



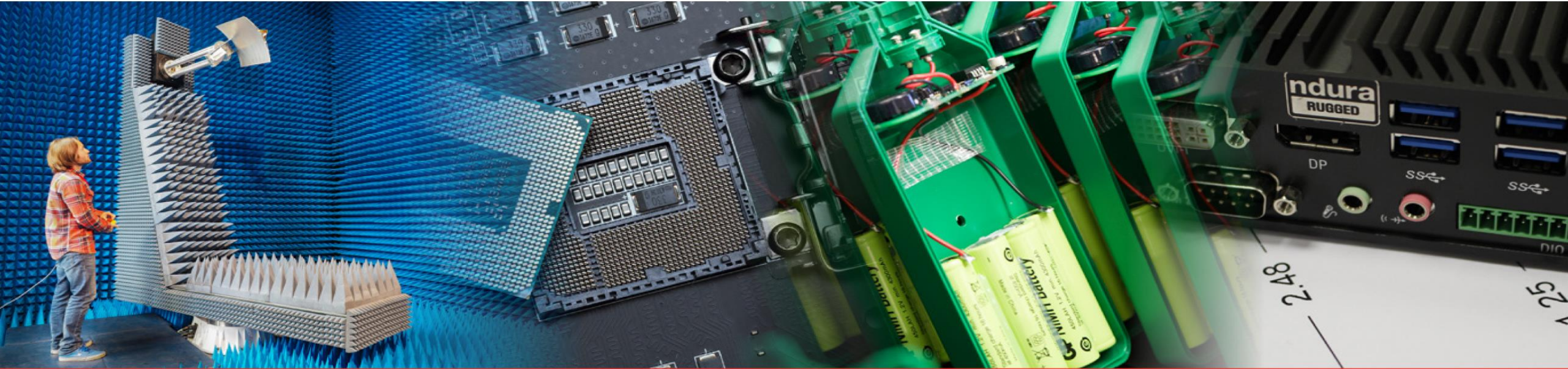
SOLID STATE PLC

DESIGN - MANUFACTURE - SUPPLY



Introduction and Preliminary Results Presentation

13, 14, 15 and 19 July 2021



TRUSTED TECHNOLOGY FOR
DEMANDING APPLICATIONS

Record performance and strategic progress provides foundation for growth

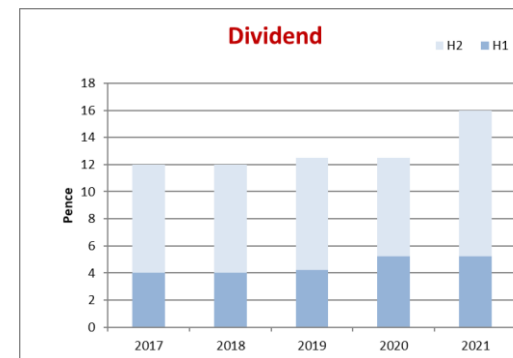
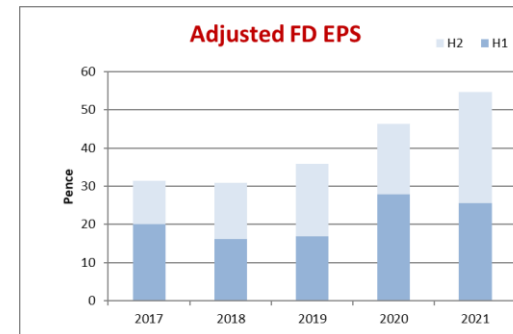
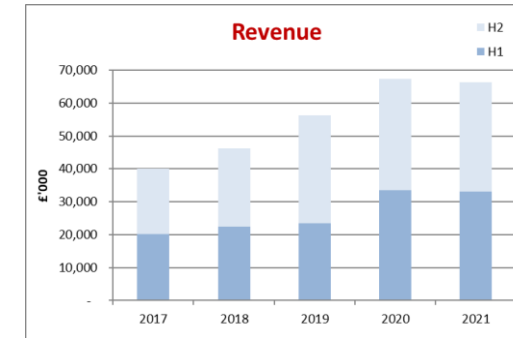


Record year in challenging market

- Revenue outperforms market
- Record EPS up 18% at 54.7p
- Dividend increased 28% to 16p

Two successful acquisitions despite COVID

- Increased portfolio of own brand products and international revenues
- Broadened technology in image processing and E-Mech components
- Record Q1 order intake with strong performance in our target markets



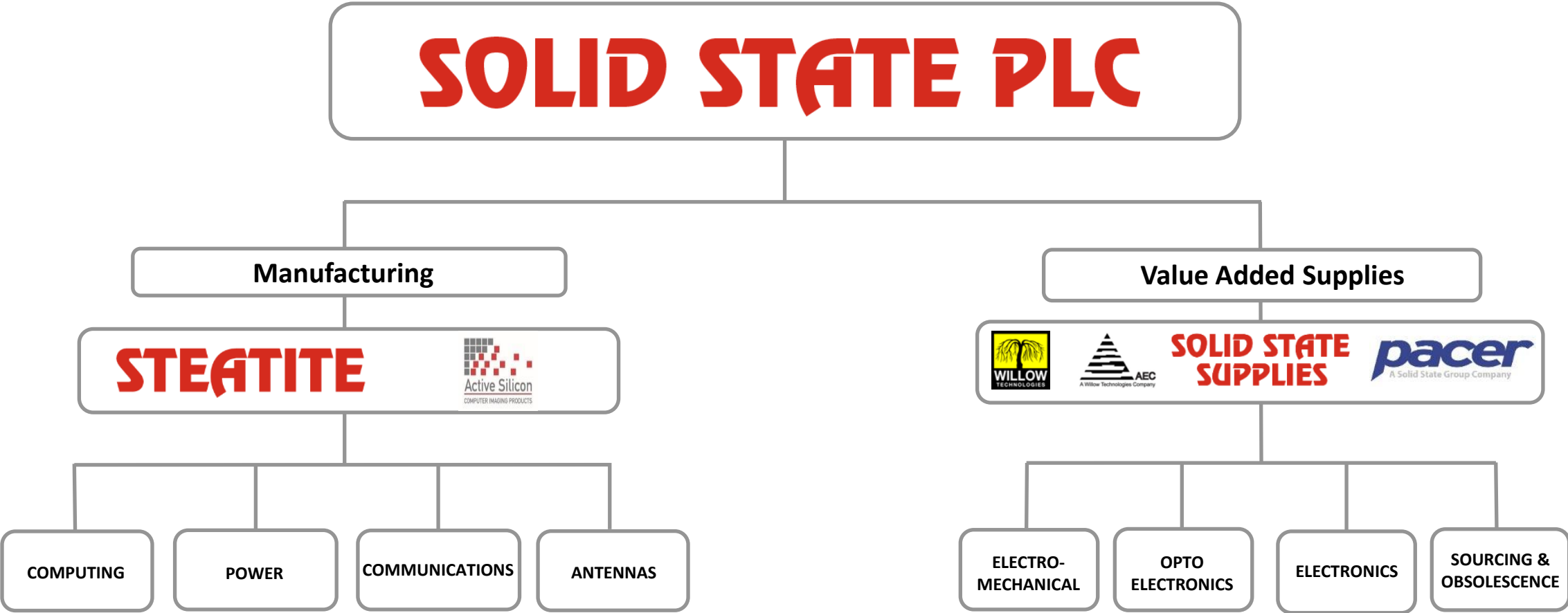
Our industry heritage

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

- Headquartered in Redditch, West Midlands, UK
- Founded in 1971
- Listed on London Stock Exchange AIM market in 1996 (SOLI)
- Profitable and cash generative every year since founded
- 175,000+ft² total floor space & 300+ employees across 12 locations



Solid State Plc group structure post 2021 acquisitions



Why do our customers choose us?



Power

SOLID STATE PLC
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Components



Computing



Communications

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

We are winning because

Our People

Best in class



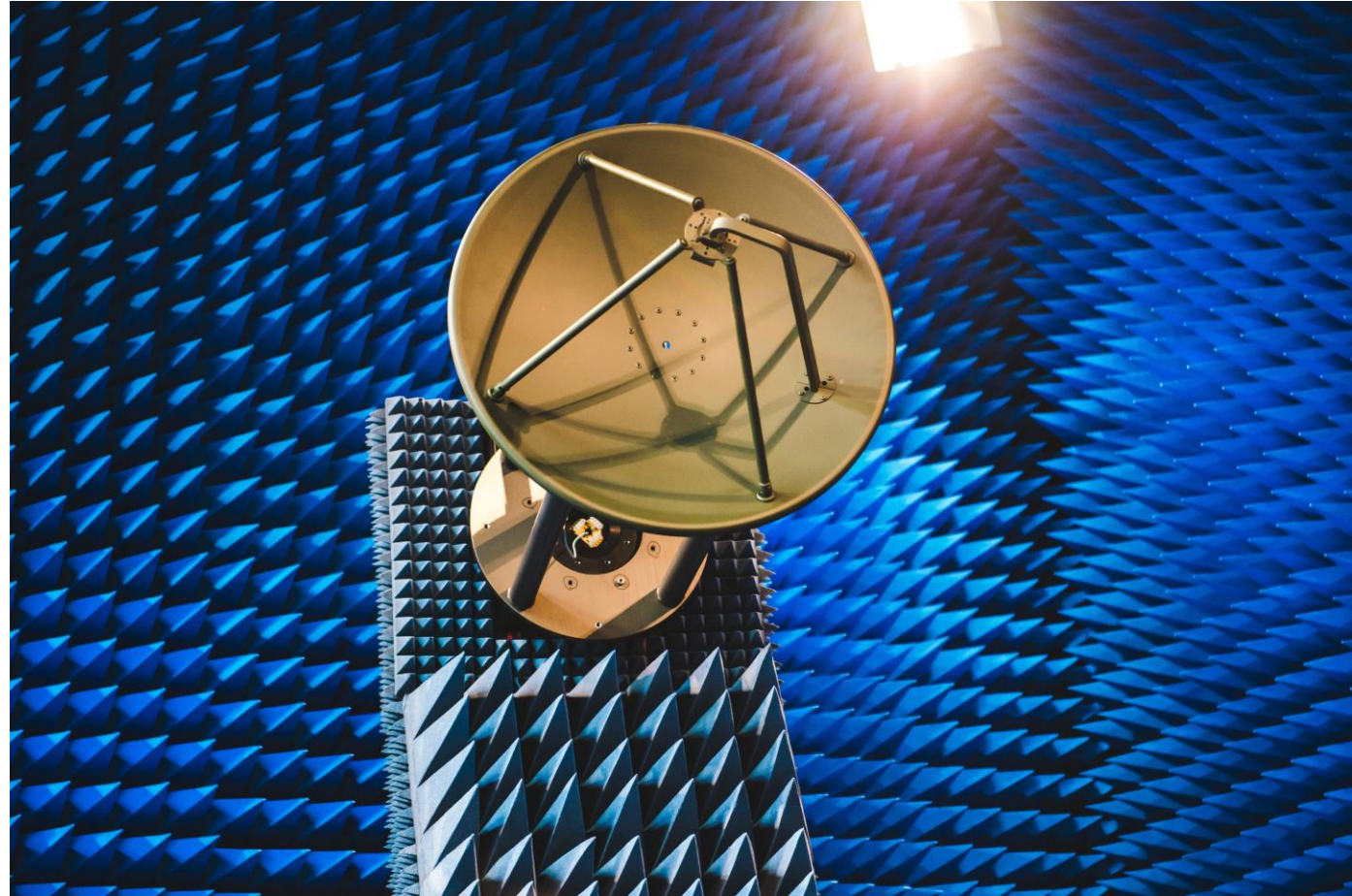
Our Structure

Combination of Value Added Supplies
and Manufacturing

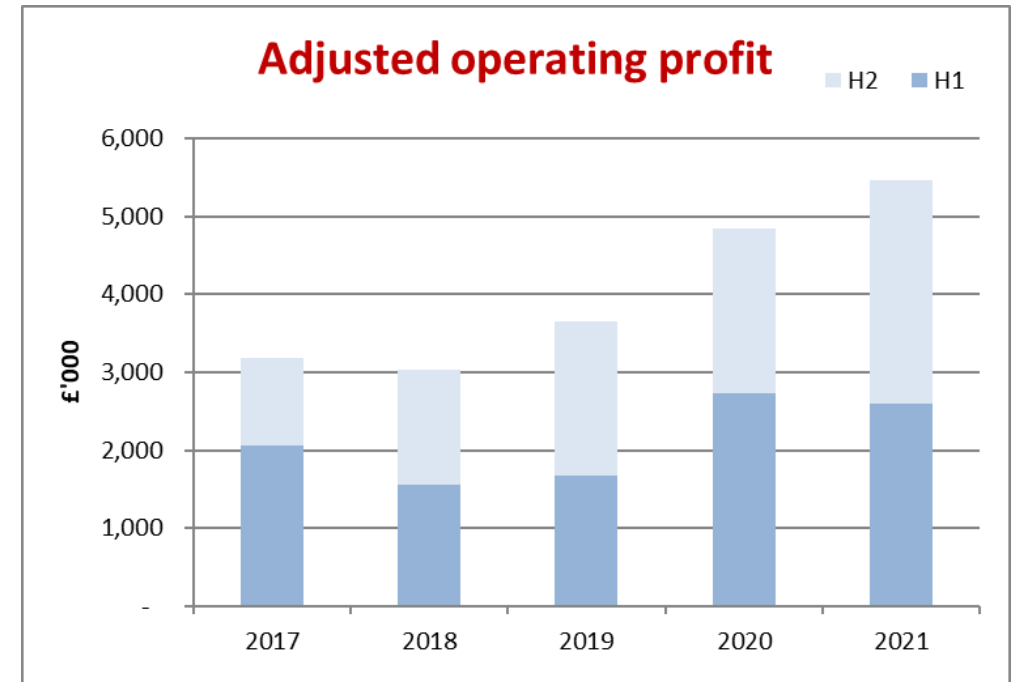
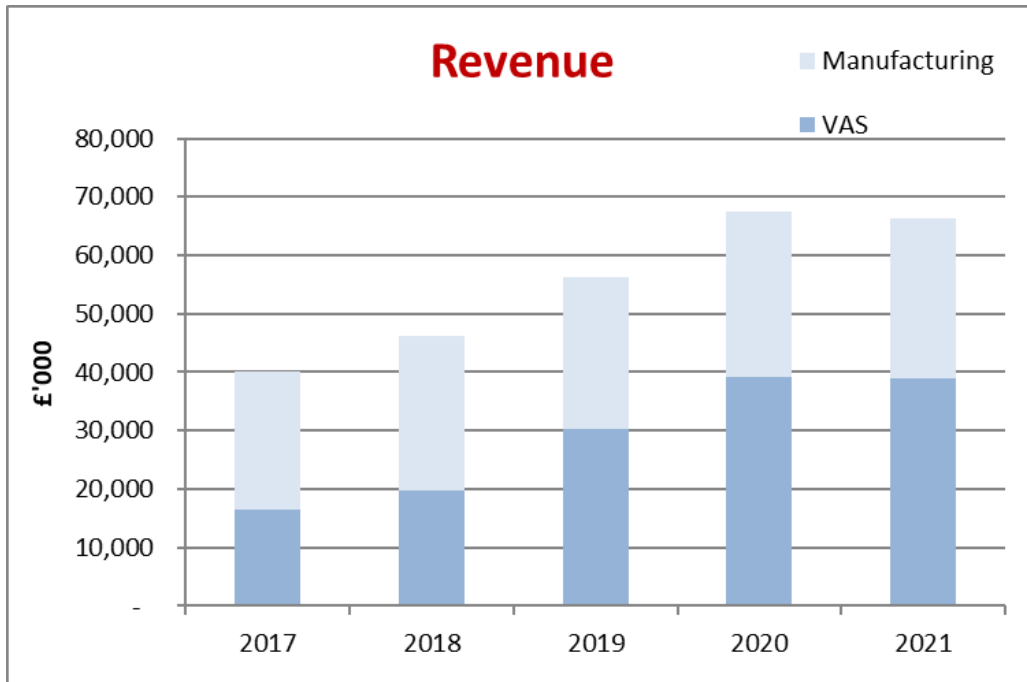
- Resilience and diversity

Our Technology

Knowledge, quality & responsiveness



Stable revenue and record profits in a challenging year



Record operating margins of 8.3% up 110Bps over FY20

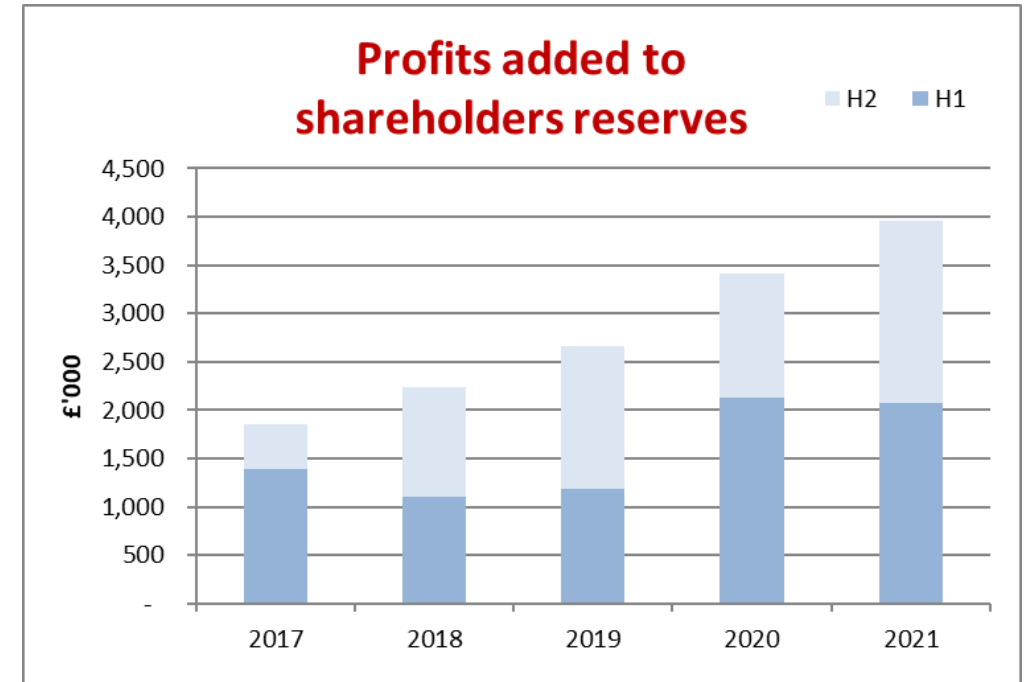
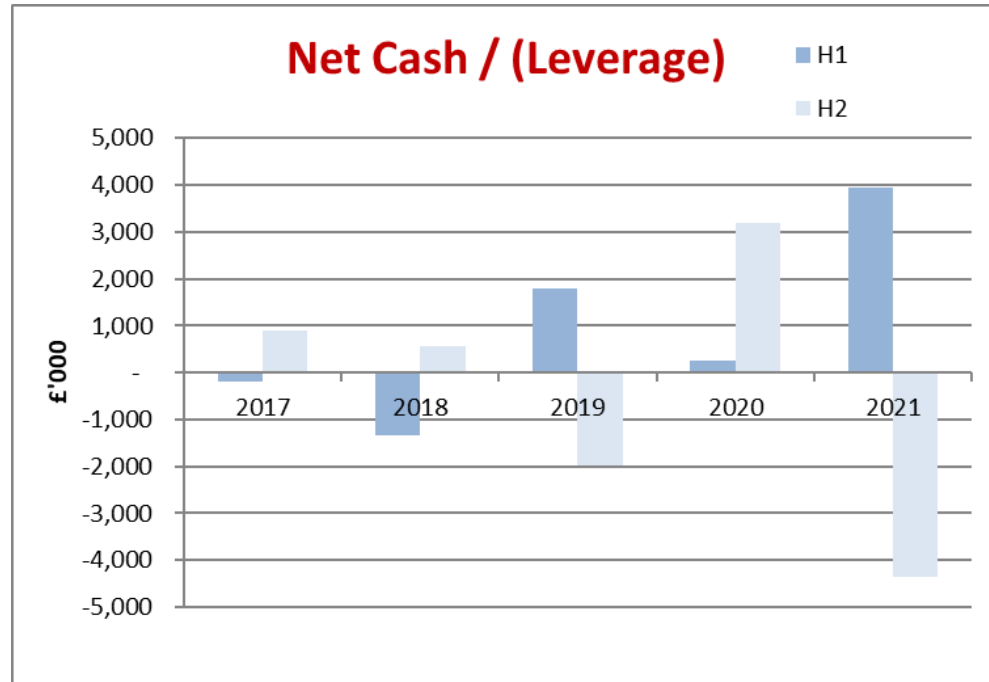
- Comparable revenue at £66.3m despite COVID 19 and Brexit
- Gross margins stable
- Record adj Op margin 8.3% benefits from lower overhead
- Adjusted PBT £5.4m + 14% on prior year
- Record adj EPS – 54.7p good progress towards FY22 5 year target of 60p

	FY 2020/21	FY 2019/20	Change
Revenue	£66.28m	£67.42m	- 2%
Gross profit	£19.92m	£20.80m	- 4%
Gross profit margin	30.1%	30.8%	-70Bps
Adjusted Operating profit*	£5.47m	£4.85m	+ 13%
Adjusted Operating margin*	8.3%	7.2%	+110Bps
EBITDA**	£6.88m	£6.50m	+ 6%
Adjusted profit before tax*	£5.39m	£4.73m	+ 14%
Reported profit before tax*	£4.20m	£4.00m	+ 5%
Adjusted profit after tax*	£4.73m	£4.00m	+ 18%
Profit attributable to equity shareholders	£3.95m	£3.41m	+ 16%
Adjusted diluted EPS*	54.7p	46.3p	+ 18%
Dividend	16.0p	12.5p	+ 28%

*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.

Strong earning growth support 28% increase in dividend to 16p

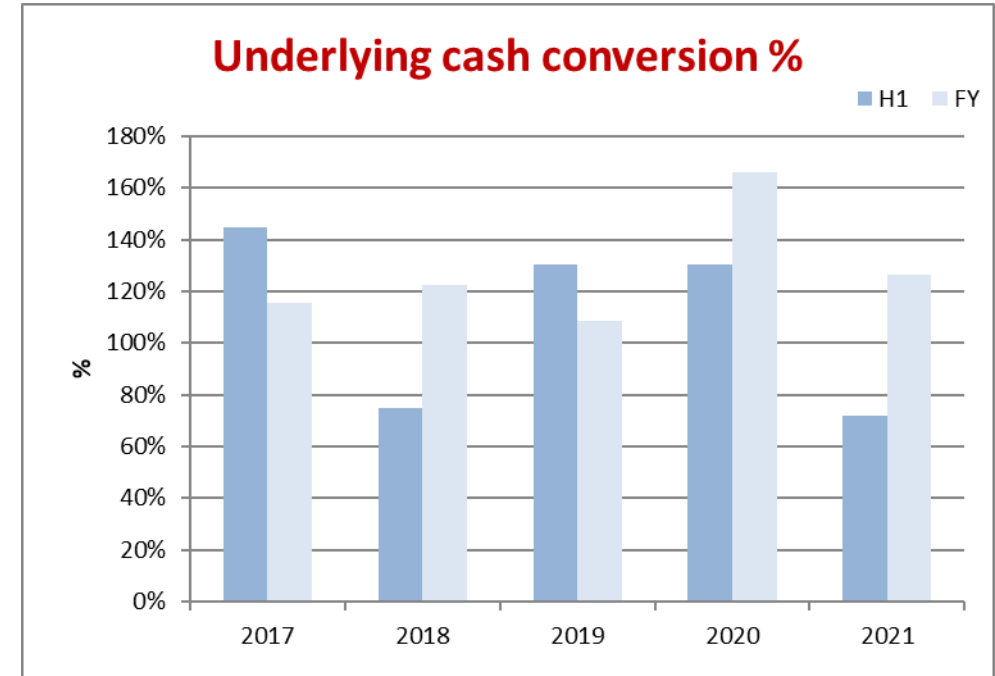
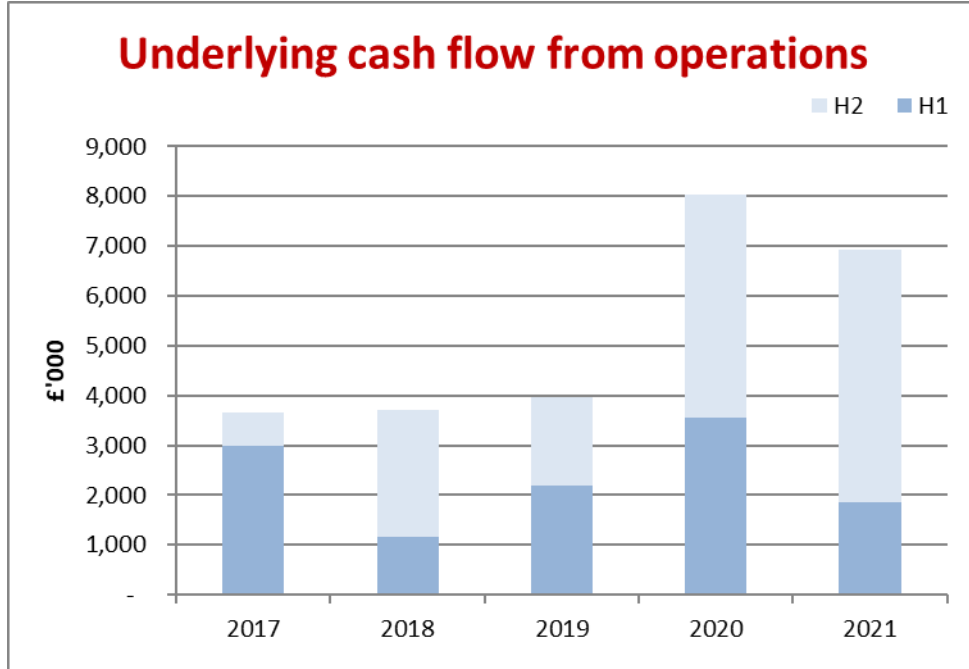


Net debt reflects cash at bank of £3.1m offset by def' con' of £7.5m

- Acquisitions increased goodwill and intangibles
- Acquisitions and extended Redditch leases increase ROUA
- Inventory is lower than expected due to demand pulled in to March
- Net debt of £4.4m after paying the net initial consideration of £4.1m for Active and Willow
 - Net cash at bank 3.1m
 - Deferred contingent consideration (£7.5m)
- Additional funding of £3.75m available on the £7.5m Revolving Credit Facility (RCF)

	FY 2020/21	FY 2019/20
Goodwill	£9.90m	£6.30m
Intangibles	£6.66m	£1.91m
Property Plant and Equipment	£2.98m	£2.29m
Right of Use Assets (ROUA)	£2.48m	£1.05m
Total non-current assets	£22.01m	£11.55m
Inventory	£10.63m	£9.66m
Trade and other receivables	£14.41m	£13.95m
Cash and cash equivalents	<u>£6.91m</u>	<u>£3.52m</u>
Total current assets	£31.95m	£27.13m
Total current liabilities (ex debt)	(£12.42m)	(£13.86m)
Total borrowings	(£3.75m)	(£0.33m)
Total deferred contingent consideration	(£7.52m)	-
Right of use liabilities	(£2.54m)	(£1.15m)
Total other non-current liabilities	(£2.23m)	(£0.81m)
TOTAL NET ASSETS	£25.50m	£22.53m

FY20 COVID cash conservation actions unwound in 2021



Strong cash generation has funded the acquisitions without dilution

- Continued strong cash generation even with the unwind of the 2020 COVID cash conservation measures
- Capex starting to increase as we invest in increasing capability (EMC and wire bonder)
- Net initial cash cost of Willow and Active £4.1m + £2.5m = £6.6m. Earn out estimated at ~£5.0m total consideration est ~£11.6m
- Payments obligations for ROUA primarily relates to property leases

	FY 2020/21	FY 2019/20	Change
Adjusted operating profit*	£5.47m	£4.85m	+ 13%
Underlying cash conversion rate	127%	166%	
Underlying operating cash generation	£6.93m	£8.04m	- 14%
Non recurring cash flows	-	-	
Tax cashflows	(£0.43m)	(£0.38m)	
Net cash from trading	£6.50m	£7.66m	- 15%
Investment in non current assets	(£0.58m)	(£0.76m)	
Payment obligations for right of use assets	(£0.57m)	(£0.51m)	
Net cash investment in acquisitions	(£4.12m)	-	
Payment of interest	(£0.04m)	(£0.08m)	
Equity financing	(£0.10m)	-	
Dividends paid	(£1.07m)	(£1.16m)	
Net (decrease)/increase in cash/debt	£0.02m	£5.15m	-100%
Deferred consideration on acquisitions	(£7.52m)	-	
FX on opening cash	(£0.04m)	-	
Opening cash / (net debt)	<u>£3.18m</u>	<u>(£1.97m)</u>	
Closing cash / (net debt)	(£4.36m)	£3.18m	

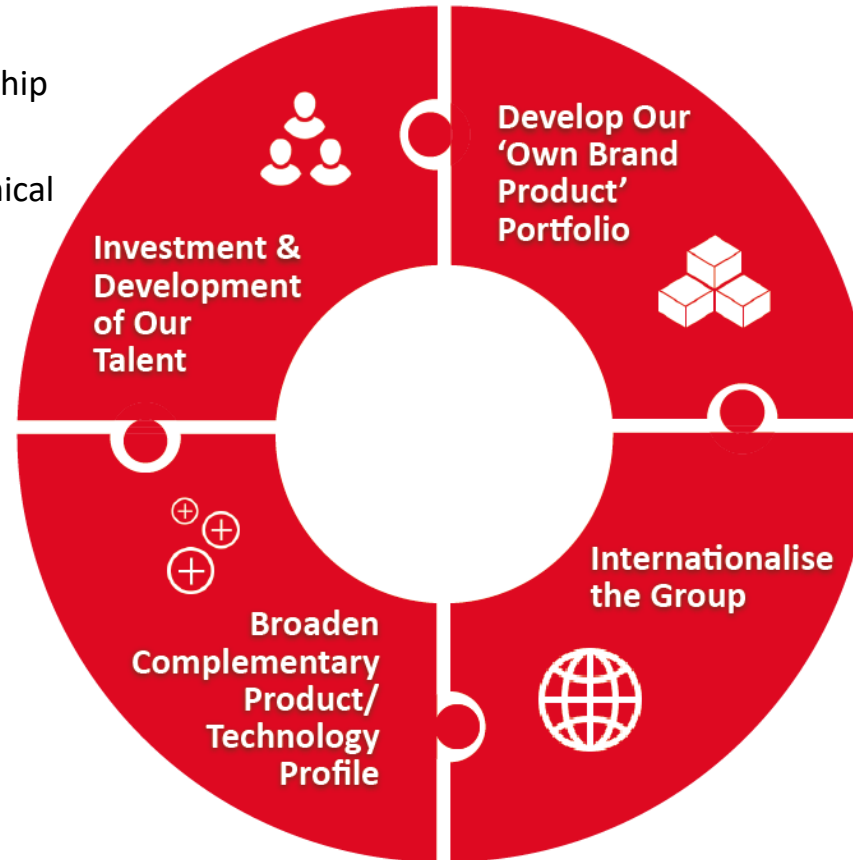
*Adjusted measures are adjusted for; share based payments, acquisition amortisation and exceptional items.

Solid State PLCs strategy for sustainable future growth

Elements of our strategy for growth delivered through combination of organic and acquisitive growth

- Training, recruiting and developing our leadership talent to secure the future of the business
- Development and recruitment of further technical expertise

- Complementary technology expertise and software
- Additional complementary component sets



- Manufacturing of our “own brand” components
- Design and manufacture of semi-custom “own brand” modular products

- International sales channels for own brand products and systems
- International manufacturing and assembly

Solid State PLC is targeting strategic HIGH GROWTH markets



Focus for future growth

Structural Growth Markets

- Technology led developments
- Central government funding priorities

Key Enabling Technologies

- Driving efficiency & sustainability
- IoT / AIoT / 5G / Batteries / Power control / Image capture and processing

Two deals align with delivery of the strategy

What are the key benefits of the two acquisitions?

Willow Technologies Group

Active Silicon Group

Value added supplier of electro-mechanical (“e-mech”) components

Manufacture and design of vision and image capture and processing boards

Manufacture of own brand component products under the Durakool® & Hermaseal® brands

Leading edge own brand vision “Harrier” products which complement Steatite’s product offering

US Component manufacturing facility & established international sales channels

Selling vision products into strategic growth markets



Enlarged Group Benefits

Differentiated technical offering and product range

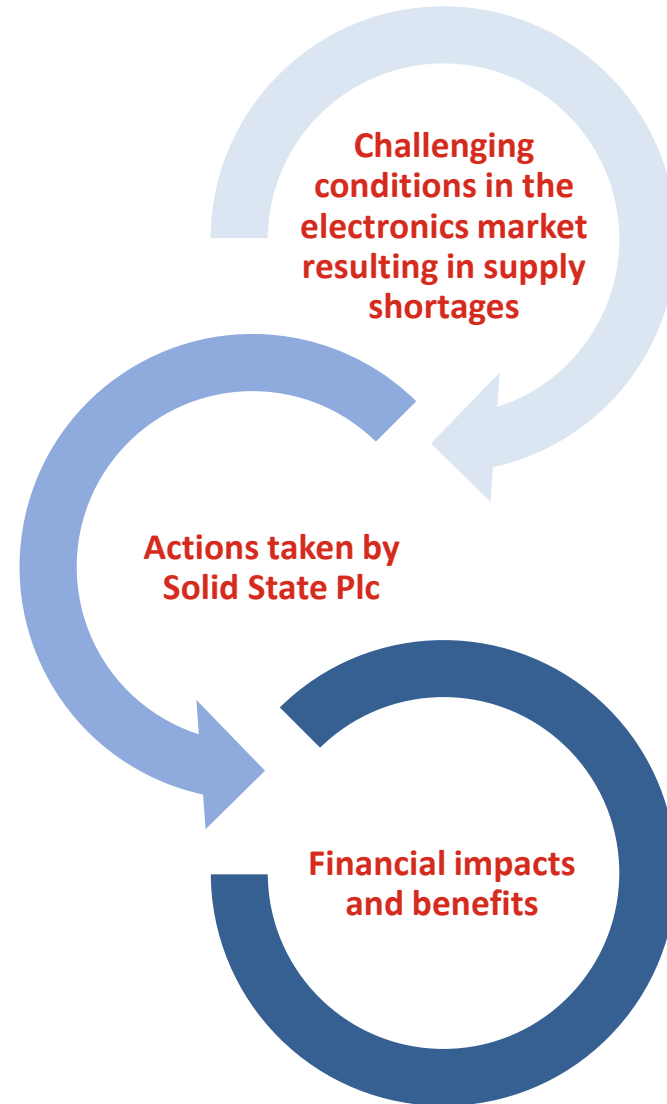
Cross sell to enlarged customer base for the group – over 2000 active account customers

Benefits for enlarged manufacturing leveraging Group component supply chains and technology roadmaps

Challenging market provides opportunities to build customer relationships

Solid State PLC actions

- Prepositioning orders and extended order cover where possible since September
- Partnering with customers to encourage order schedules to be established
- Diverse supplier base - support second sources where possible
- Our Sourcing and Obsolescence team has become invaluable to both the Group and our customers
- SS plc position in the market has seen opportunities with new customers which have been adversely impacted by shortages



Commercial and financial consequences

- Post period end seen record order intake driven by post COVID / Brexit confidence and demand combined with longer term schedules to manage supply chain challenges
- Margins have remained strong we have been able to pass increase prices on effectively albeit short term margin % improvements may erode as supply constraints relax and we not able to add same % margin to increased cost of materials
- Benefits for enlarged manufacturing leveraging Group component supply chains and technology roadmaps

Continued investment in technology and capabilities

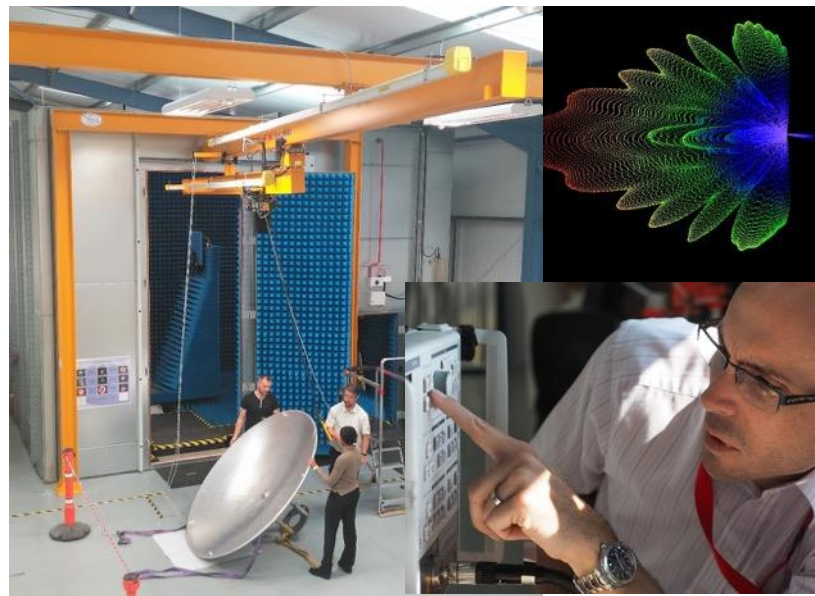
Redditch



Leominster



Weymouth

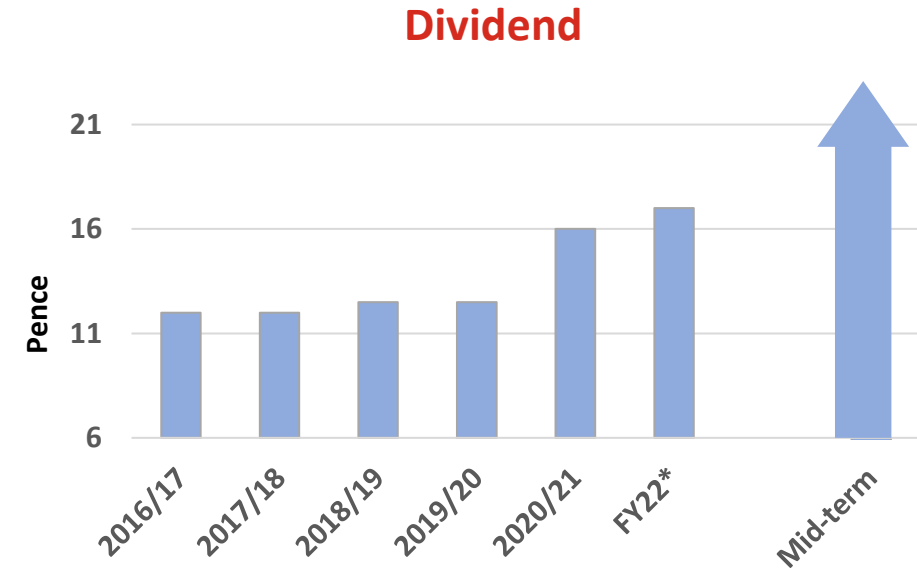


A strong and resilient investment proposition



*note FY22 reflects analysts consensus at date of presentation

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



*note FY22 reflects analysts consensus at date of presentation

- Consistently paid dividend since 1996 even in FY20
- Dividend growth ~28% in spite of COVID-19

Profitable every year since listing on AIM

Opportunities and prospects

Positioned to take advantage of uncertain times

- Technology aligned to evolving applications in strategic growth markets
- Diversified customer & supplier base gives resilience
- Record open orderbook & strong financial footing
- Organic and acquisitive growth focused on technology for demanding applications



SOLID STATE PLC

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Appendices

TRUSTED TECHNOLOGY FOR DEMANDING APPLICATIONS

Group history and strategic acquisitions completed

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

Feb
2021



**£3.7m

Mar
2021



**£9.0m

* Level of consideration paid. ** Maximum estimate incl' earnout

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

Reconciliation of reported and underlying performance

Continuing operations £'000	2020/21 Underlying	2020/21 Adjustments	2020/21 Reported	2019/20 Underlying	2019/20 Adjustments	2019/20 Reported
Revenue	66,281	-	66,281	67,417	-	67,417
Cost of sales	(46,289)	(73)	(46,362)	(46,774)	160	(46,614)
Gross profit	19,992	(73)	19,919	20,643	160	20,803
Sales general & administration expenses	(14,520)	(1,114)	(15,634)	(15,795)	(886)	(16,681)
Operating profit	5,472	(1,187)	4,285	4,848	(726)	4,122
Finance costs	(85)	-	(85)	(120)	-	(120)
Profit before tax	5,387	(1,187)	4,200	4,728	(726)	4,002
Tax expense	(654)	407	(247)	(436)	138	(153)
Profit after tax	4,733	(780)	3,953	3,108	(588)	2,658

Adjustments	2020/21	2019/20
Non-recurring items – Non recurring profit, acquisition and re-organisation costs - costs in sales,	73	(160)
Non-recurring items – Acquisition and re-organisation - general and administration expenses	263	-
Amortisation of acquisition intangibles	680	505
Share based payments	171	381
Taxation	(407)	(138)
Total	780	588

Annual results

Yearly Financial Record (y/e 31st March)

	2021	2020	2019	2018	2017
Revenue*	£66.3m	£67.4m	£56.3m	£46.3m	£40.0m*
Gross Profit Margin*	30.1%	30.6%	29.1%	27.5%	30.5%*
Operating Profit Margin*	8.3%	7.2%	6.5%	6.6%	7.9%*
PBT*	£5.39m	£4.73m	£3.54m	£3.00m	£3.13m*
PAT*	£4.73m	£4.00m	£3.11m	£2.66m	£2.69m*
Adjustments to profit	(£0.78m)	(£0.59m)	(£0.45m)	(£0.42m)	(£0.40m)
(Loss)/ Profit from discontinued operations	-	-	-	-	(£0.44m)
Comprehensive Income for the Year	£3.95m	£3.41m	£2.66m	£2.24m	£1.85m
Adjusted diluted EPS*	54.7p	46.3p	35.9p	30.9p	31.4p*
EPS Growth (%)	18.1%	29.0%	16.2%	(1.6%)	2.0%*
Diluted weighted average shares in issue ('000)	8,650	8,635	8,649	8,618	8,586
Dividend	16.0p	12.5p	12.5p	12.0p	12.0p
Net Assets	£25.50m	£22.53m	£19.9m	£18.0m	£16.6m
ROACE**	17.4%	18.0%	13.0%	14.2%	16.6%*
NAV (per share)	300p	264p	234p	213p	197p
Return on Equity (%)***	16.8%	18.3%	14.7%	14.0%	16.4%

*Restated to reflect underlying continuing operations only

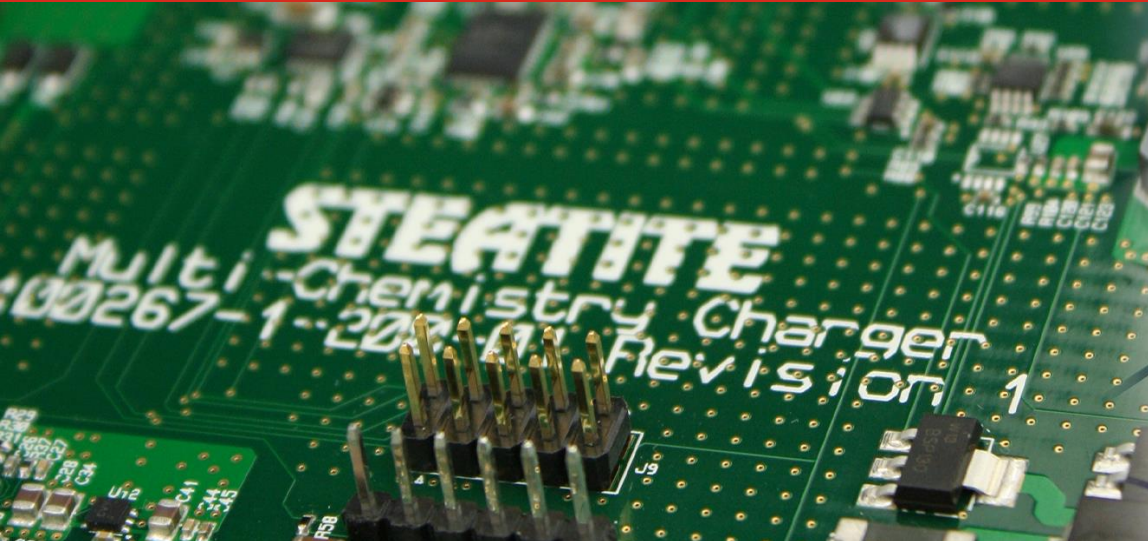
** Calculated as: (EBIT / Average capital employed) - Capital employed = Net assets – Long term creditors

***Calculated as: (EBIT / Equity)

Sales split



41%



Manufacturing



59%



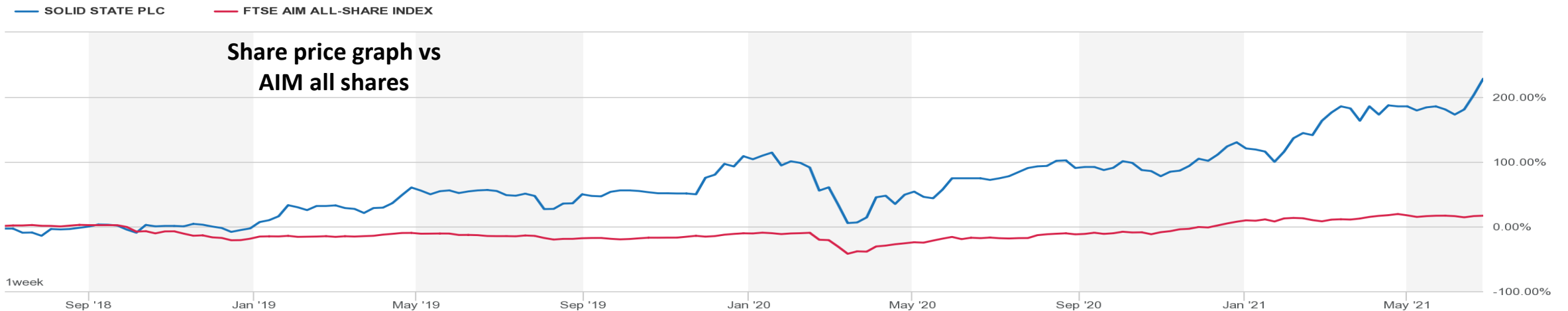
Value Added Supplies

Shareholder information

Major Shareholders	Holding
• Schroders	10.71%
• Mr & Mrs G Comben	8.54%*
• Mr & Mrs W Marsh	7.60%*
• Seguro Nominees Limited	7.46%
• Charles Stanley and Co	6.16%
• BGF Investment Management Limited	5.88%
• Canaccord Genuity Group Inc	4.56%

*combined holding of Mr and Mrs Comben and Marsh respectively

Directors	Holding
• Gary Marsh, Chief Executive	3.28%
• 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 Magowan, Non-Executive Director	0.05%
• Peter James, Group Finance Director	0.04%



Addressing the supply chain shortages in the electronics sector

Natural disaster and accident



Challenging conditions in the electronics market resulting in supply shortages

Macro-economic and political uncertainty



Increased technology demand

