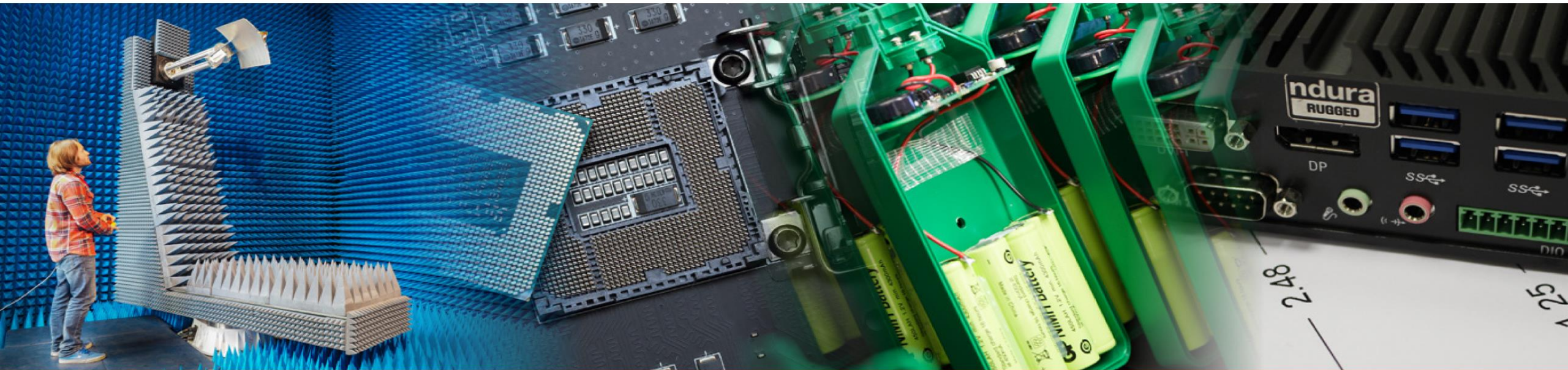


SOLID STATE PLC

DESIGN - MANUFACTURE - SUPPLY

Interim Results Presentation

8, 9 and 14 December 2020



TRUSTED TECHNOLOGY FOR
DEMANDING APPLICATIONS

Why do our customers choose us?



Computing

SOLID STATE PLC
DESIGN - MANUFACTURE - SUPPLY

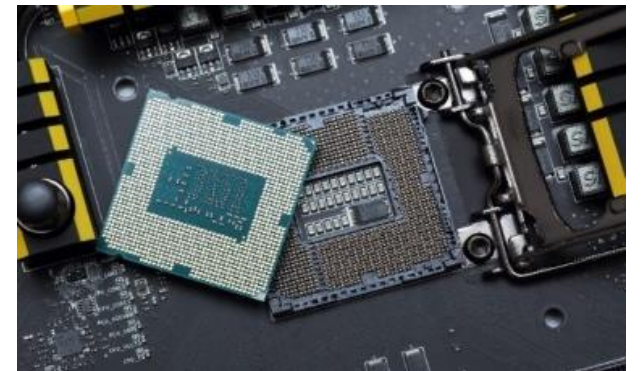


Communications



Power

“We do the difficult things that smaller companies can’t do, and that larger manufacturers don’t want to do”



Electronics

We are winning because

Our People

Best in class



Our Structure

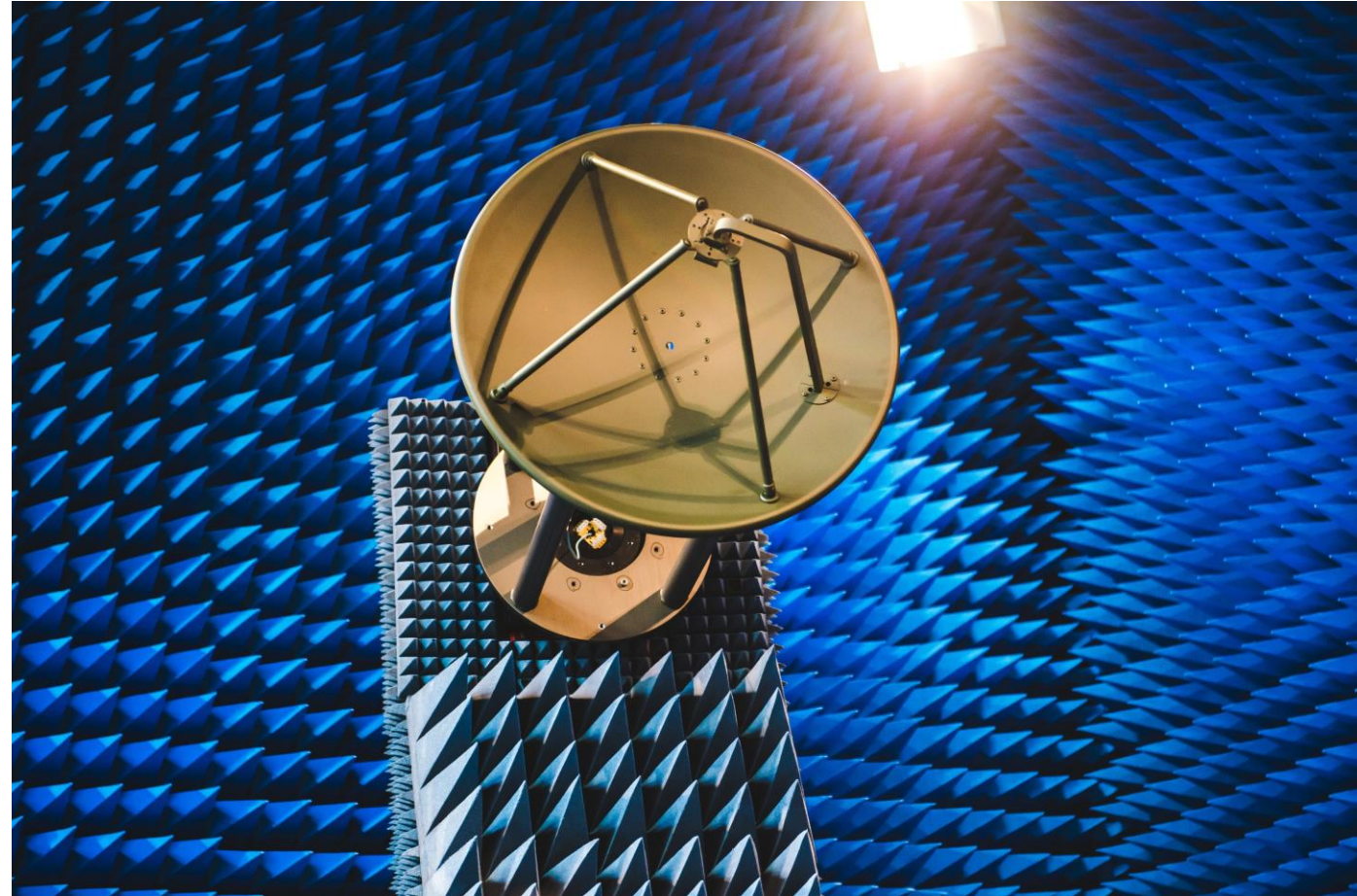
Combination of Value Added Supplies
and Manufacturing

➤ Resilience and diversity



Our Technology

Knowledge, quality & responsiveness



H1 2020/21 performance provides a foundation for growth

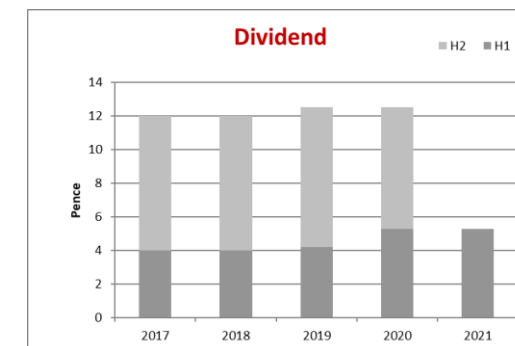
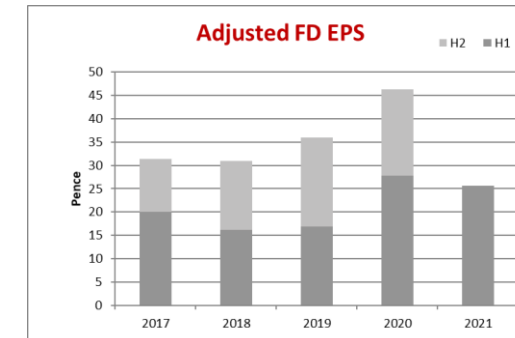
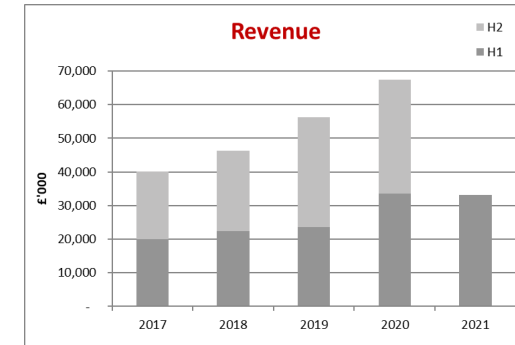


Resilient H1 performance

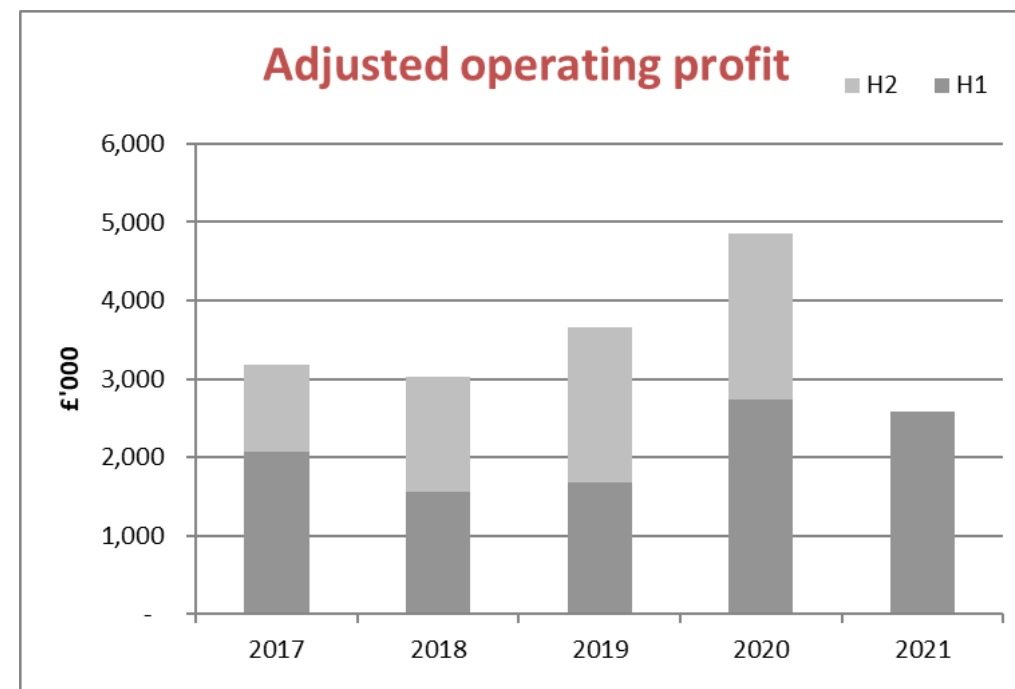
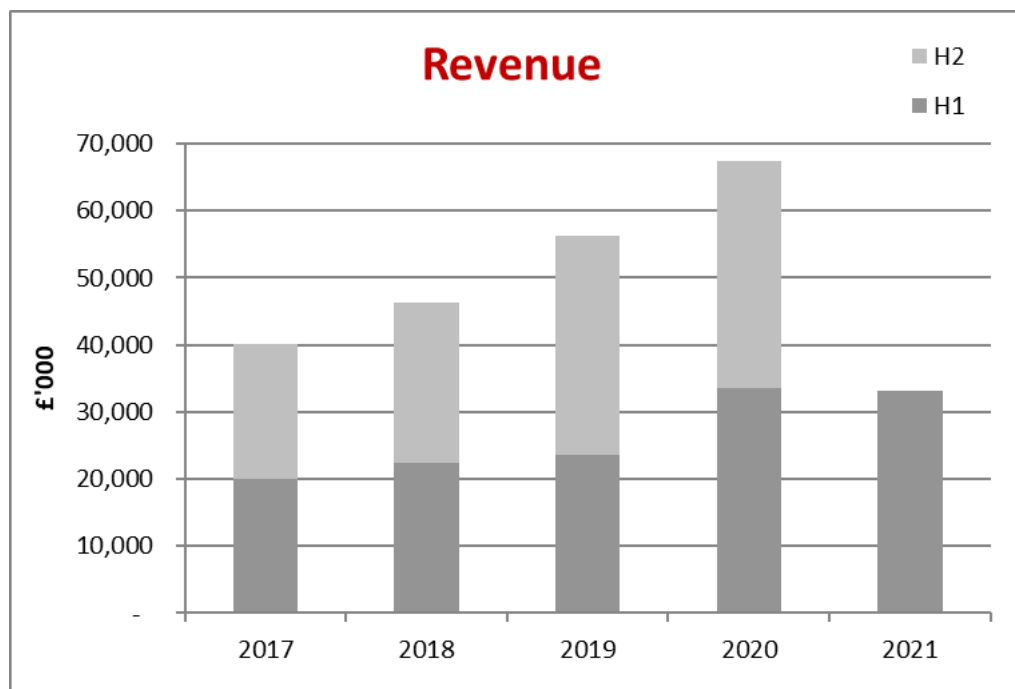
- Revenue outperforms market
- EPS stable at 25.6p
- Dividend maintained

Technology sweet spot

- Q3 20/21 Order book growth in target markets
- Greentech solutions & Group wide target markets
- Recommended Capex & M&A



Robust H1 – FY Consensus expectations £65.0m and £4.4m respectively



Solid operating margins of 7.8% up 60Bps over FY20

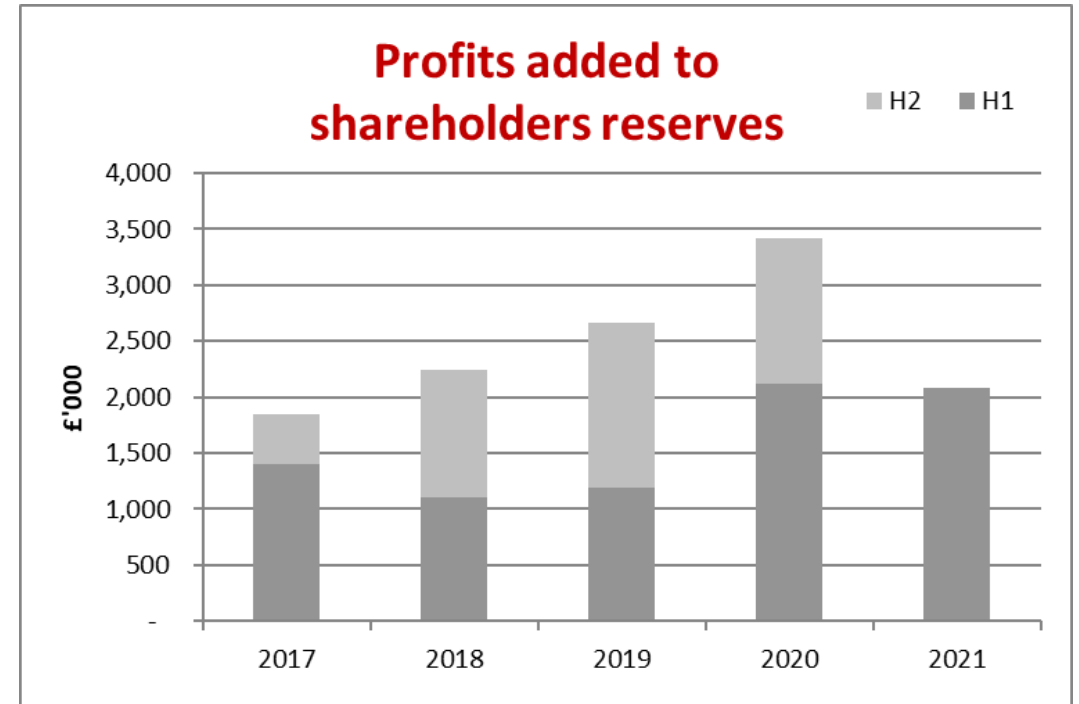
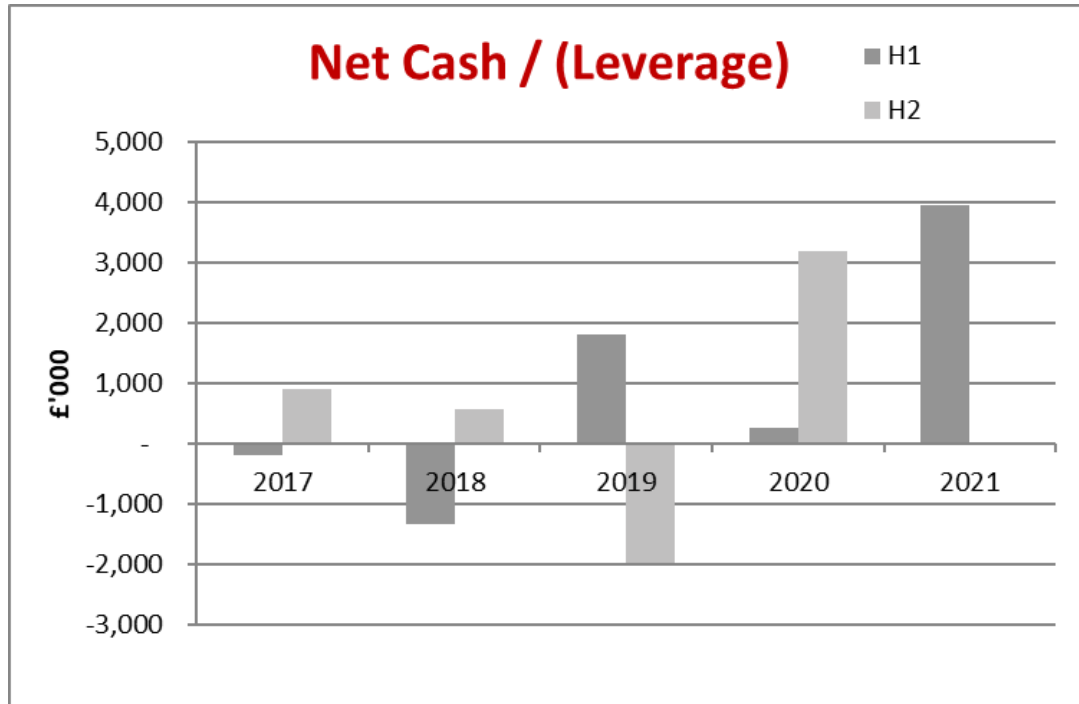
- Comparable revenue – £33.1m with record year in 2020.
- Adj Op profit – £2.59m – Resilient performance.
- Reported PBT £2.4m + 2% on prior year
- EPS – 25.6p – reduction primarily due to higher interim effective tax rate

	H1 2020/21	H1 2019/20	Change	FY 2019/20
Revenue	33.07m	33.59m	- 2%	£67.42m
Gross profit	£9.89m	£10.11m	- 2%	£20.80m
Gross profit margin	29.9%	30.1%	-20Bps	30.8%
Adjusted Operating profit*	£2.59m	£2.74m	- 5%	£4.85m
Adjusted Operating margin*	7.8%	8.1%	-30Bps	7.2%
EBITDA**	£3.23m	£3.47m	- 7%	£6.50m
Adjusted profit before tax*	£2.55m	£2.67m	- 4%	£4.73m
Adjusted profit after tax*	£2.22m	£2.40m	- 8%	£4.00m
Profit attributable to equity shareholders	£2.08m	£2.12m	- 2%	£3.41m
Adjusted diluted EPS*	25.6p	27.8p	- 8%	46.3p
Dividend	5.25p	5.25p	+ 0%	12.5p

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

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

Consistent profits support maintenance of interim dividend at 5.25p

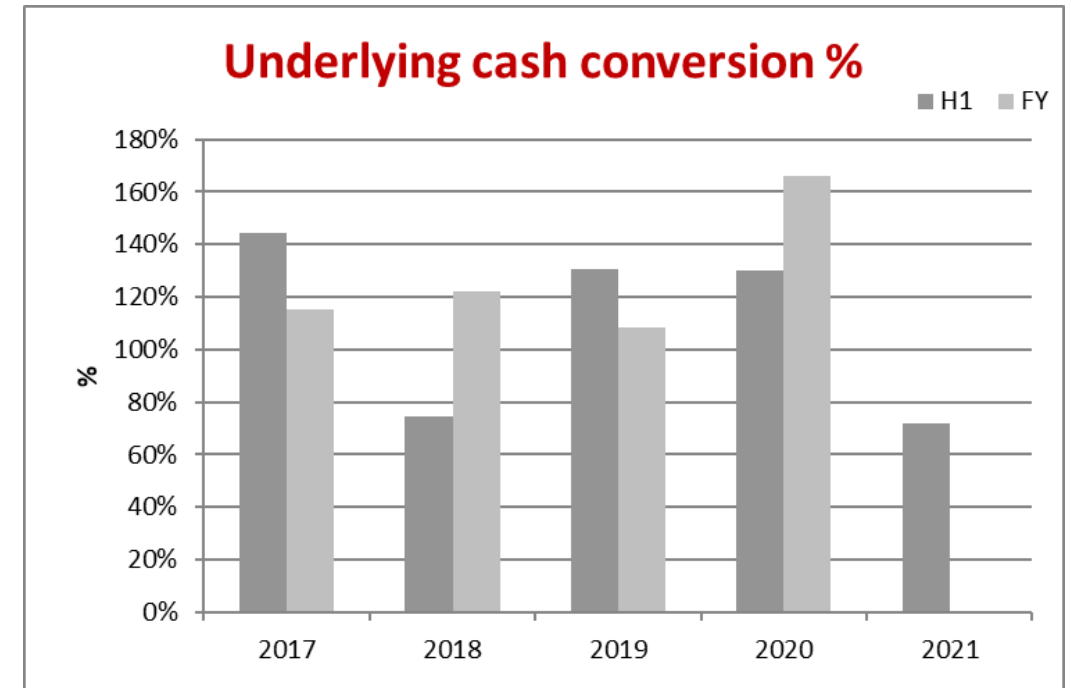
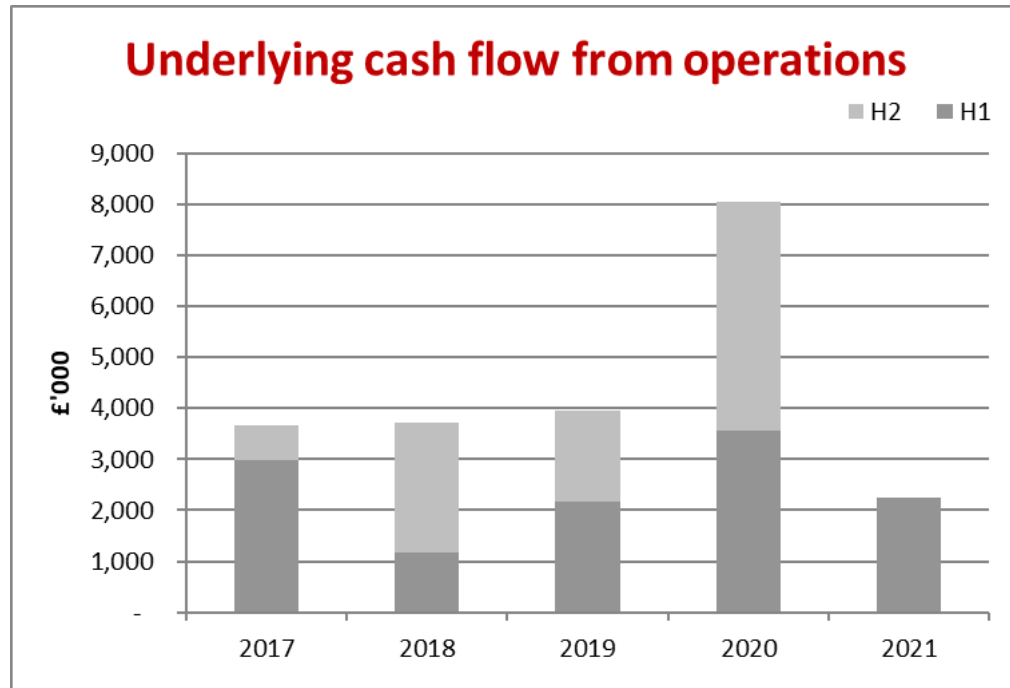


Strong balance sheet with growth in net assets

- Extended premises leases and remediation asset drives increases non current assets
- Inventory reducing (short term)
- Growth in net cash to ~ £4.0m
- £7.5m RCF undrawn

	H1 2020/21	H1 2019/20	FY 2019/20
Total non-current assets	£12.50m	£11.80m	£11.55m
Inventory	£8.76m	£9.40m	£9.66m
Trade and other receivables	£12.18m	£11.78m	£13.95m
Cash and cash equivalents	<u>£3.95m</u>	<u>£1.27m</u>	<u>£3.52m</u>
Total current assets	£24.89m	£22.45m	£27.13m
Total current liabilities	(£10.67m)	(£10.46m)	(£14.33m)
Total borrowings	(£nil)	(£1.00m)	(£0.33m)
Total other non-current liabilities	(£2.74m)	(£1.33m)	(£1.49m)
TOTAL NET ASSETS	£23.98m	£21.46m	£22.53m
Other reserves	£4.00m	£3.89m	£4.01m
Retained earnings	£19.98m	£17.57m	£18.52m
TOTAL EQUITY	£23.98m	£21.46m	£22.53m

2020 H2 COVID cash conservation unwound in H1 2020-21



Cash generation facilitated unwinding of COVID cash conservation

- Continued strong cash generation before working capital movements £3.2m (H1 2019-20: £3.5m)
- Working capital unwind ~ £1.5m due to year end COVID cash conservation.
- Increased net cash to £3.95m - Strong financial position
- H1 capex investment modest, albeit anticipate c'£0.75m H2 investment

	H1 2020/21	H1 2019/20	Change	FY 2019/20
Adjusted operating profit*	£2.59m	£2.74m	- 5%	£4.85m
Underlying cash conversion rate	72%	130%		166%
Underlying operating cash generation	£1.86m	£3.57m	- 48%	£8.04m
Non recurring cash flows	-	-		-
Tax cashflows	<u>£0.05m</u>	<u>(£0.02m)</u>		<u>(£0.38m)</u>
Net cash from trading	£1.91m	£3.55m	- 46%	£7.66m
Investment in non current assets	(£0.24m)	(£0.33m)		(£0.76m)
Payment obligations for right of use assets	(£0.24m)	(£0.22m)		(£0.51m)
Net cash investment in acquisitions	-	-		-
Payment of interest	(£0.02m)	(£0.05m)		(£0.08m)
Equity financing	-	-		-
Dividends paid	<u>(£0.62m)</u>	<u>(£0.71m)</u>		<u>(£1.16m)</u>
Net (decrease)/increase in cash/debt	£0.79m	£2.24m	+65%	£5.15m
FX	(£0.02m)	-		-
Opening cash / (net debt)	<u>£3.18m</u>	<u>(£1.97m)</u>		<u>(£1.97m)</u>
Closing cash / (net debt)	£3.95m	£0.27m		£3.18m

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

Solid State PLC is targeting strategic HIGH GROWTH markets



Focus for future growth

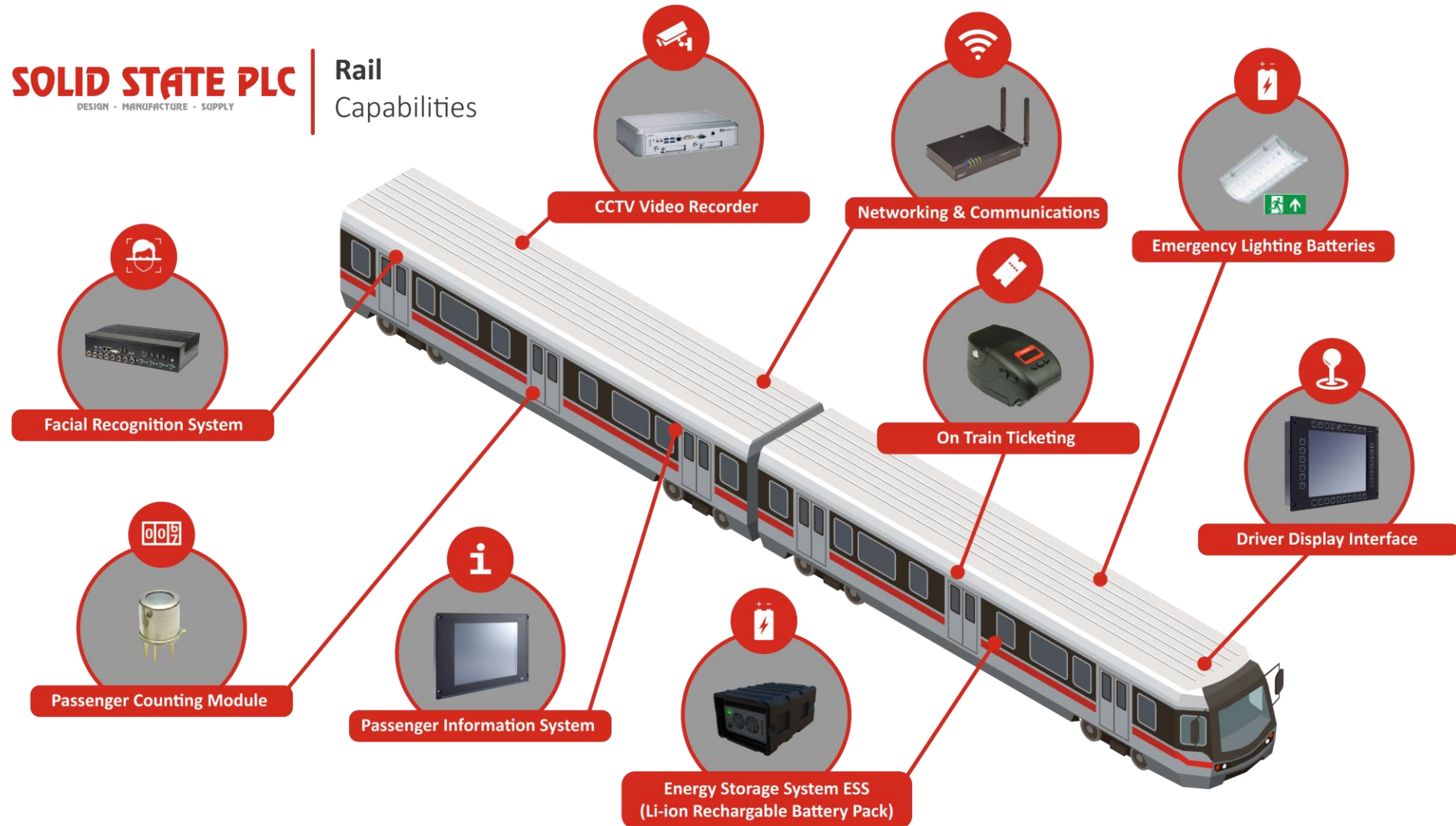
Structural Growth Markets

- Technology led development
- Central government funding priorities

Key Enabling Technologies

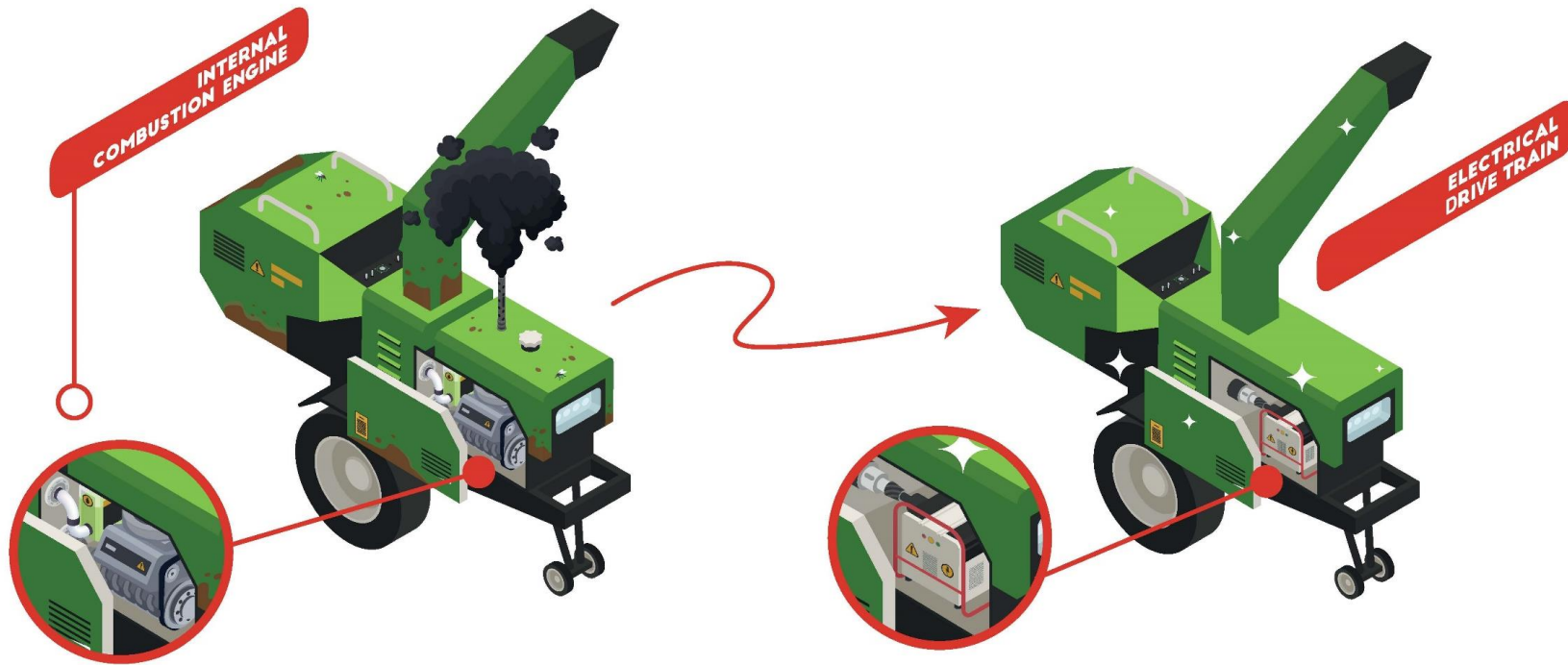
- Driving efficiency & sustainability
- Industrial, defence, IoT / AIoT / 5G

Integrated technology for our target markets – “Transport”

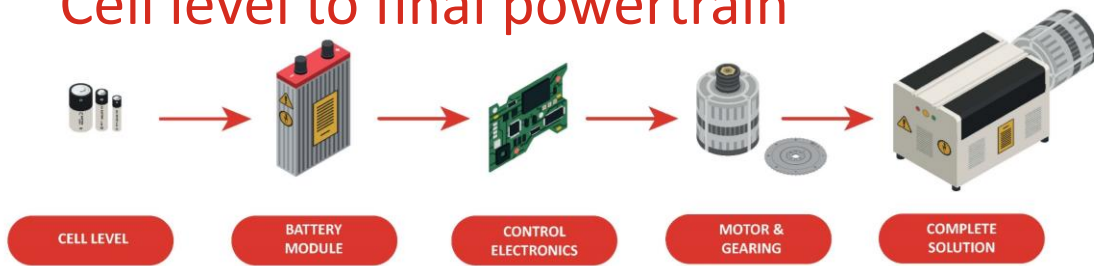


Innovate UK partnership for Greentech and Autonomy developments

“UK TEAM -
NDA in place”



Cell level to final powertrain



NEW TARGETS - Approached



Foundations to deliver profitable performance



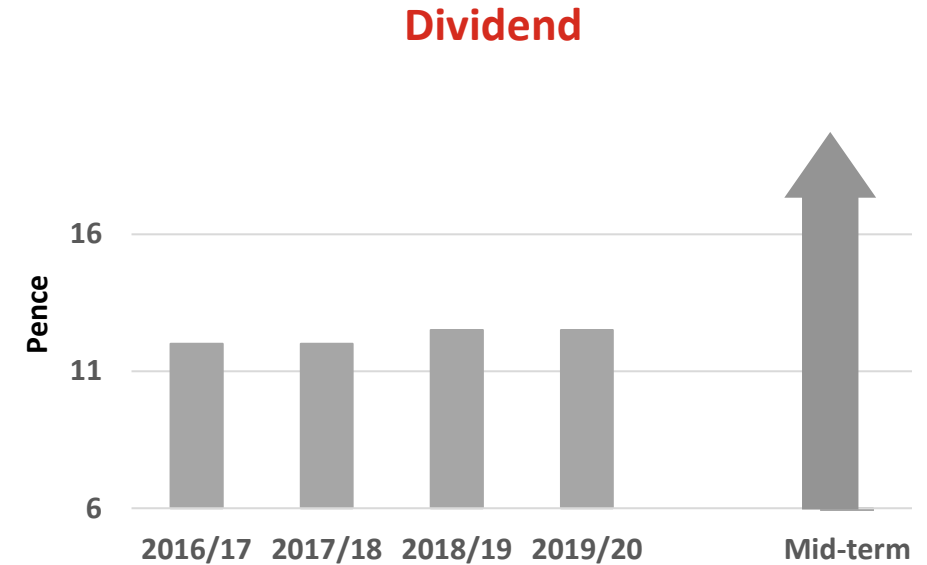
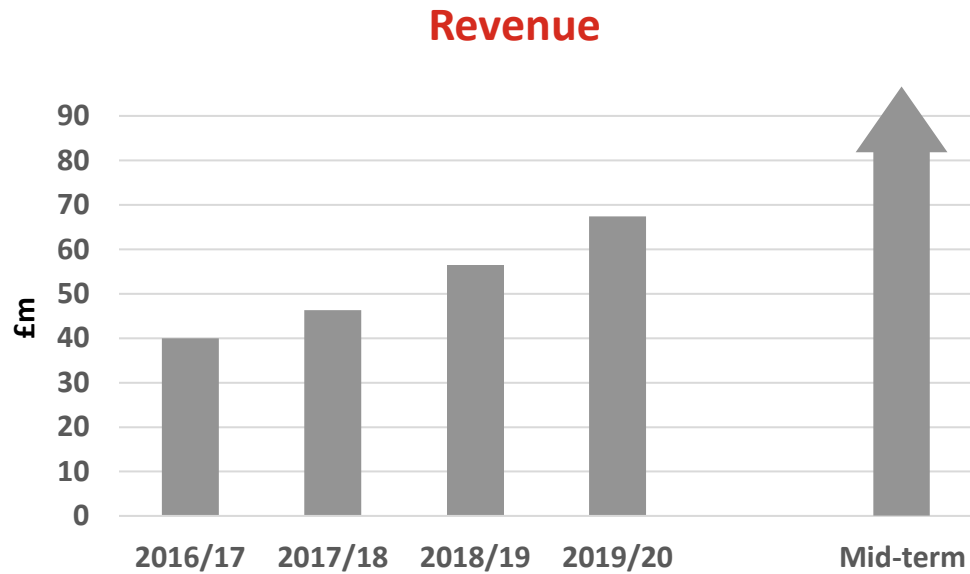
Substantial investment in facilities has provided the ability to scale production with limited additional cost...



...resulting in accelerating profit as a percentage of revenue growth

Operational diversity resulting in financial resilience

A strong and resilient investment proposition



- Stable revenue, resilient profit and continued cash generation in tough market conditions

- Consistently paid dividend since 1996
- Maintained dividend in spite of COVID-19

Profitable every year since listing on AIM

Investing for the future

Building on our success

- Test capability
- Productivity investment
- Resumption of M&A programme





Strength of our business model

- Established 1971 - profitable and dividend paying since joining AIM in 1996
- Cash generative with modest Capex needs
- Broad sector coverage with > 1,500 account customers
- Wide product range
- Decentralised UK production
- Resilient EPS

Outlook

Well placed to navigate uncertain times

- Technology aligned to evolving applications
- Penetration of strategic growth markets
- Diversified business model gives resilience
- Strong financial footing
- The focus of future growth remains technology for demanding applications



SOLID STATE PLC

DESIGN - MANUFACTURE - SUPPLY

Appendices

TRUSTED TECHNOLOGY FOR DEMANDING APPLICATIONS

Underlying performance for continuing operations

Continuing operations £'000	H1 2020/21 Underlying	H1 2020/21 Adjustments	H1 2020/21 Reported	H1 2019/20 Underlying	H1 2019/20 Adjustments	H1 2019/20 Reported
Revenue	33,073	-	33,073	33,587	-	33,587
Cost of sales	(23,184)	-	(23,184)	(23,476)	-	(23,476)
Gross profit	9,889	-	9,889	10,111	-	10,111
Sales general & administration expenses	(7,301)	(176)	(7,477)	(7,374)	(345)	(7,719)
Operating profit	2,588	(176)	2,412	2,737	(345)	2,392
Finance costs	(39)	-	(39)	(67)	-	(67)
Profit before tax	2,549	(176)	2,373	2,670	(345)	2,325
Tax expense	(330)	34	(296)	(269)	66	(203)
Profit after tax	2,219	(142)	2,077	2,401	(279)	2,122

Adjustments	H1 2020/21	H1 2019/20
Acquisition and re-organisation costs in sales, general and administration expenses	-	-
Amortisation of acquisition intangibles	176	195
Share based payments	-	150
Taxation effect	(34)	(66)
Total	142	279

Annual results

Yearly Financial Record (y/e 31st March)

	2020	2019	2018	2017	2016
Revenue*	£67.4m	£56.3m	£46.3m	£40.0m*	£36.8m*
Gross Profit Margin*	30.6%	29.1%	27.5%	30.5%*	31.1%*
Operating Profit Margin*	7.2%	6.5%	6.6%	7.9%*	8.3%*
PBT*	£4.73m	£3.54m	£3.00m	£3.13m*	£2.95m*
PAT*	£4.00m	£3.11m	£2.66m	£2.69m*	£2.66m*
Adjustments to profit	(£0.59m)	(£0.45m)	(£0.42m)	(£0.40m)	(£0.36m)
(Loss)/ Profit from discontinued operations	-	-	-	(£0.44m)	£1.87m
Comprehensive Income for the Year	£3.41m	£2.66m	£2.24m	£1.85m	£4.17m
Adjusted diluted EPS*	46.3p	35.9p	30.9p	31.4p*	31.3p*
EPS Growth (%)	29.0%	16.2%	(1.6%)	2.0%*	(17.6%)*
Diluted weighted average shares in issue ('000)	8,635	8,649	8,618	8,586	8,475
Dividend	12.5p	12.5p	12.0p	12.0p	12.0p
Net Assets	£22.53m	£19.9m	£18.0m	£16.6m	£15.8m
ROACE**	18.0%	13.0%	14.2%	16.6%*	18.8%*
NAV (per share)	264p	234p	213p	197p	188p
Return on Equity (%)***	18.3%	14.7%	14.0%	16.4%	17.1%

*Restated to reflect underlying continuing operations only

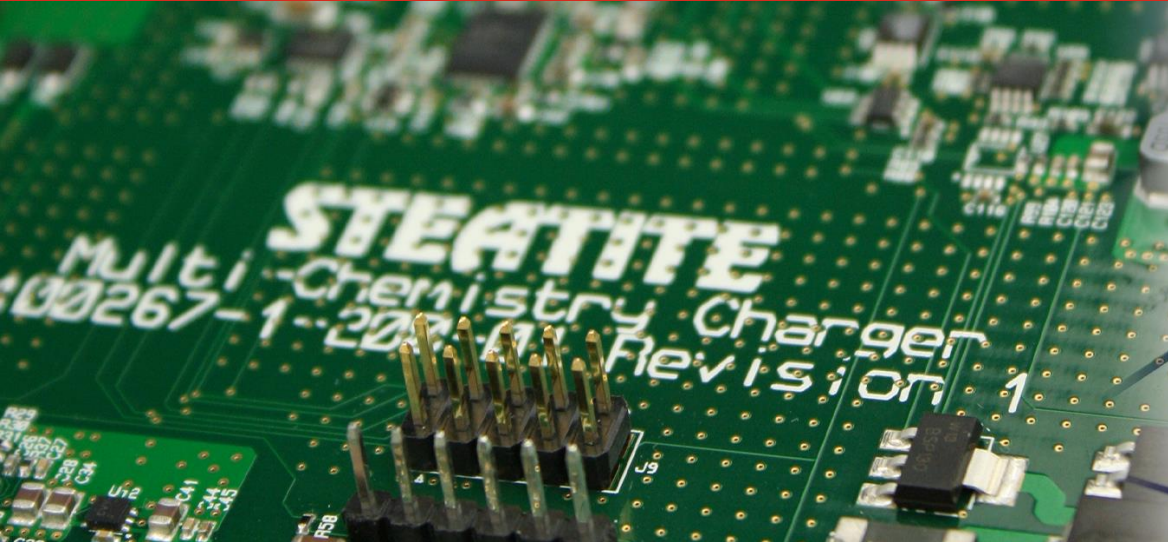
** Calculated as: (EBIT / Average capital employed) - Capital employed = Net assets – Long term creditors

*** Calculated as: (EBIT / Equity)

Sales split



41%



Manufacturing



59%



Value Added Supplies

Macro level potential Brexit impact modest albeit not zero



Potential hard Brexit implications for SS PLC

- Impact expected to be lower than for others due to high proportion of sterling sales to UK based clients; niche nature of products and long term nature of client relationships.
- Supply chain strength expected to favour Solid State over smaller competitors particularly during times of volatility/market insecurity
 - Long design cycles with clients (often 2 years)
 - Strong balance sheet
- Brexit impact assessment task force has identified potential risks, produced and implemented management / mitigation plans
- Potential impact has been evaluated across three areas:
 - Currency risk
 - Sales - Supply chain risks
 - Purchases - Supply chain risks

Major Brexit impact is an increased administrative burden

Potential hard Brexit implications for SS PLC

Sales – Supply chains

- Majority of our sales are domestic / US.
 - SS plc has small direct sales to EU
 - Indirect risk is more significant e.g. UK customers sell to EU market therefore our demand may fall.
- Pacer has greater EU exposure with Siemens etc Ireland representative likely to provide a mechanism to partially mitigate the risk

Purchases - Supply chains

- Majority of purchases from Asia and US, little impact of changes in tariffs / duties, however boarder delays potentially may lengthen lead times requiring increased stock holdings.
- There is potential for some of the EU wide franchises to be lost however these accounts for less than £1m of revenue.

Currency devaluation

- UK exports will become more competitive albeit tariffs may countered this opportunity.
- Hedge the USD assets with USD liabilities.
- Majority of our purchases are USD.
 - USD Material costs would increase.
- We naturally hedge where possible.
 - USD sales benefits from weaker £
 - GBP selling prices would need to be increased which we have a track record of doing successfully (profits on Brexit announcement).



Our industry heritage

A design led manufacturer and distributor of rugged computing, power solutions, secure communications systems, and electronic components

- Founded in 1971
- Listed on London Stock Exchange AIM market in 1996 (SOLI)
- Profitable and cash generative every year since founded
- 100,000+ft² total floor space & 200+ employees across 8 locations
- Headquartered in Redditch, West Midlands, UK



Group history

1971

**SOLID STATE
PLC**

Company founded

1996



London
Stock Exchange

May
2002

Steatite
(Est 1938)

*£1.3m

Aug
2005

WORDSWORTH

*£1.8m

Nov
2007



*£625k

Apr
2010



*£225k

Oct
2011



*£200k

May
2013



*£1m

Dec
2013



*£2m
(£2.54m fundraise)

Apr
2015



*£2.125m

Jun
2016



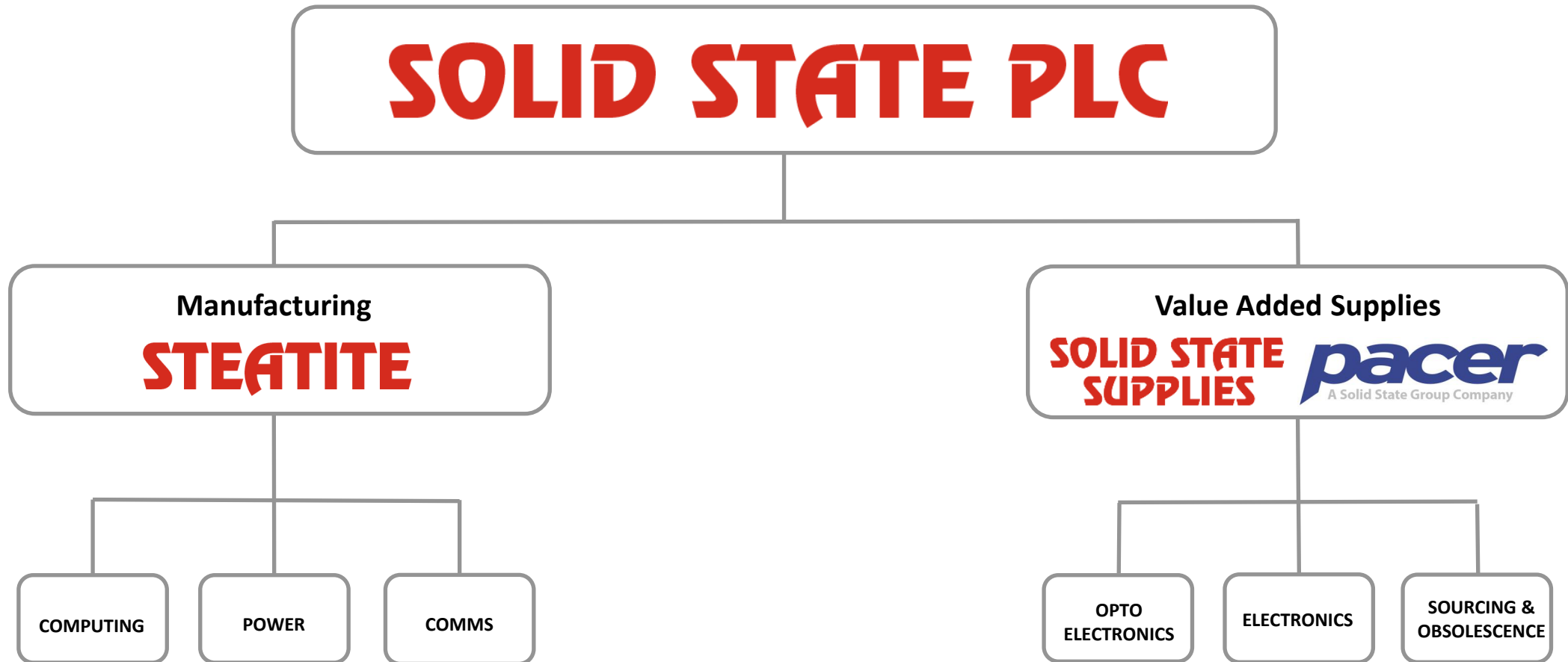
*£1.6m

Nov
2018



*£3.73m

* Level of consideration paid



High barriers to entry



Transport restrictions

- UN approval reduces shipping costs on hazardous materials

Industry standard accreditations

- Encrypted data & MOD related work
- ISO9001 and SC21
- Anti-counterfeit procedures

Aerospace and manufacturing approvals

- AS9120 and AS9100
- Approved supplier status to all UK defence prime contractors

Government

- Classified facilities and security cleared staff

Structural growth market opportunities

Autonomous systems
Medical Surveillance
IoT Oceanography
Oil & Gas Robotics
AI Portable power
Security Defence

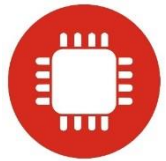
Transport

Energy storage

International customer base



Technology for extreme environments



Computing

Rugged portable computing, industrial embedded computing, timing & positioning systems for commercial, industrial and military applications



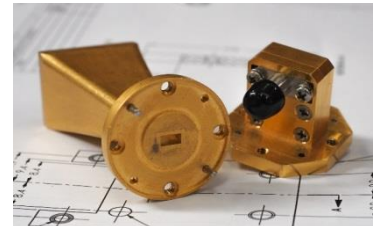
Power

Custom built Lithium battery packs, portable power, energy storage systems & next generation power systems



Communications

Secure MESH radio communication systems, advanced custom designed antennas



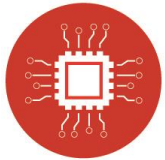
STEATITE
COMPUTING - POWER - COMMUNICATIONS
A Solid State Group Company

World class
test facilities



Value added supplies

Supporting tomorrow's designs today



Components & modules

Value added component supplier – defence & security, LED lighting, transportation, military, communications, utilities & energy and IOT.



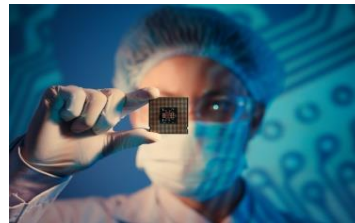
Value added operations

Device programming, Electro-Opto component assembly, production ready packaging through to specialist clean room assembly.



Sourcing & Obsolescence Solutions

SOS, a specialist business unit of Solid State Supplies for obsolete and hard to find electronic components. With long term storage and additional services available



SOLID STATE SUPPLIES

TECHNICAL, FOCUSED, FRANCHISED DISTRIBUTION

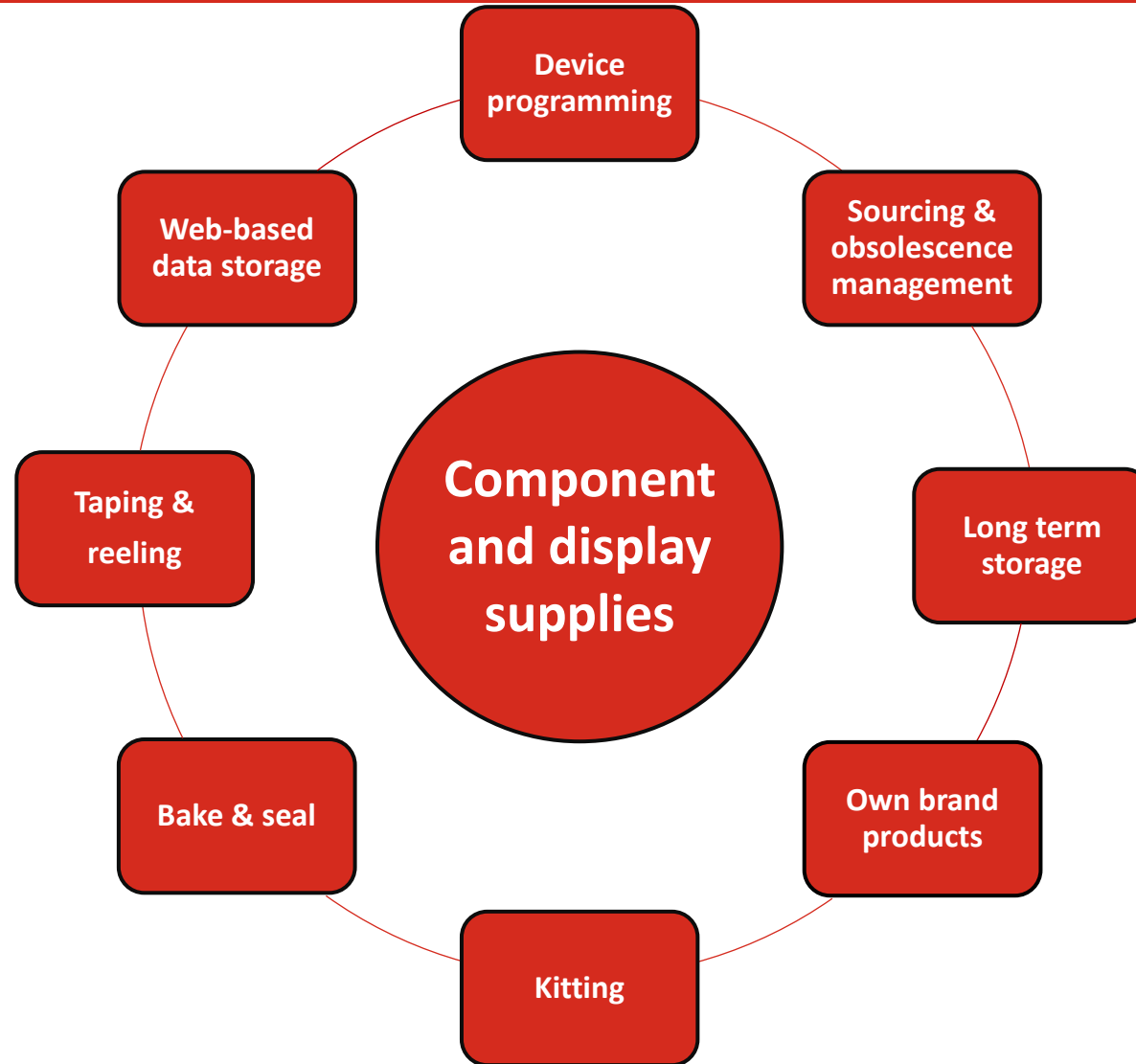
pacerc

A Solid State Group Company

Extensive training facilities



Development of value added supplies



Shareholders information

Major Shareholders	Holding
• Schroders	11.27%
• Mr & Mrs Gordon Comben	10.58%
• Seguro Nominees Limited	7.71%
• Mrs Barbara Marsh	7.61%
• Charles Stanley and Co	6.28%
• BGF Investment Management Limited	5.89%
• Canaccord Genuity Group Inc	4.54%

Directors	Holding
• Gary Marsh, Chief Executive	3.29%
• John Macmichael, M.D. - VAS	1.43%
• Peter Haining, Non-Executive Director	0.64%
• Matthew Richards, M.D. - Manufacturing	0.12%
• Nigel Rogers, Non-Executive Chairman	0.05%
• Peter James, Group Finance Director	0.04%

