

2 October 2024

## **Solid State plc**

(“Solid State”, the “Group” or the “Company”)

### **Acquisition of Gateway Electronic Components Ltd**

Solid State plc (AIM: SOLI), the specialist value-added component supplier and design-in manufacturer of computing, power, and communications products, announces the acquisition of Gateway Electronic Components Limited (‘Gateway’) for initial consideration on a cash free debt free basis of £1.4m, subject to adjustment based on finalised completion accounts. (the ‘Acquisition’). Gateway will join the Components division of the Group, Solsta.

#### **Acquisition highlights:**

- Gateway is a specialist in ferrite and magnetic components and solutions.
- Gateway has a range of own brand machined ferrite products which can be sold internationally and complement the Group’s existing products and technologies.
- Gateway has a strong and experienced team who add specialist industry knowledge and expertise to the Group.
- Gateway has a long-standing customer base with an engineering and technology led approach, consistent with Solid State’s model.
- The Acquisition provides Gateway with access to an enlarged sales force and customer base, enabling incremental mid-term cross-selling opportunities.
- The Acquisition is expected to be earnings enhancing, and accretive to the gross margin of the Components division in the first full year.

#### **Acquisition consideration**

The Acquisition will be funded from the Group’s existing cash resources. The initial cash free debt free consideration of £1.4m plus an advanced net asset cash adjustment of £0.1m will be paid on completion. A final payment is expected to be made once completion accounts are finalised to settle on a pound for pound basis, the net cash and the net asset adjustment, which is expected to be circa £0.5m.

#### **Information on Gateway Electronic Components Limited**

Established in 2000, and based in Nantwich, Cheshire UK, Gateway is a specialist in ferrite and magnetic components and solutions. Ferrite is commonly used in electromagnetic compatibility (EMC) components for interference suppression; products in the emerging industrial IoT technology sector; and, technologies critical to the power generation, transmission and distribution industry, amongst many other electromechanical applications.

Gateway has been known to Solid State’s Components Division, Solsta, for many years. The acquisition of Gateway adds a complementary product line to the Group’s portfolio, respected industry talent, and an aligned client base. In a similar fashion to the Solid State Group, Gateway engages its clients in a value-added relationship based on an engineering-led sales force and product innovation to meet emerging industrial needs.

Gateway manufactures its products in the UK and already supplies into many of the Solid State Group's target structural growth markets. Further information on Gateway can be found at - <https://www.gatewaycando.com/about-us>

### **Financial performance**

In recent years Gateway's reported results reflect some exceptional performance which benefitted from global component shortages and included some non-recurring revenue. In line with broader industry trends, the business has seen a normalisation in demand in its industrial markets post the shortages.

Current trading reflects a stabilisation in performance, running at an approximate annualised run rate of revenue and profit before tax of circa £3.0m and £0.2m respectively. The net assets value at 31 August 2024 on a cash free debt free basis was £1.0m, and in addition the company held net cash of £0.6m.

### **Benefits of the Acquisition**

Solid State will combine Gateway's products, expertise and technology with the wider components divisions. The enlarged division will benefit from the broadened product offering, enlarged customer base and increased sales force.

This will provide access to significantly increased market opportunities for the Gateway products as well as being able to add more value to their existing customers with the Solid State product portfolio and technology offering. Furthermore, in due course, the portfolio of own brand machined ferrite products will benefit from being able to be sold via the Group's international sales channels.

### **Commenting on the Acquisition, John Macmichael, Managing Director of Solsta, said:**

"Gateway broadens our product line within sectors that are already core to our footprint, whilst equally giving Solid State an additional aligned client base for its existing product range. The drive to higher margin own-brand products is further enhanced through the addition of the machined ferrite range of products.

"We welcome our new colleagues from Gateway to the Solid State Group. The cultural fit has always been a very important element of our M&A strategy, so it is pleasing to join forces with a like-minded team."

**Martin Ford, founder and Managing Director of Gateway, commented:** "We've built an excellent business in Gateway which fits very neatly into the culture of Solid State. Their drive to innovate gives me confidence that our technology will be more widely built into customer solutions. As founder of Gateway, I am pleased for our loyal staff that the next phase of growth for the business will be under the capable stewardship of Solid State."

### **For further information please contact:**

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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 (AIM: SOLI) is a leading value-added electronics group supplying industrial and defence markets with durable components, assemblies and manufactured systems for use in critical applications, with a particular emphasis on harsh operational environments. Solid State's products are found around the world, from the ocean floor and into space, ensuring the smooth operation of systems that augment our everyday lives.

The Company has a core focus on industrial and ruggedised computing, battery power solutions, antennas, secure radio systems, imaging technologies, and electronic components & displays.

Operating through two divisions (Systems and Components) the Group thrives on complex engineering challenges, often requiring design-in support and component sourcing. Serving a wide range of industries, with a particular focus on defence, energy production, aerospace, environmental, oceanographic, industrial, robotics, medical, life sciences, and transportation, the Solid State trading brands have become synonymous with quality and reliability. The Group operates under the brands of Steatite, Solsta, Custom Power, Pacer, Active Silicon, and Durakool.

Solid State plc is headquartered in Redditch, UK, and employs over 400 people around the world. The business has six production facilities in the UK and two in the USA. In total, including all office locations, the Group operates from 14 national and international sites.

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 four years.

Take a look at the videos below for more insight into the Solid State Group.

Introduction to Solid State - [https://youtu.be/1M\\_Q\\_B1mYic](https://youtu.be/1M_Q_B1mYic)

Why invest in Solid State? - <https://youtu.be/ShmTz6005ws>