

# Solid State

**Industrials**
**9 July 2025**

## FY26 started positively

Solid State's FY25 was affected by contract timings. However, FY26 has started positively with a strong order book (+13.9% y-o-y). This suggests the company is back on track, offering a return to the value-creating business model of positive cash generation funding investment in specialist electronics to generate growth.

## FY25 resilient despite contract timing impact

Solid State's FY25 was affected by contract timing, with the pull forward of revenues (£33.4m) and profit (£9.0m) into a record FY24, and a defence contract delayed to FY26. FY25 sales were £125.1m (-23.4%). Gross margins were maintained at 31.5% (FY24: 31.7%), but operational gearing led to operating margins declining by 560bp to 4.8%. This resulted in PBT falling from £15.6m to £5.0m, EPS from 20.1p to 6.2p and the dividend per share from 4.3p to 2.5p. The Systems division was affected by the pull forward of communications revenue and UK defence delays while awaiting the now-published strategic defence review. Nevertheless, division gross margins were maintained at 35%. The US Power business saw lower activity (after a post-pandemic surge) and higher customer churn. Consolidation of US Custom Power with Solid State's UK power business at Crewkerne is complete, offering greater efficiencies and capabilities. The Components division was affected by industrial and transport market slowdowns. Margins recovered to c 25%, while investment in the Gateway Electronics acquisition and new franchises (eg Inseego and Smiths Connectivity) is expected to support growth. Cash conversion was strong at 173%, supported by working capital, leading to £10.4m from operations. Capex rose to £2.5m, mainly due to the new Ashchurch facility, and acquisition spend was £2.1m. Net debt increased from £4.7m to £7.4m (c 0.7x EBITDA).

## Positive outlook for FY26

The end-May order book stood at £101.6m, up 13.9% from £89.2m. Operationally, the business is set to benefit from the new Ashchurch site, the power business consolidation, two acquisitions and internal cost actions. Management is confident of progress in FY26, in line with market consensus. There are uncertainties in end-markets, heightened by the US tariff situation, although Solid State's platform offers a 'made in America' capability that should help offset any long-term impact.

## Valuation: Model offers medium-term attractions

The rally in Solid State's shares (+59% ytd) is supported by the positive outlook. The shares are trading on a FY26 P/E of 19.1x, offering medium-term appeal as the recovery accelerates cash generation, drives investment and enhances growth.

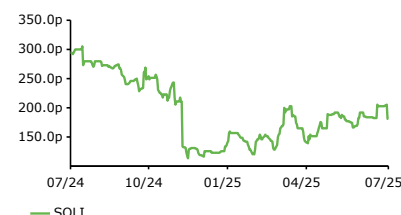
### Consensus estimates

Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
3/24	163.3	15.6	20.10	4.30	9.3	2.3
3/25	125.1	5.0	6.20	2.50	30.2	1.3
3/26e	145.2	7.2	9.80	2.60	19.1	1.4
3/27e	149.3	8.0	10.50	2.70	17.8	1.4

Source: Company reports, broker consensus estimates

**Price** 187.00p  
**Market cap** £106m

### Share price performance



### Share details

Code	SOLI
Listing	AIM
Shares in issue	56.7m
Net debt at 31 March 2025	£7.4m

### Business description

Solid State is a specialist value-added component supplier and design-in manufacturer of computing, power and communications products. It supplies the commercial, industrial and military markets with durable components, assemblies and manufactured units for use in specialist and harsh environments.

### Bull points

- Ambition to deliver strong revenue growth and to improve adjusted operating margin to 12% over the medium term.
- Sustainable growth strategy driven by organic investment and strategic M&A.
- Added-value design capability supports long-term customer relationships and higher margins.

### Bear points

- Revenue development dependent on OEM customers' sales.
- Contract volatility can have a significant impact on operation and profit.
- The shorter lead times being seen affect visibility and forward planning.

### Analyst

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