

9 November 2018

Solid State plc
("Solid State", the "Company" or the "Group")
Acquisition of Optoelectronics & Displays specialist –
Pacer Technologies Limited

Solid State plc (AIM: SOLI), the AIM listed manufacturer of computing, power and communications products, and value added distributor of electronic components, is pleased to announce the acquisition of Pacer Technologies Limited and its subsidiaries ("Pacer") (the "Acquisition").

The Company has exchanged contracts to acquire the entire share capital of Pacer Technologies Limited for a cash consideration of £3.73m, subject to a net asset adjustment. The consideration is being settled out of the Group's existing resources and new banking facilities provided by Lloyds Bank plc.

Highlights of the Acquisition include:

- Pacer is well established in the specialist markets of Optoelectronics and Displays
- The Acquisition significantly enhances Solid State's exposure to the niche Medical sector
- Pacer focuses on value added component distribution and custom design, targeting enhanced margin opportunities
- The Acquisition will enable the enlarged Group to further design and manufacture own brand products for distribution utilising Pacer's recent investment in a new value added production facility in Weymouth
- Pacer has an established US subsidiary
- Pacer generates circa 40% of its revenues from overseas
- Consideration is being satisfied out of Group resources and a new term loan facility
- The Acquisition is expected to be earnings enhancing in the first full year
- Pacer operates at higher gross margins than the Group's traditional distribution business
- Pacer will form part of the Group's Distribution division, operating as a separate company
- The Acquisition gives the Group greater scale, strength and depth in high growth markets

For the year ended 31 March 2018, Pacer reported revenue of £15.2m, and a profit before tax of £431k. As at 31 March 2018 Pacer had net assets of £1.06m and had net debt of £1.5m.

Introduction to Pacer Technologies Limited:

Pacer was established in 1989 to specialise in the distribution and custom design of optoelectronic components, lasers and displays to the OEM market in the medical, military, commercial, industrial and security sectors. Serving an international client base, Pacer has a reputation for supplying high quality components in a customer-centric manner, often involving custom design and manufacturing to address individual needs.

Pacer operates in two areas, Components and Displays, supplying world class blue chip companies. The Components business is distribution based with a smaller proportion of its sales derived from manufacturing, own brand and assembly based products. Products include industrial LEDs and light sources, lasers and laser range finders, photon detection and counting equipment. The Displays business complements and enhances that of Solid State Supplies. Products include industrial and commercial grade displays.

In the UK, Pacer operates from offices in Pangbourne and Weymouth, with a sales office in Crawley. Its US subsidiary is based in Florida.

Banking:

In completing this deal, the Group's primary banker Lloyds Bank plc has put in place committed facilities made up of £6.0m of term loans and a £3.5m revolving credit facility to fund the consideration and the working capital requirements of the enlarged Group.

These facilities have enabled the Group to refinance Pacer's £3.5m invoice discounting and term loan facilities on better terms. Pacer net debt at 31 March 2018 was £1.5m. Principally due to the capital investment undertaken by Pacer since that date, net debt is expected to be higher than this on completion of the Acquisition.

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

"Pacer is a company that we have known and admired for many years. Their expertise and product set are complementary to the existing Solid State Group, with the added benefit of enhancing the value added operations and increasing exposure to high growth markets such as the medical sector. In addition, Pacer has an established US business which provides the Group with an opportunity to further develop its US activities.

"The two businesses share many cultural similarities, including the specialist sales force approach, which means that client design teams are talking to like-minded engineers.

"We look forward to welcoming the Pacer team to Solid State where we believe they will further grow as part of the enlarged Group."

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

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Notes to Editors:

Solid State plc (SOLI) is a leading value added group of companies providing specialist distribution, design-in and manufacturing services to those acquiring computing, power and communications products; and electronic and optoelectronic components; for use in harsh environments.

Serving niche markets in oil & gas production, medical, construction, security, military and field maintenance, Solid State acts as both a component supplier to OEMs and bespoke manufacturer of specialist units to clients with complex requirements.

Headquartered in Redditch, Solid State employs over 200 staff across the UK with a sales office in the USA. Solid State operates through two main divisions: Manufacturing and value added Distribution.

Solid State was established in 1971 and admitted to AIM in June 1996.

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.