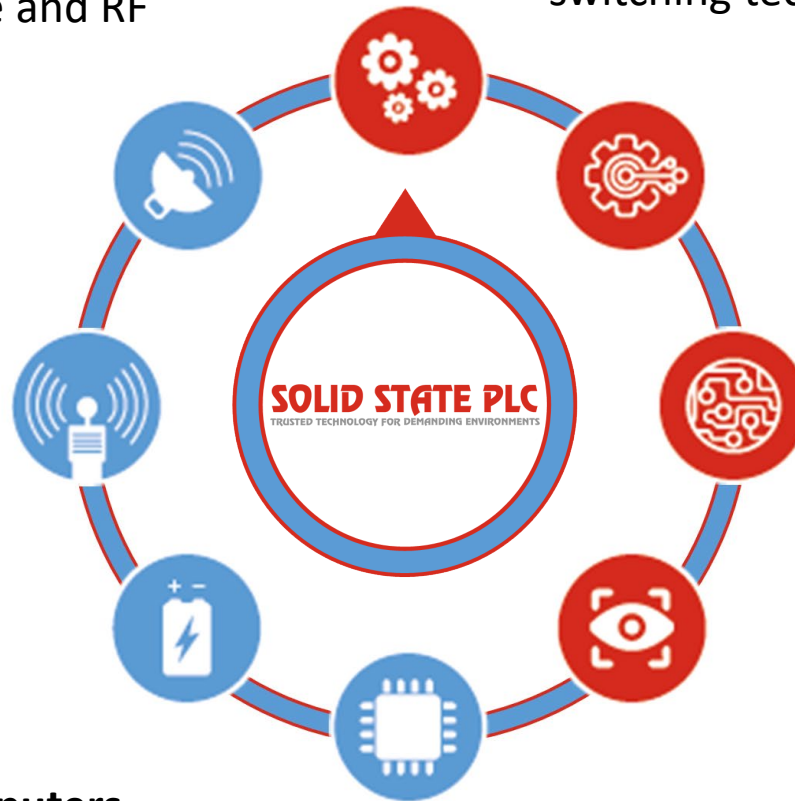
Electro-mechanical
Specialists in relay and contactor switching technology solutions



Sourcing & Obsolescence
Assured sourcing for obsolete and hard-to-find electronic components including re-testing and long-term storage

Electronics
Electronic components and modules for embedded processing, displays, control and communications, sensing and LED lighting

Opto-electronics
COTS and custom optoelectronic components, specialist displays and assemblies for use in a range of critical applications



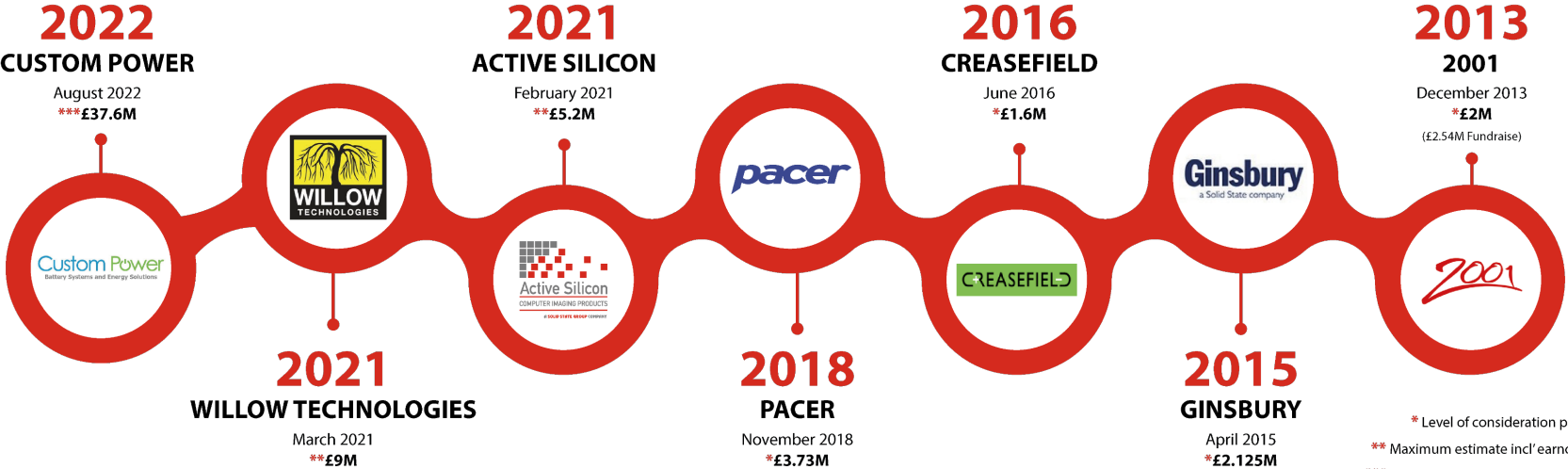
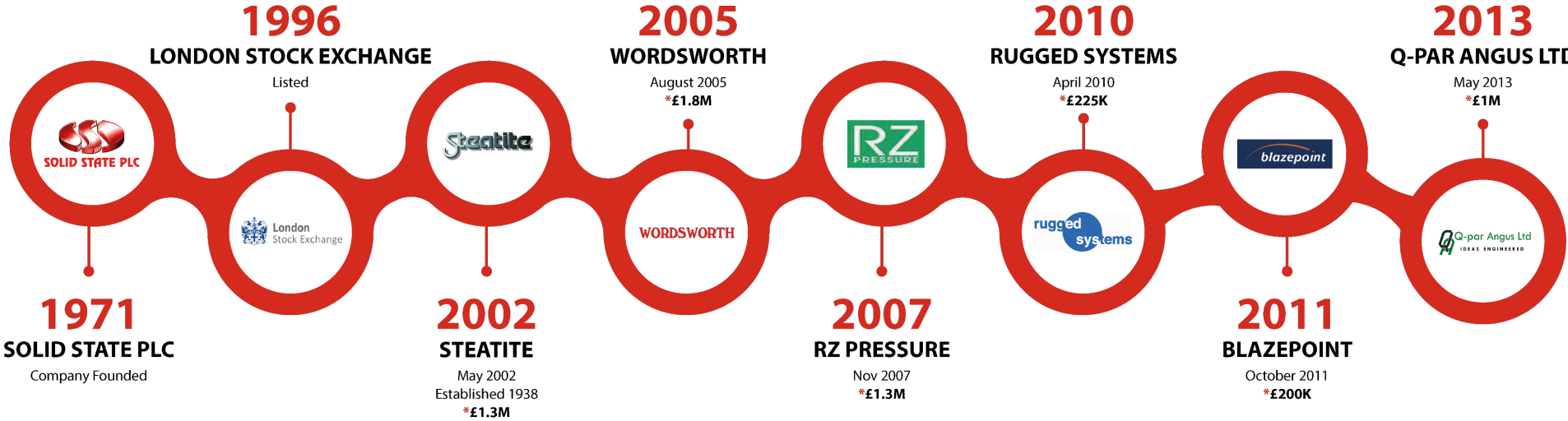
Communications systems
High bandwidth MANET radio equipment and associated peripheral products

Power systems
Specialist primary and secondary COTS and custom built battery packs and power systems

Computers
Industrial and portable ruggedised computers covering rack-mount, fanless and panel pc's

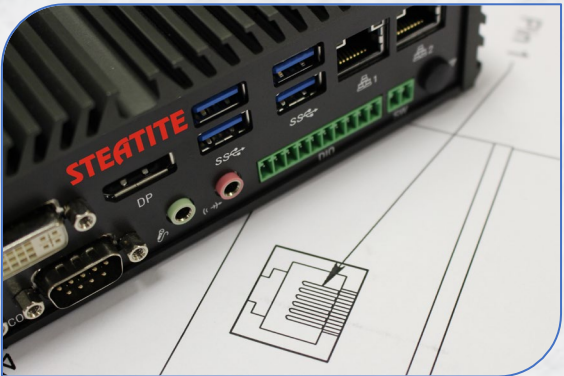
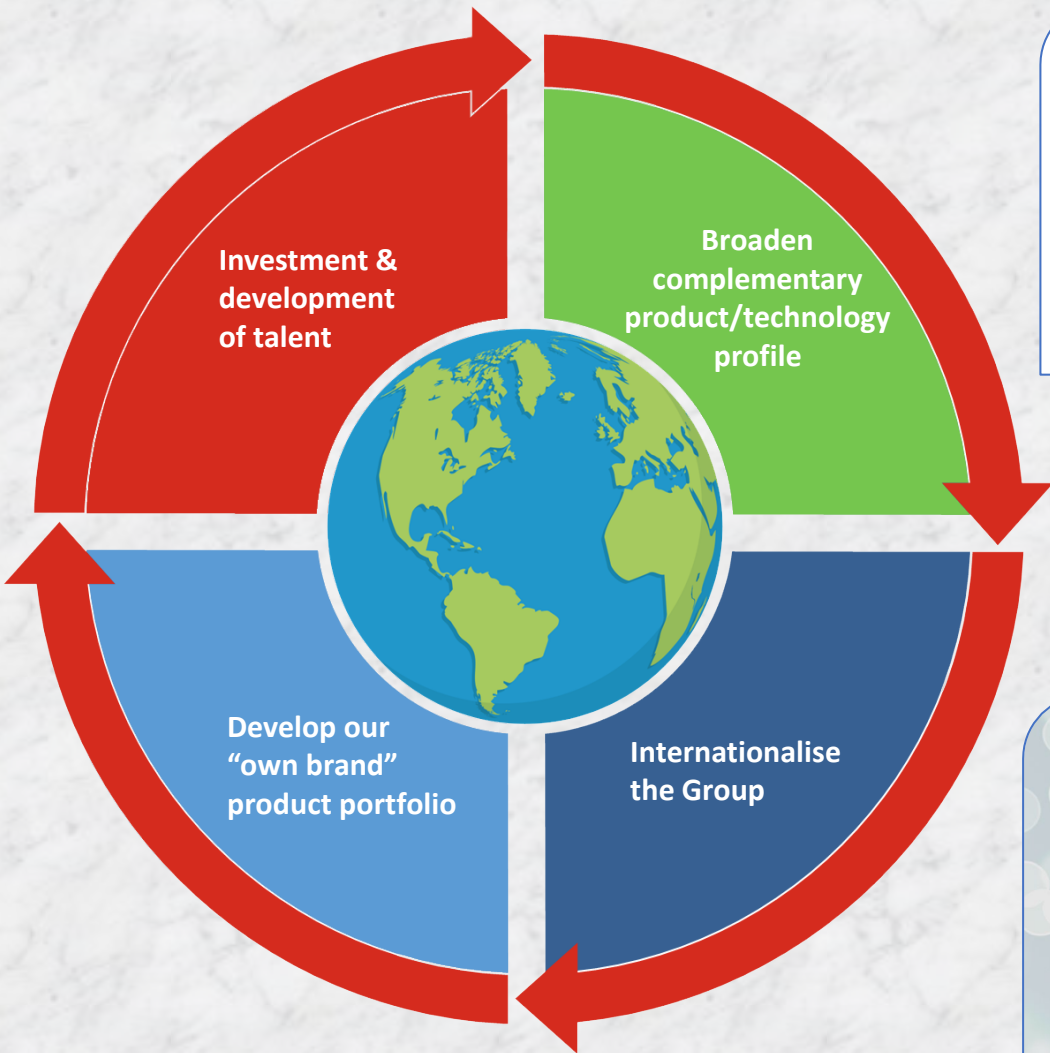


Group history and strategic acquisitions completed



* Level of consideration paid.
** Maximum estimate incl' earnout.
*** Subject to shareholder approval.

Key to accelerating our growth strategy for a sustainable future



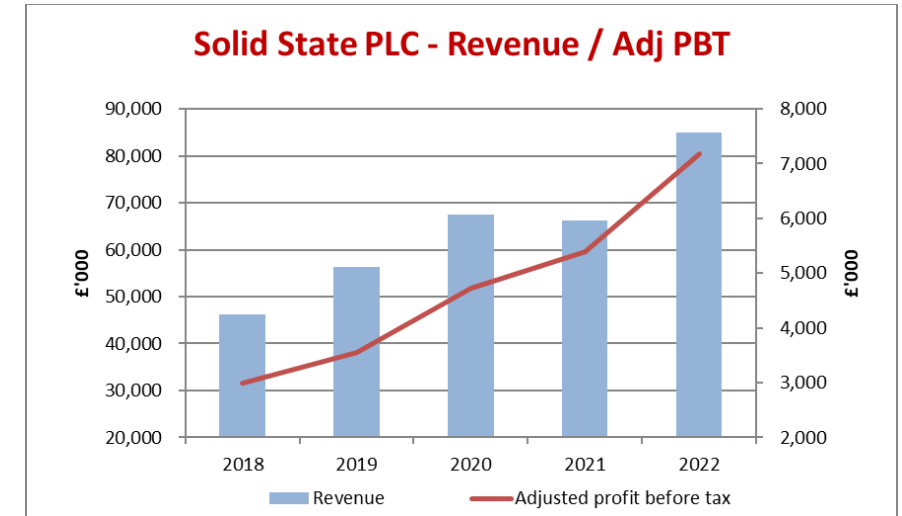
Solid State PLC

Investment case

Solid State PLC an attractive investment proposition

Solid State PLC – ambition for the next 5 years is to replicate or beat historic performance

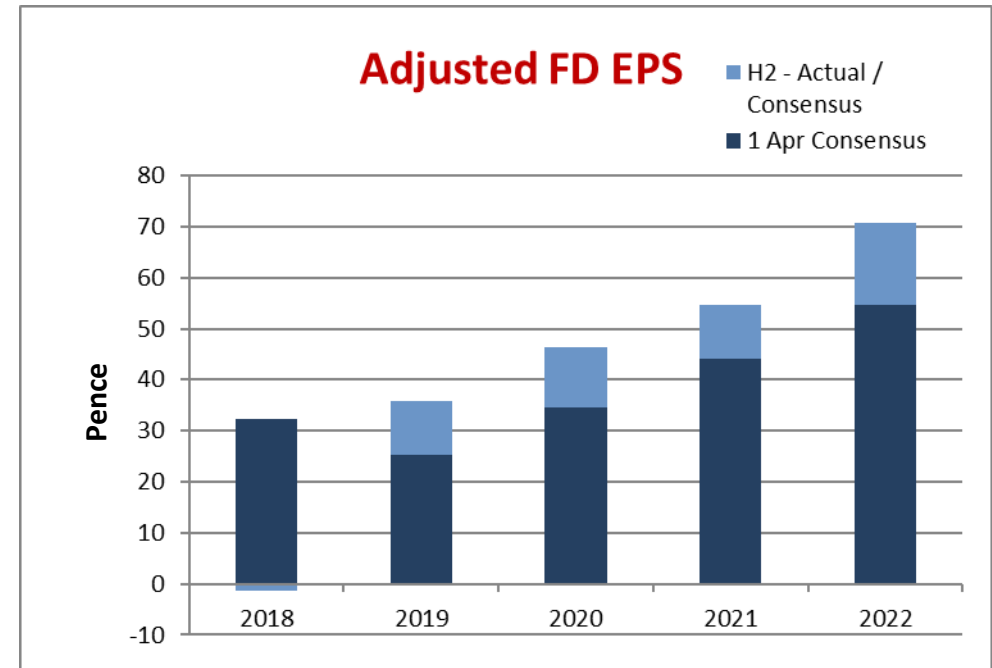
- Solid State PLC – strong growth delivering record financial performance
- The 5 year strategy delivered growth through:
 - investment in organic growth
 - strategic M&A with no dilution
- Historic 4 year CAGR 2018-2022
 - ✓ Revenue = 16.4%
 - ✓ Adj operating profit = 25.0%
 - ✓ Adj operating margins up 210bps to 8.7%
 - ✓ Adj FD EPS = 23.0%



Consistent earnings growth & a record orderbook

Significant opportunities - FY23 and beyond

- Cash generation secures progressive dividend
 - FY22: 19.5p (2021: 16p)
- Market cap expected >£100m - top half of AIM companies
- Delivering shareholder value through growth & income
- Prudent management of market expectations
 - Earnings upgrades of in excess of 20% in each of the last four years
 - Caution maintained for FY23 given the macro-economic environment
- Record orderbook has continued to increase post year end to £89.7m as of 31 May 2022

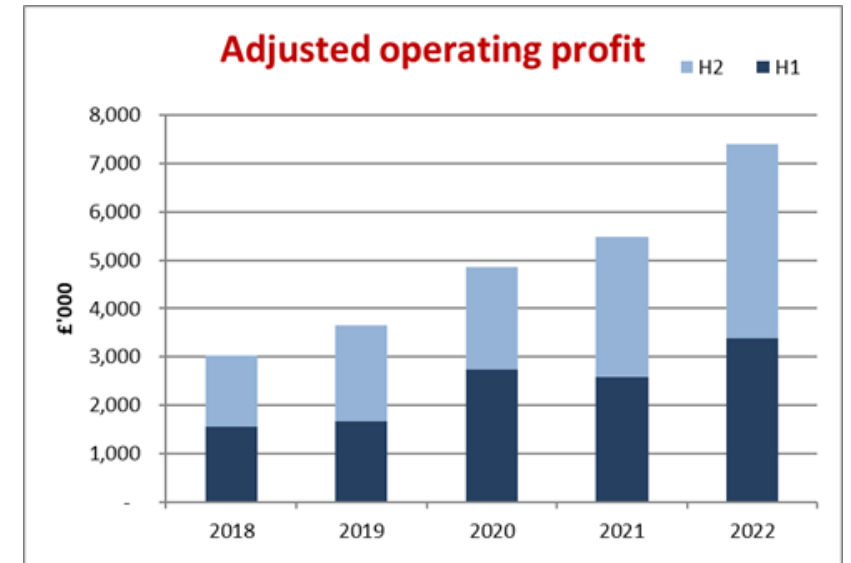
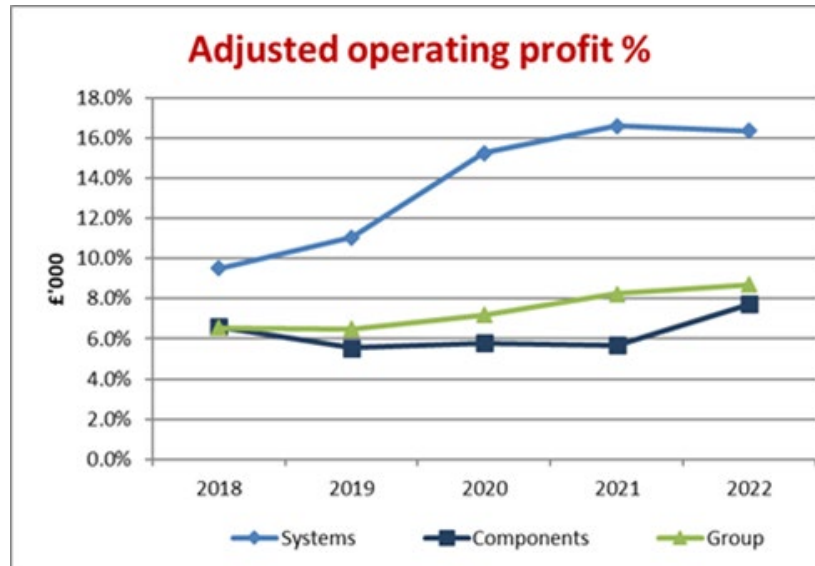
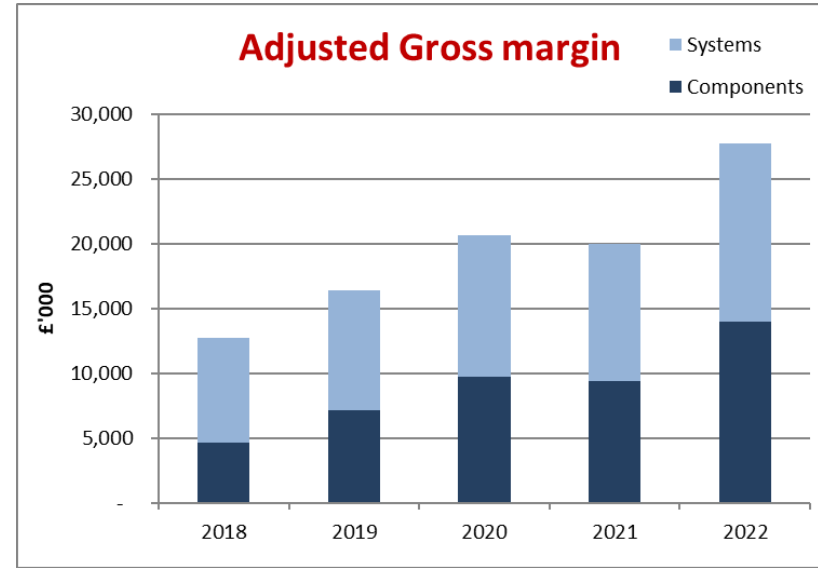
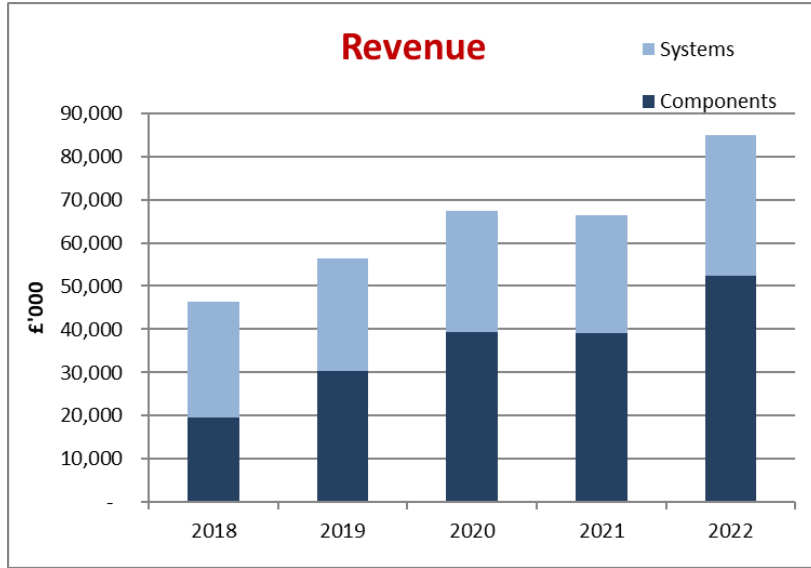


Solid State PLC

Financial Results for

31 March 2022

2022 reflects organic & acquisitive growth



Record revenues, adjusted profits and exciting prospects for FY23

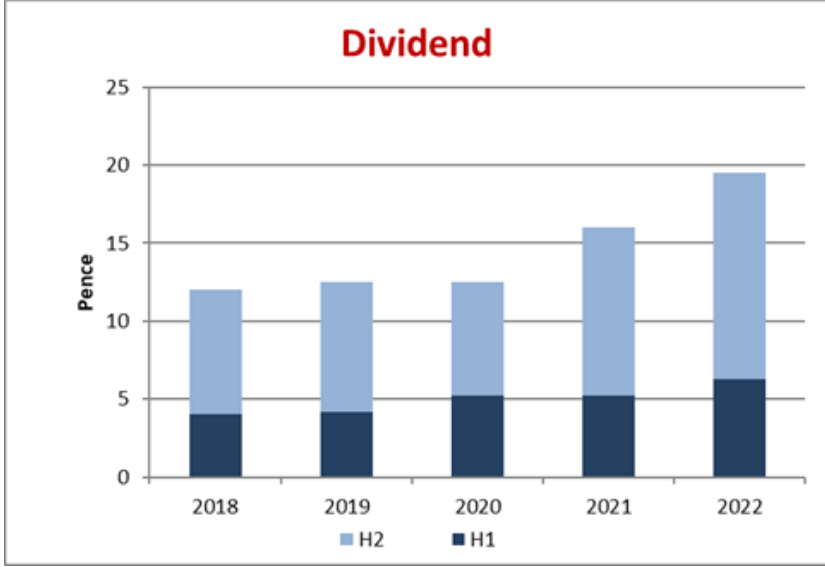
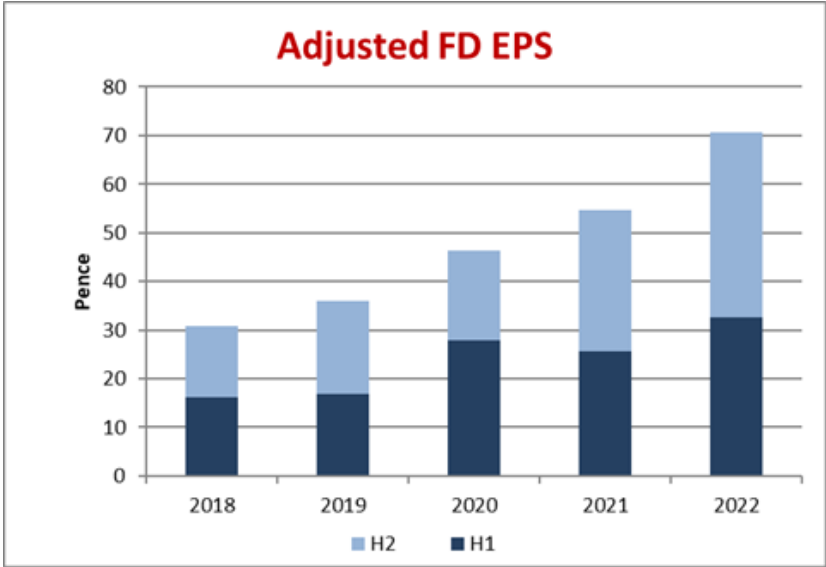
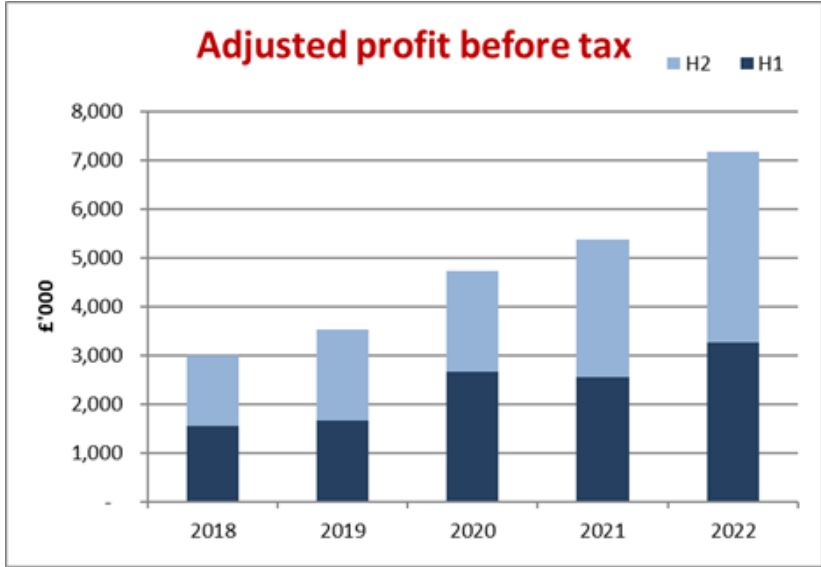
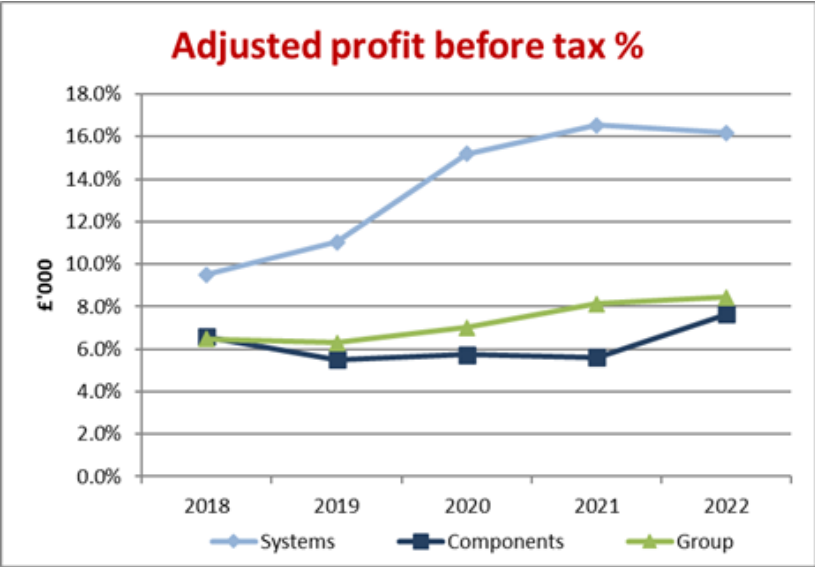
- Like for like revenue growth 4.6%
- Gross margins up 2.3% - largely FX benefit
- Record adj Op margin 8.7%
- Adjustments to profit:
 - Acquisition amortisation £1.0m
 - Share based payments £0.3m
 - Non recurring deal costs £0.5m
 - Acquisition FV adj's £1.8m
 - Tax effects (£0.3m)
- Record adj EPS – 70.6p significantly exceeding FY22 5 year target of 60p

	FY 2021/22	FY 2020/21	Change
Reported revenue	£85.00m	£66.28m	+ 28.2%
Proforma revenue (like for like)	£85.00m	£81.30m	+ 4.6%
Gross profit	£27.53m	£19.92m	+ 38.2%
Gross profit margin	32.4%	30.1%	+ 230Bps
Adjusted Operating profit*	£7.40m	£5.47m	+ 35.3%
Adjusted Operating margin*	8.7%	8.3%	+ 40Bps
EBITDA**	£8.97m	£6.88m	+ 30.4%
Adjusted profit before tax*	£7.17m	£5.39m	+ 33.0%
Reported profit before tax*	£3.50m	£4.20m	- 16.6%
Adjusted profit after tax*	£6.16m	£4.73m	+ 30.2%
Profit attributable to equity shareholders	£2.78m	£3.95m	- 29.6%
Adjusted diluted EPS*	70.6p	54.7p	+ 29.1%
Dividend	19.5p	16.0p	+ 21.8%

and exceptional items.

**EBITDA is defined as earnings before interest, tax, depreciation, amortisation, share based payments and exceptional items.

Record result & strong foundations for FY23



Cash generation lower than prior year due to inventory investment

- Underlying cash generation strong
- Investment in inventory supported by cash profits
- Capex increase as we invest in increasing capability (EMC and wire bonder)
- Acquisition payments £2.57m (£1.65m increase to def con to total £6.6m)
 - £4.6m paid in Q1-22
 - £2.0m payable Q1-23
- Increased dividend payments – further increase in 22/23 with additional equity

	FY 2021/22	FY 2020/21	Change
Adjusted operating profit*	£7.40m	£5.47m	+ 35%
Underlying cash conversion rate	81%	127%	
Underlying operating cash generation	£5.99m	£6.93m	- 14%
Non recurring cash flows	-	-	
Tax cashflows	(£0.94m)	(£0.43m)	
Net cash from trading	£5.05m	£6.50m	- 22%
Investment in non current assets	(£1.70m)	(£0.58m)	
Payment obligations for right of use assets	(£0.87m)	(£0.57m)	
Net cash investment in acquisitions**	(£2.57m)	(£4.12m)	
Payment of interest	(£0.13m)	(£0.04m)	
Equity financing	(£0.08m)	(£0.10m)	
Dividends paid	(£1.46m)	(£1.07m)	
Net (decrease)/increase in cash/debt	(£1.76m)	£0.02m	
Deferred consideration on acquisitions**	£0.92m	(£7.52m)	
FX on opening cash	£0.02m	(£0.04m)	
Opening cash / (net debt)	(£4.36m)	£3.18m	
Closing cash / (net debt)	(£5.18m)	(£4.36m)	

*Adjusted measures are adjusted for; share based payments, acquisition amortisation and exceptional items.

** Increase in deferred consideration: £2.57m - £0.92m = £1.65m.

Strong balance sheet supporting investment in inventory

- No material changes in non current assets
- Increase in inventory £7.0m
- Net debt of £5.2m
 - Net cash at bank £1.4m
 - Deferred contingent consideration (£6.6m)
- New financing for acq'n of Custom Power
 - Equity raise ~ £28.4m
 - New term loan £13m

	FY 2021/22	FY 2020/21
Goodwill	£9.90m	£9.90m
Deferred tax asset	£0.54m	-
Intangibles	£5.93m	£6.66m
Property Plant and Equipment	£3.42m	£2.98m
Right of Use Assets (ROUA)	£1.98m	£2.48m
Total non-current assets	£21.77m	£22.01m
Inventory	£17.60m	£10.63m
Trade and other receivables	£17.98m	£14.41m
Cash and cash equivalents	£4.98m	£6.91m
Total current assets	£40.56m	£31.95m
Total current liabilities (ex debt)	(£20.48m)	(£12.42m)
Total borrowings	(£3.56m)	(£3.75m)
Total deferred contingent consideration	(£6.60m)	(£7.52m)
Right of use liabilities	(£2.08m)	(£2.54m)
Total other non-current liabilities	(£2.53m)	(£2.23m)
TOTAL NET ASSETS	£27.08m	£25.50m

Custom Power Introduction to the acquisition

Project Wheel - transaction overview

Acquisition of Custom Power, a US battery pack manufacturer

- Acquisition of Custom Power, for an initial \$30 million on a debt free cash free basis
- Custom Power:
 - a strategically significant US based Power specialist
 - operating at scale in target growth markets
 - opportunities to leverage internationally
- £26.25m Placing, up to £2m Open Offer and £0.145m Directors' subscription
- Anticipated timetable:
 - General meeting : 29 July 2022
 - Admission : 2 August 2022
 - Completion: Expected on or around 5 August 2022

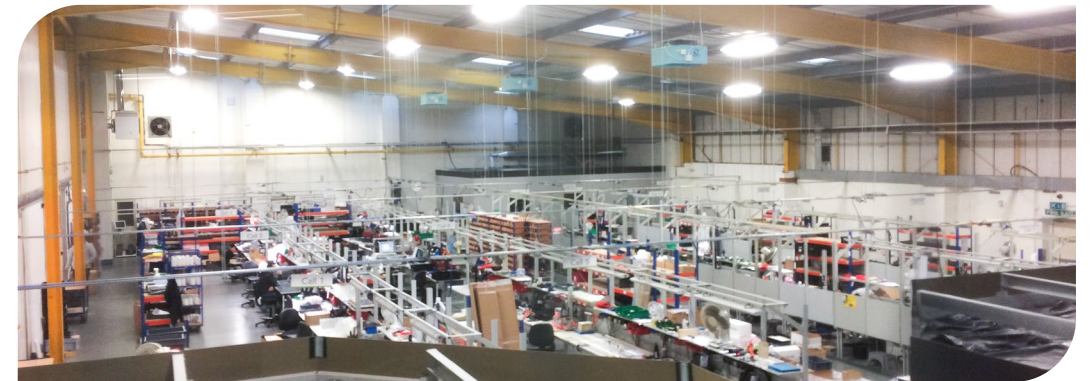
Business strategy, operations and values are aligned*

Experienced team to manage and mitigate integration risk

Custom Power – California USA

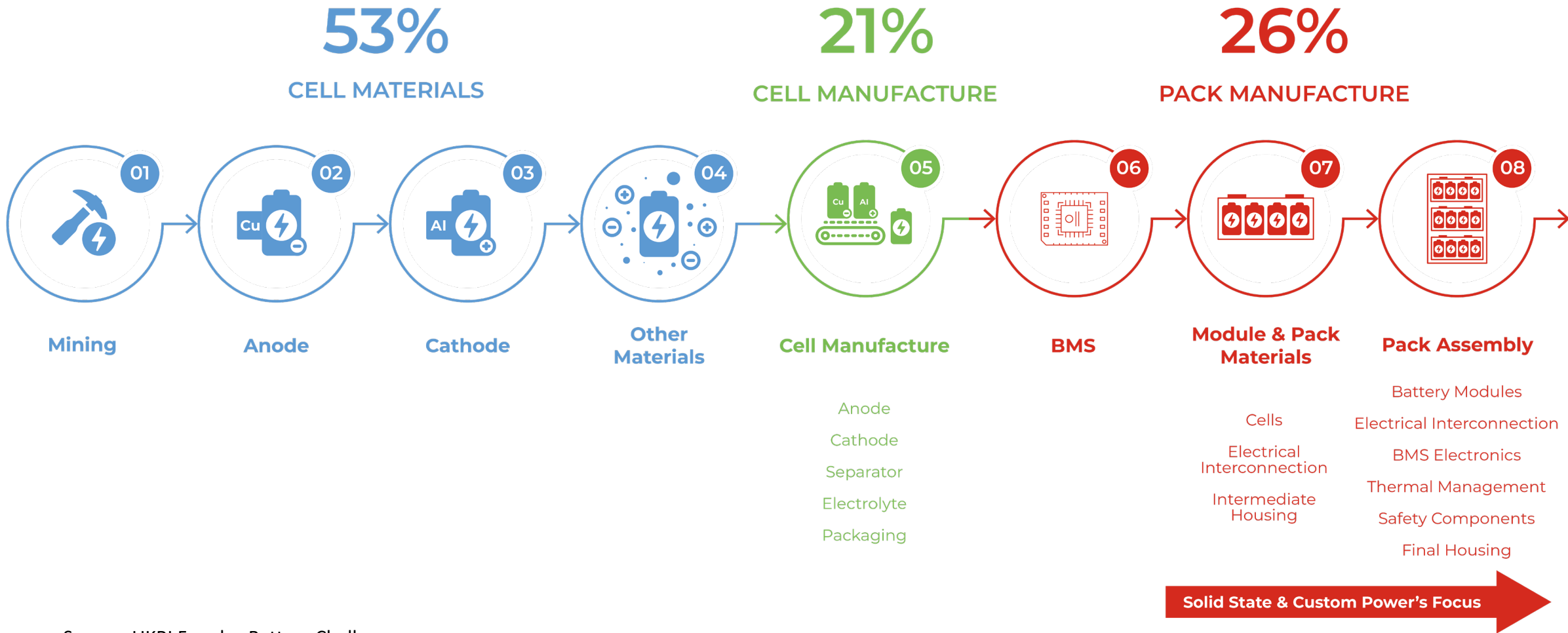


Solid State Plc – Crewkerne UK



* Statement of Directors' belief

Where is the value in the battery pack supply chain?



Source: UKRI Faraday Battery Challenge

5 key synergies from Project Wheel

GEOGRAPHICAL SYNERGIES



Access to North America.

Access to EMEA.



TECHNOLOGICAL SYNERGIES

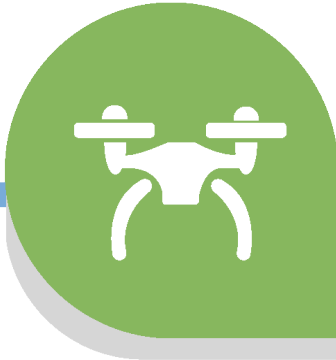


Complementary technology and manufacturing.

Additional expertise in complementary areas.



MARKET SYNERGIES



Aerospace & Defence, Medical, and Industrial OEM alignment.

Drive into Defence & Security - Robotics, Autonomy & Energy.



CUSTOMER SYNERGIES



Mutual introductions to new Global blue-chip customers.

Creates launch platform to widen capability to customers.



SUPPLY CHAIN SYNERGIES



Enhanced scale strengthens supply chain relationships.

Wider access to new cell technology and Global Brands.



Enhanced scale strengthens supply chain relationships

CUSTOM POWER

Access to new North America & Global brands



SYNERGIES



STEATITE LTD

Access to new cell technology & Global brands



ARTS ENERGY
MAKE AUTONOMY YOURS



Financial appraisal of Custom Power

CP proforma trading performance shows consistent growth

Delivery on the strategy in three years of Elan's ownership

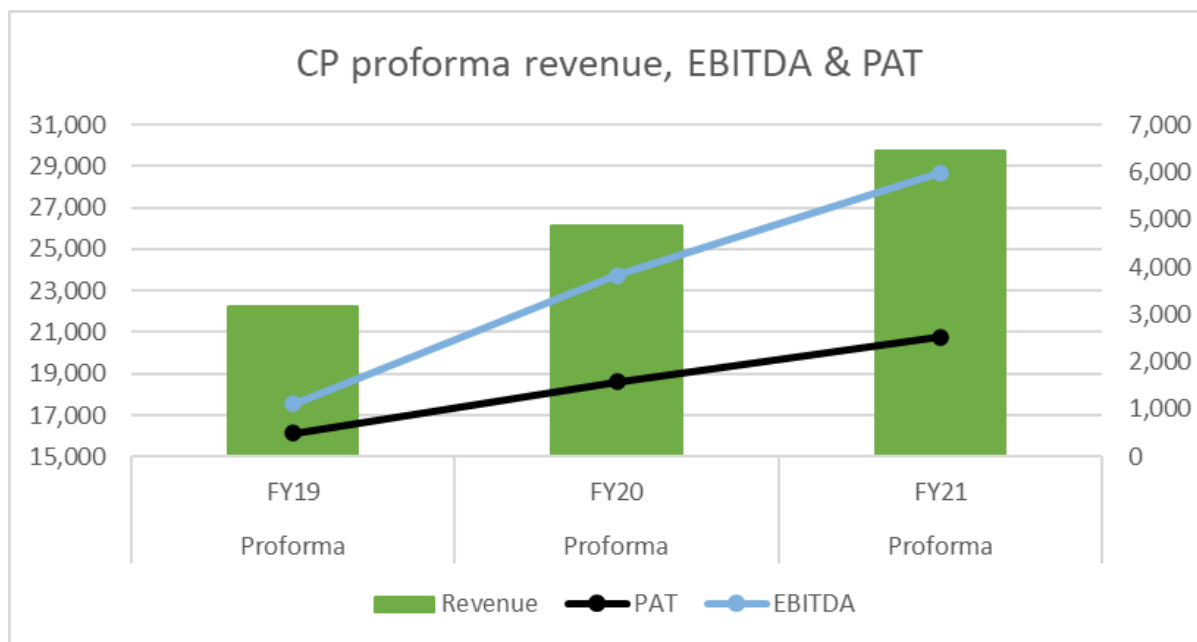
- Strong growth in target markets – engineering reputation
- Profitability and margins have improved
- CP gross and operating margins are >250 Bps higher than the existing Group

CP Proforma P&L L4L \$'000	Proforma FY19	Proforma FY20	Proforma FY21
Reported revenue	30,185	29,256	29,758
Proforma adj	(7,971)	(3,135)	-
Revenue	22,214	26,121	29,758
CoS	(15,145)	(17,740)	(19,257)
Gross margin	7,069	8,381	10,501
Operating cost	(6,460)	(6,123)	(7,030)
EBITDA	609	2,258	3,471
D&A / SBP and exceptionals	(117)	(141)	(145)
EBIT	492	2,117	3,326
Interest	(250)	(250)	(250)
PBT	242	1,867	3,076
Tax	258	(295)	(553)
PAT	500	1,572	2,523
Gross margin %	31.8%	32.1%	35.3%
EBITDA %	2.7%	8.6%	11.7%
EBIT %	2.2%	8.1%	11.2%
PBT %	1.1%	7.1%	10.3%
PAT %	2.2%	6.0%	8.5%

Year end 31 December

Proforma CP performance with FY19 and FY20 restated for a comparable basis with FY21 presented above

In addition to the FY21 proforma adjustments we have adjusted FY19 and FY20 to exclude the benefit of two non-recurring contracts to present a comparable 3yr history



CP expected to deliver ~ \$3.2m of earnings enhancement in a full year

Basis of preparation of actual financial information

- The \$5m earn out hurdle is based on a Last Twelve Month (LTM) revenue exceeding \$37.5m within 18 months of completion to be earned. The LTM revenue hurdle is assessed at six monthly intervals up to 18 months post completion. We believe this target is likely to be achieved
- The proforma P&L for the 12 months post acquisition illustrated opposite is based on \$37.5m revenue and comparable margins with the FY21 proforma
- Given the risk of margin pressure in the current economic environment a 1% margin reduction would reduce profitability by ~\$0.375m
- We believe that this will be achieved and therefore we have prepared a proforma P&L for this level of performance which we would expect to be realised in the first full year of ownership FY23/24
- CP expected to add ~\$37.5m in first full year post acquisition. Enlarged power BU will be circa \$40m - \$50m

Proforma P&L L4L	FY21 \$'000	Earn out	Earn out
		target 1st 18 mths \$'000	target 1st 18 mths £'000
Revenue	29,758	37,500	30,000
CoS	(19,257)	(24,263)	(19,410)
Gross margin	10,501	13,238	10,590
Operating cost	(7,030)	(8,850)	(7,080)
EBITDA	3,471	4,388	3,510
D&A / SBP and exceptionals	(145)	(201)	(161)
EBIT	3,326	4,187	3,349
Interest	(250)	(334)	(267)
PBT	3,076	3,852	3,082
Tax	(553)	(683)	(546)
PAT	2,523	3,169	2,535
Gross margin %	35.3%	35.3%	35.3%
EBITDA %	11.7%	11.7%	11.7%
EBIT %	11.2%	11.2%	11.2%
PBT %	10.3%	10.3%	10.3%
PAT %	8.5%	8.5%	8.5%

Foreign exchange rate: \$1.25:£1

Investment summary

Project Wheel investment case

CP acquisition is expected to be earnings enhancing in FY23

- **Transformational:** CP is an established profitable, cash generative battery business in USA
- **Attractive deal terms:** ~1.2x revenue and ~14x PE multiples lower than other deals in the sector
- **Record Orderbooks:** SOLI's order Book at the 31 May 2022 is currently £89.7m and CP will add a further £15.0m
- **Upsell / cross sell opportunities:** CP's complementary customer base has little or no overlap
- **Commercial synergies:** CP's international customer base adds scale to the Group's Power business unit in key growth markets
- **Technical synergies:** enhanced capabilities and technical offering to upsell to existing customers
- **Valuation re-rating opportunity:** significant potential for shareholder value accretion if the enlarged Group rating improves

Prospects and outlook

Transformational growth prospects both organic and acquisitive

Outlook - Excellent prospects for 2022/23 and beyond

- **Technology:** Adoption of Industrial AI & 5G – Power control and switching targeting Net Zero
- **Resilience:** High barrier to entry markets in Security, Defence and Transport
- **Order book:** Record order intake increasing 107% to £85.5m at 31 March 2022 and a further 7% to £92.0m at 30 June 2022
- **Q1 FY22/23:** Strong organic sales growth in the first quarter of our new financial year
- **Next 5 year growth ambition:** To once again double EPS and deliver 20% CAGR in TSR