



Interim Results presentation 2023

SOLID STATE PLC
TRUSTED TECHNOLOGY FOR DEMANDING ENVIRONMENTS

EXECUTIVE TEAM



Gary Marsh
Chief Executive Officer



Peter James
Chief Financial Officer



Matthew Richards
Managing Director Systems Division



John Macmichael
Managing Director Components Division

Highlights



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Who we are

SOLID STATE PLC

TRUSTED TECHNOLOGY FOR DEMANDING ENVIRONMENTS

Systems

STEATITE

COMPUTING - POWER - COMMUNICATIONS

A Solid State Group Company

Custom Power

Battery Systems and Energy Solutions

A Solid State Group Company



Active Silicon

COMPUTER IMAGING PRODUCTS

A SOLID STATE PLC GROUP COMPANY

Components

solsta

THE VITAL COMPONENT

DURAKOOL

pacerc

A Solid State Group Company



Power



Communications



Computing



Franchise



Own Brand



Value Added Services

Our values lead every aspect of our business operations and decision-making



Create a positive and collaborative workplace by putting our people at the heart of what we do



Add value to all our stakeholders by being responsible, ethical and sustainable in all that we do

400+

Employees across offices

14

Locations

50+

Years of innovation and strategic growth

58+

Countries we sell to

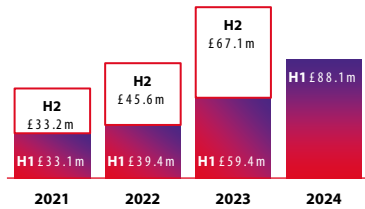
Our vision

To be the enabler that allows our customers to innovate and to solve the problems that the electronic community can't solve alone

FINANCIAL HIGHLIGHTS

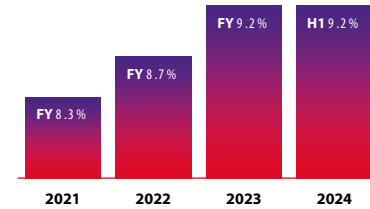
Revenue
(million)

£88.1m



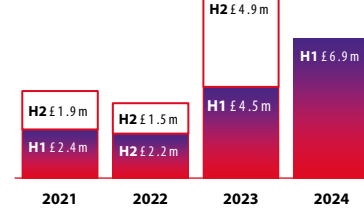
Adjusted operating margin
(%)

9.2%



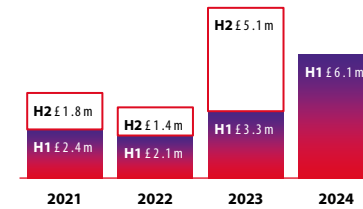
Operating profit
(million)

£6.9m



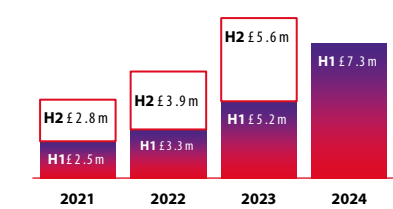
Profit before tax
(million)

£6.1m



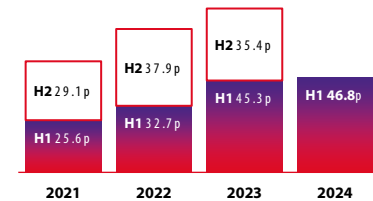
Adjusted profit before tax
(million)

£7.3m



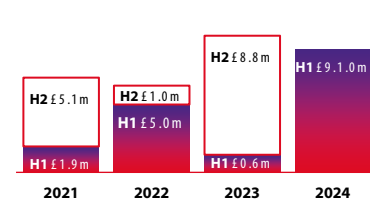
Adjusted fully diluted EPS
(pence)

46.8p



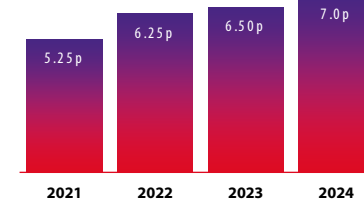
Cash generated from
operations (million)

£9.1m



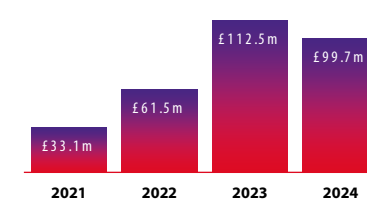
Interim dividend
(pence)

7.0p



September open orderbook
(million)

£99.7m

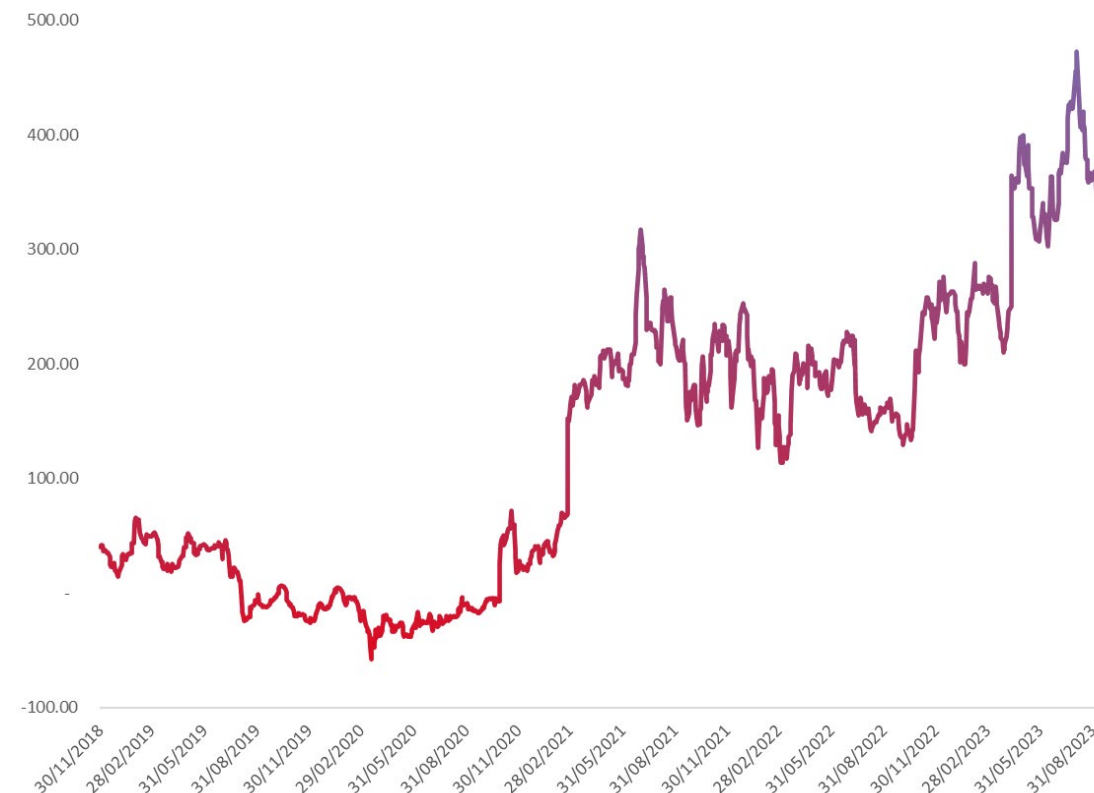


WHY INVEST IN SOLID STATE

Revenue by division

- Solid State PLC – strong growth delivering record financial performance
- Delivering on our sustainable growth strategy:
 - Delivering organic growth
 - Complemented by strategic M&A
- Track record of strong performance 2019-2023
 - Revenue = 22% CAGR
 - Adj operating margins up 270bps to 9.2%
 - Adj FD EPS = 22% CAGR
 - TSR = 29% CAGR
- 2030 Strategy and ambition
 - International leader providing sustainably engineered components & systems
 - To be the enabler, facilitating innovation and electronic solutions
 - Progress to double digit operating margins
 - Maintain TSR CAGR >20%

TSR / shareholder return



Financial Information

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KEY FINANCIAL METRICS

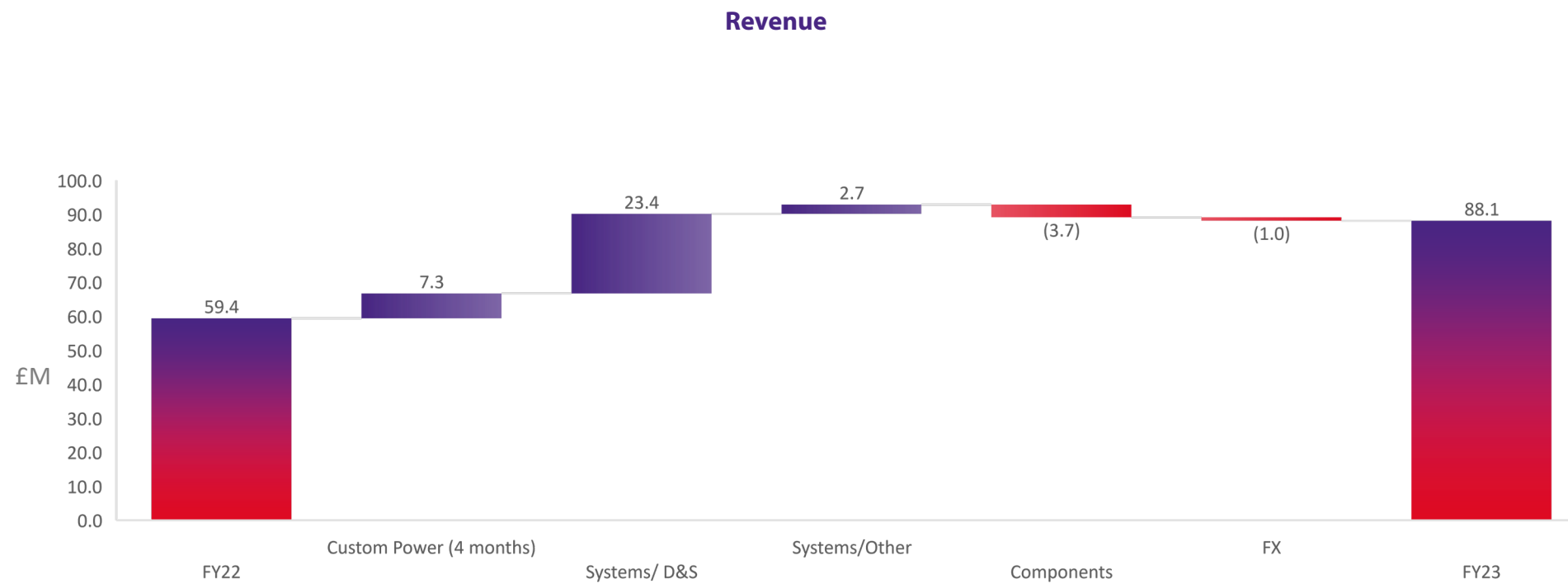
	H1 FY24	H1 FY23	Change
Revenue (£m)	£88.1	£59.4	48%
Operating profit (£m)	£6.9	£4.5	53%
Adjusted operating profit* (%)	9.2%	9.3%	(10bps)
Profit before tax (£m)	£6.1	£3.3	85%
Adjusted diluted EPS* (pence)	46.8	45.3	4%
Dividend (pence)	7.0	6.5	8%
Net assets (£m)	£61.8	£60.5	2%
Cash generated from operations (£m)	£9.1	£0.6	1517%
Orderbook (£m)	£99.7	£112.5	(11%)

* Adjusted performance metrics are reconciled in note 5 to the interim accounts, the adjustments relate to IFRS 3 acquisition amortisation, share based payments charges and non-recurring charges in respect of acquisition costs and fair value adjustments.

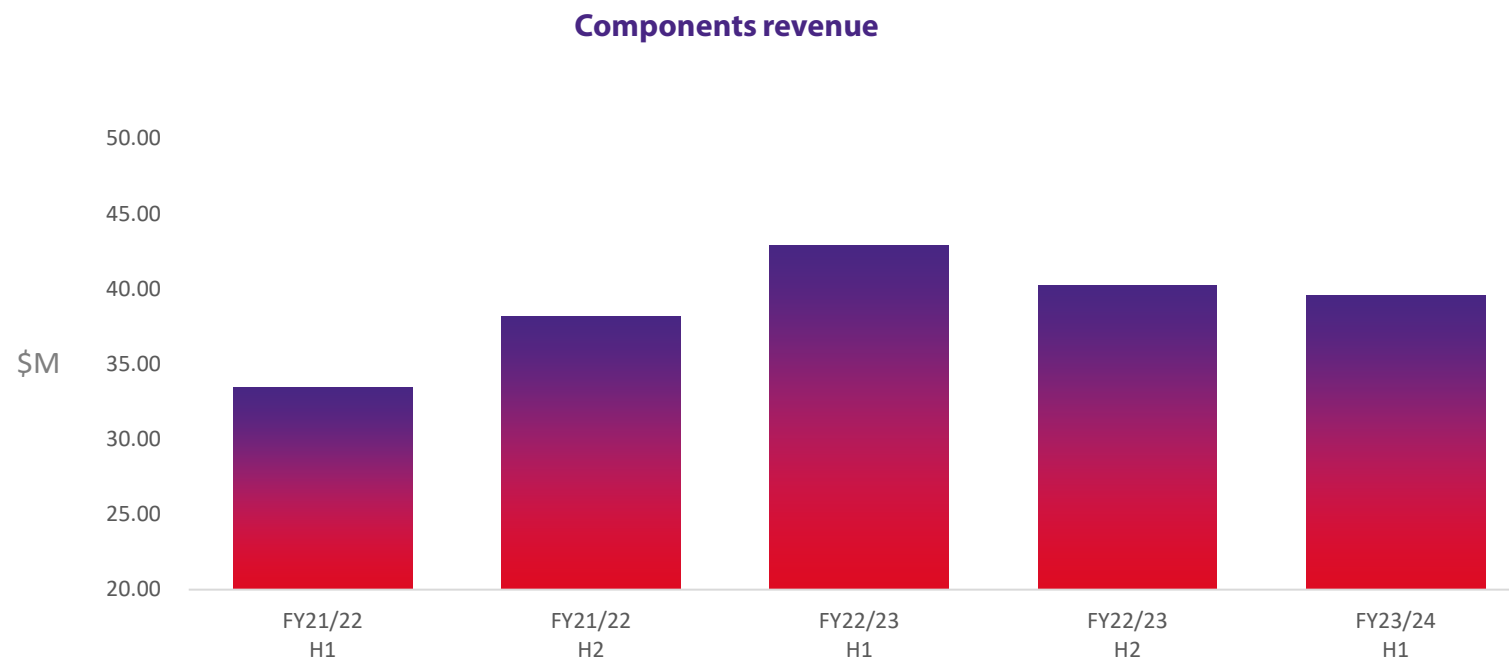
Commentary

- Revenue up 48%
 - FX revenue headwind
 - Full year Customer Power impact
- Record organic growth
 - Solid customer demand
 - D&S contract £23.4m.
- FY operating margins maintained
 - Operational gearing mitigates GM slight dilution
- Strong cash generation in H1
- Progressive dividend policy - increase in interim dividend
- Resilient open orderbook

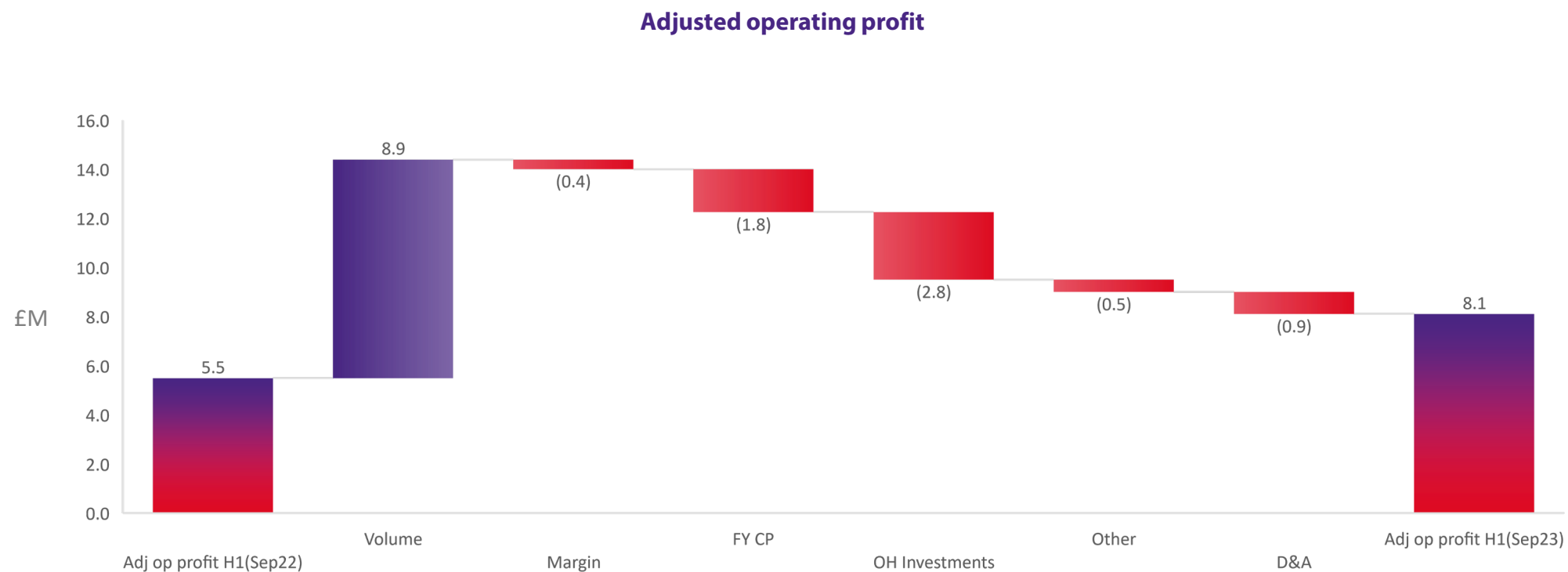
REVENUE BRIDGE



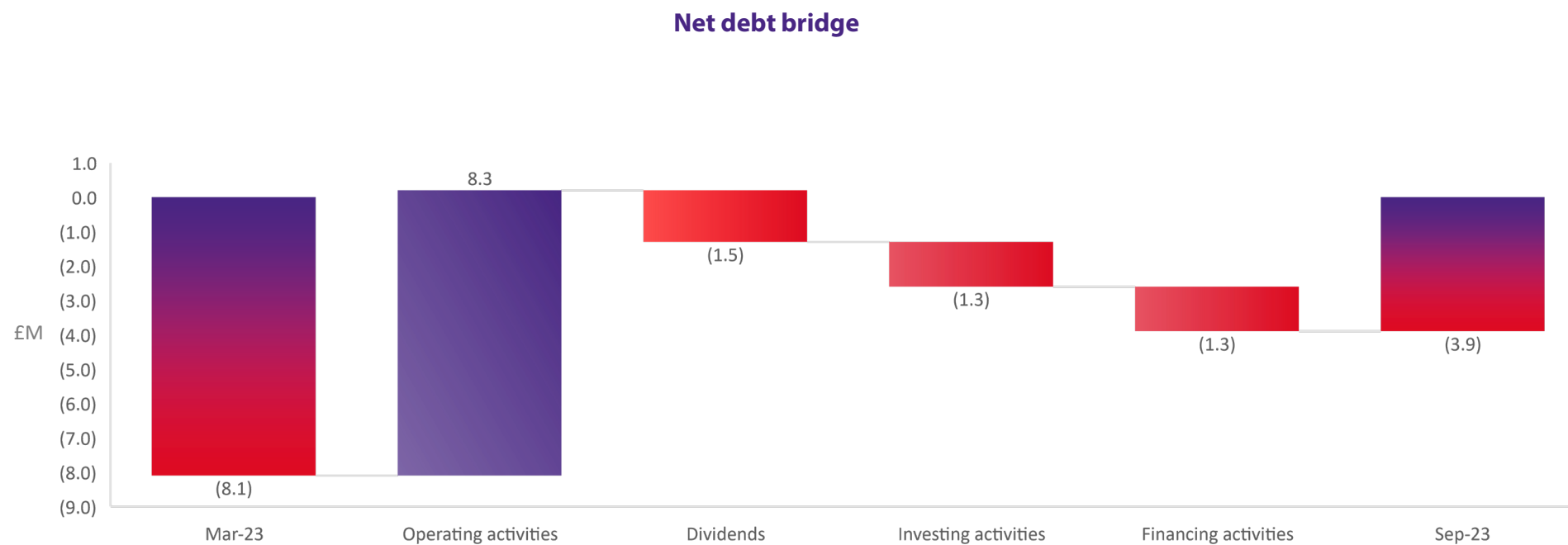
COMPONENTS REVENUE - USD (\$) EQUIVELENT



OPERATING PROFIT BRIDGE



NET DEBT BRIDGE



SUMMARISED BALANCE SHEET HIGHLIGHTS

£m	Sep-23	Mar-23	Change
Intangibles	40.9	41.6	(2 %)
PPE and Other	7.0	4.7	49 %
Total Non-Current Assets	47.9	48.6	(1%)
Inventory	27.7	33.2	(17 %)
Trade and Other Rec	20.7	19.7	5 %
Trade and other payable	(16.3)	(23.7)	(31 %)
Contract liabilities	(7.3)	(5.4)	35 %
Net trade working capital	24.8	23.8	4%
Total Cash and Cash equivalents	8.8	12.2	(28 %)
Borrowings	(12.7)	(14.7)	(14 %)
Deferred & contingent consideration	0	(5.7)	(100 %)
Net debt	(3.9)	(8.1)	(52%)
Total other liabilities	(7.0)	(6.4)	9 %
Net Assets	61.8	58.0	7%

Commentary

Working Capital:

- Inventory down £5.5m
 - Targeting further unwind in H2.
- Receivables up £1.0m
 - Strong H1 billings.
- Payables down £7.4m
 - Settlement of year end obligations.

Net Debt

- £3.9m down £4.2m
 - CP and AS deferred consideration paid in full.
 - Debt repayments - Term loans £0.6m and RCF £1.4m.

Division and market review



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DIVISIONAL REVIEW

Component's highlights



- New brand launch
- FY23 was an exceptional year after record customer demand & investment in securing product driven by component shortages & Covid.
- Continued promotion of Durakool® brand
- Enlarging global 3rd party sales network & increased internal support resources



System's highlights

- Record revenue for H1
- D&S communications win under framework contract with scope for follow on procurements.
- Additional systems business secured following on from a very successful DSEI show supporting mid term prospects.
- Systems benefitted from full period of Custom Power



OUR OFFERING IN OUR KEY MARKETS

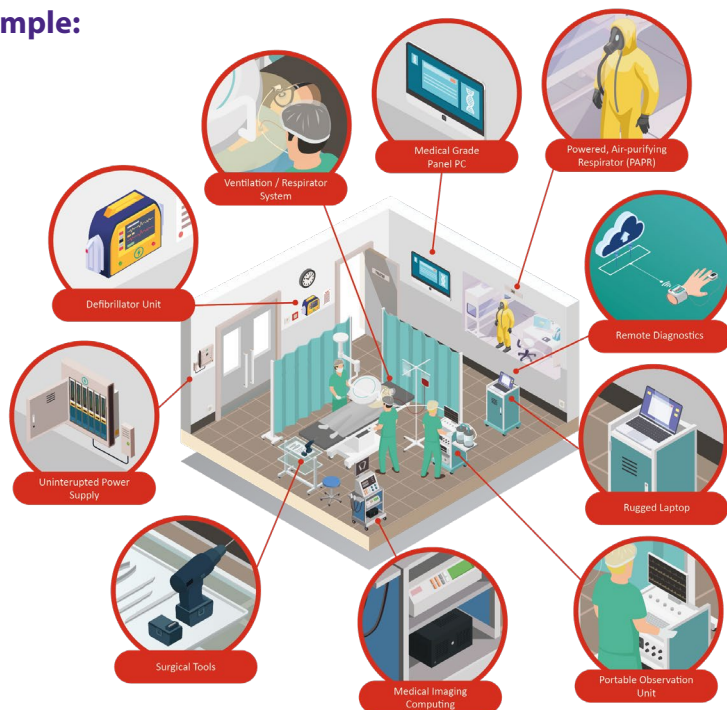
How we differentiate

Our combination of the two divisions gives us specialist industry and market knowledge which supports our product knowledge and technical expertise. This combined with our strong supply chain relationships enables us to form the foundation of our know how.

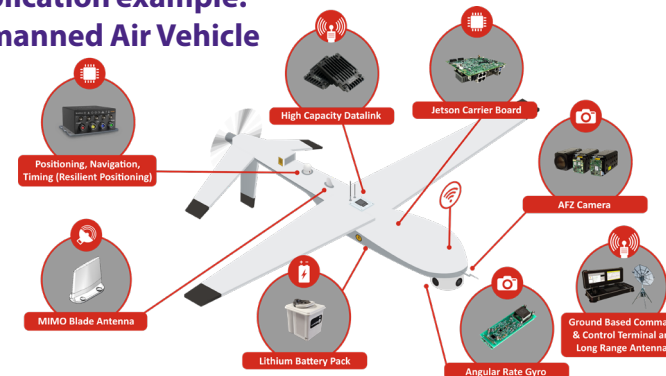
How we serve our customer

We build trusted long-standing relationships with our customers. We work with them to solve their technology challenges, turning ideas into plans and plans into products and systems, by linking up the electronics community in the quest for innovation.

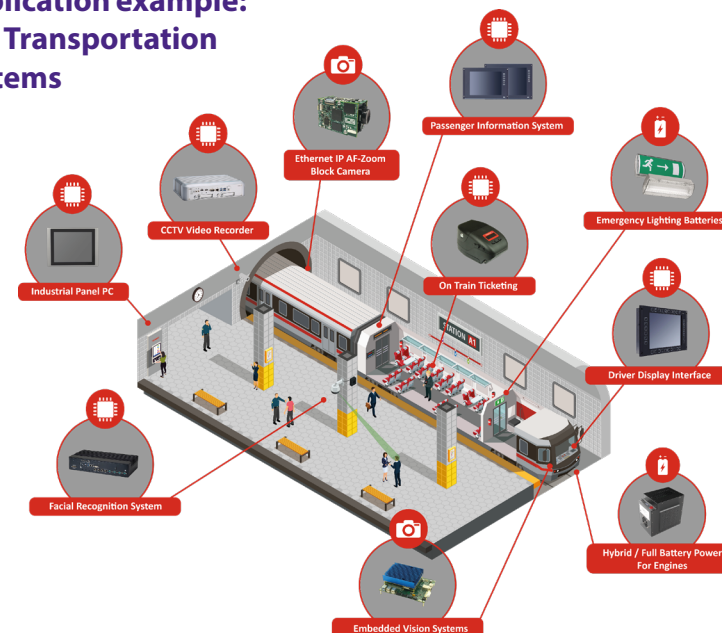
Application example: Medical



Application example: Unmanned Air Vehicle



Application example: Rail Transportation Systems



Strategy review



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Custom Power review **1**

STRATEGY ACHIEVEMENTS

Our key strategic pillars:

1. Investment and development of talent

- Appointment of Sam Smith as an independent NED.
- 25% of vacancies filled from internal talent
- 5 heads added to engineering team.

2. Broaden complementary products/technology profile

- Secured a design & build programme for a smart battery for our power business.
- Signed new franchises for the US market

3. Internationalise the group

- US integration activities are largely complete.
- US components restructure complete
- Rebranding of Components division sales channel under "solsta" brand.

4. Develop our "own brand" product portfolio

- Invested in talent to develop, implement and execute own brand strategy
- Developing the Custom Power brand and product portfolio
- Group rebrand to realise the value of our "product brands"

M&A strategy:

Why & how we do M&A:

- Capital allocation decision between organic investment vs M&A investment
- Delivering on the strategy minimising risk
- Lower risk approach through M&A rather than organic/penetration into a market
- Rigorous due diligence

M&A selection criteria:

- Alignment with 4 pillars of our strategy
- Culture, people & capabilities are critical
- Alignment of target markets
- Financial performance drives pricing
- Opportunities to accelerate organic growth

Potential areas for M&A:

- UK systems technology production capacity
- EU sales channel
- US communications production capability
- Regional power factory / service centres

CUSTOM POWER REVIEW

In August 2022, Solid State plc successfully acquired Custom Power based in Southern California.

Custom Power progress review

- US Integration activities are largely complete.
- Received US regulatory sign off on export control
- Secured a design & build programme for a smart battery for a Global client. Design & engineering phase commenced; deliveries expected for FY24/FY25.
- Two senior heads have been recruited strengthening the Power business.
- Adoption of the Custom Power brand in the UK during FY24/FY25.

New own brand product : LiFePO₄ (Lithium Iron Phosphate)

Typical applications:

Lead acid replacement

- Golf & medical carts
- RV, Marine, Airport tractors
- Emergency lighting
- Solar energy storage system

Key features:

- Longer cycle life
- Lighter weight
- Higher power
- Wider temperature range
- Superior safety



Prospects and outlook



PROSPECTS AND OUTLOOK



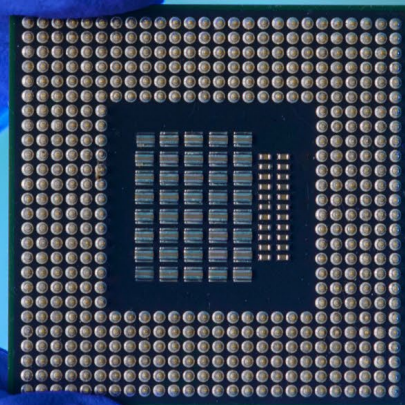
Prospects & Outlook

- Industry lead times on components are improving albeit certain 'golden components' continue to dictate schedules.
- Post period-end order intake remains stable with open orderbook at 31st October being £108.6m (H1:£99.7m).
- Continuing development of multi-product & multi-year programmes with international blue-chip clients.
- Recently upgraded consensus revenue and AdjPBT forecast for FY24 to £155.3m & £12.5m respectively.
- Pipeline of new design wins across the Group remains strong in all target markets, and underlying growth drivers in our target markets remain strong.

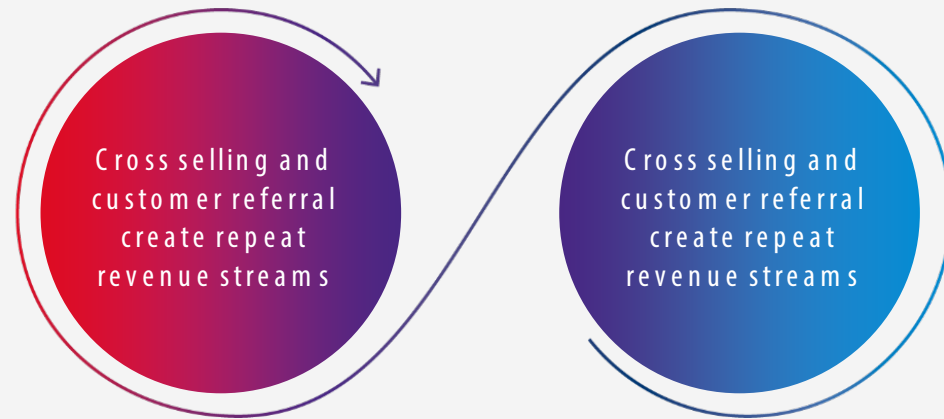
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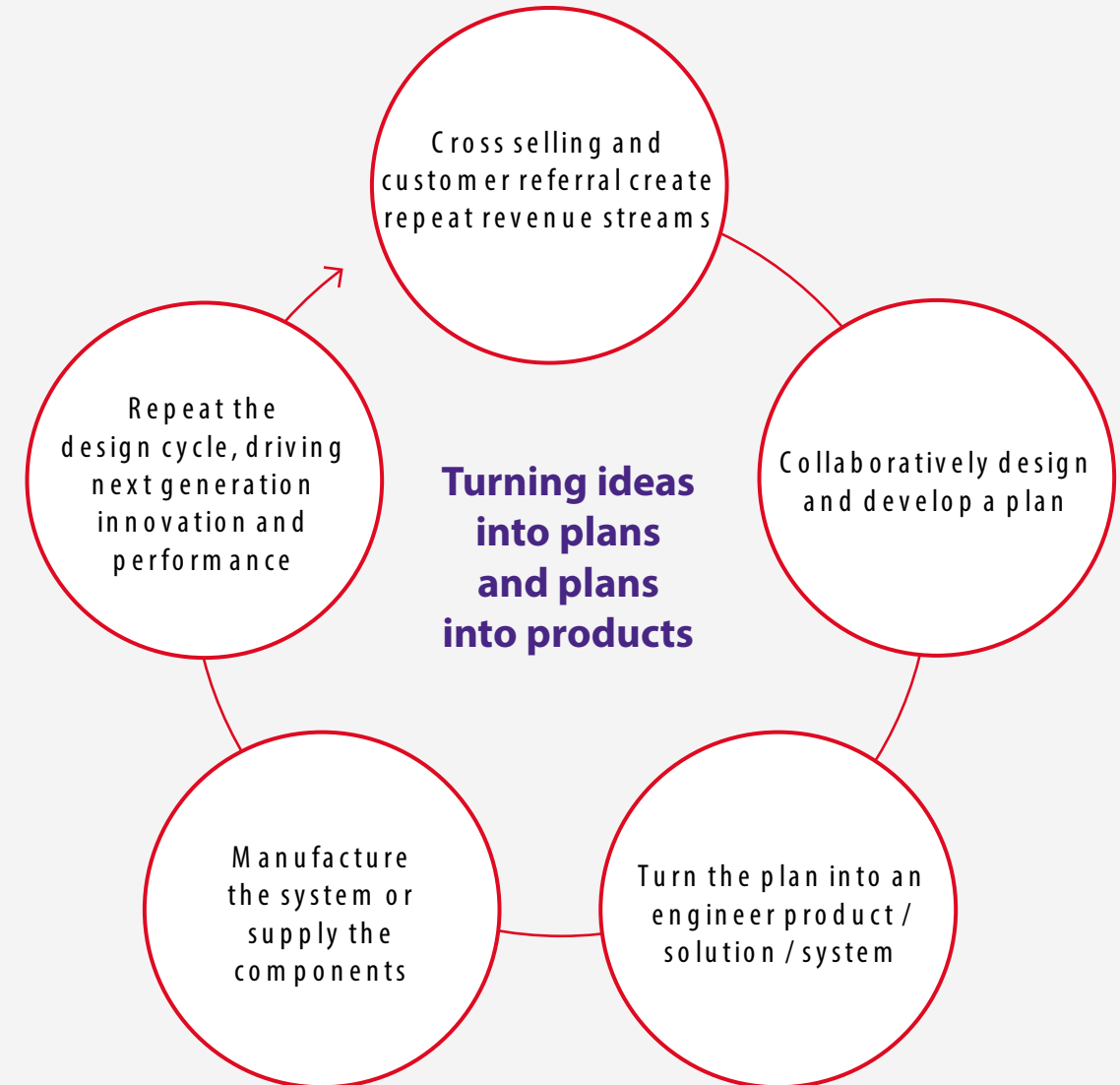


SOLID STATE PLC A PROFITABLE AND RESILIENT BUSINESS MODEL



Competitive advantage

- 1 Unmatched technical knowledge and experience
- 2 Complete supply solutions leveraging best-of-breed product portfolio
- 3 Consultative approach with trusted relationships



GROUP HISTORY AND STRATEGIC ACQUISITIONS COMPLETED

1971

Solid State Plc
Company founded

1996

London Stock Exchange
Listed

2002

Steatite – Computing, Systems
Established 1938

£1.3M

2007

**RZ Pressure – Battery
Power, Systems**

£1.3M

2005

**Wordsworth –
Computing, Systems**

£1.8M

2010

**Rugged Systems – Radio
Comm's, Systems**

£0.2M

2011

**Blazepoint – Rail Printer,
Systems**

£0.2M

2013

**Q Par Angus – Antenna,
Comm's, Systems**

£1.0M

2021

**Willow
Technologies –
E-Mech Components**

£13.1M

2021

**Active Silicon –
Machine Vision,
Systems**

£8.9M

2022

**Custom Power –
Battery Power,
Systems**

£32.9M

2018

**Pacer – Optoelectronics,
Components**

£3.7M

2016

**Creasefield – Battery
Power, Systems**

£1.6M

2013

**2001 – Semiconductor,
Components**

£2.0M

2015

**Ginsbury – Display,
Components**

£2.1M

OUR CUSTOMERS



ALTERNATIVE PERFORMANCE MEASURES – ADJUSTMENTS

	6M to 30 Sept 23	6M to 30 Sept 22	FY23
Acquisition fair value adj CoS	-	£0.09m	£0.09m
Adjustments to CoS	-	£0.09m	£0.09m
Acq'n fair value adj, re-org'n and deal costs	-	£0.18m	£0.31m
Change in contingent deferred consideration	-	-	(£0.33m)
Amortisation of IFRS3 intangibles	£0.91m	£0.66m	£1.60m
Share based payments	£0.24m	£0.12m	£0.55m
Adjustments to operating profit	£1.15m	£1.05m	£2.22m
Imputed interest	£0.04m	-	£0.13m
Adjustments to PBT	£1.19m	£1.05m	£2.35m
Tax effects	(£0.30m)	(£0.23m)	(£0.49m)
Adjustments to PAT	£0.89m	£0.82m	£1.86m
Tax effect within OCI	£0.06m	-	£0.09m
Adjustments to TOCI	£0.95m	£0.82m	£1.95m

	6M to 30 Sept 23	6M to 30 Sept 22	FY23
Revenue	£88.1m	£59.4m	£126.5m
Operating profit	£6.94m	£4.47m	£9.41m
Adjustments	£1.15m	£1.05m	£2.22m
Adjusted operating profit	£8.09m	£5.52m	£11.63m
Profit before tax	£6.06m	£4.18m	£8.44m
Adjustments	£1.19m	£1.05m	£2.35m
Adjusted profit before tax	£7.25m	£5.23m	£10.79m
Profit after tax	£4.51m	£3.34m	£6.69m
Adjustments	£0.89m	£0.82m	£1.86m
Adjusted profit after tax	£5.40m	£4.16m	£8.55m

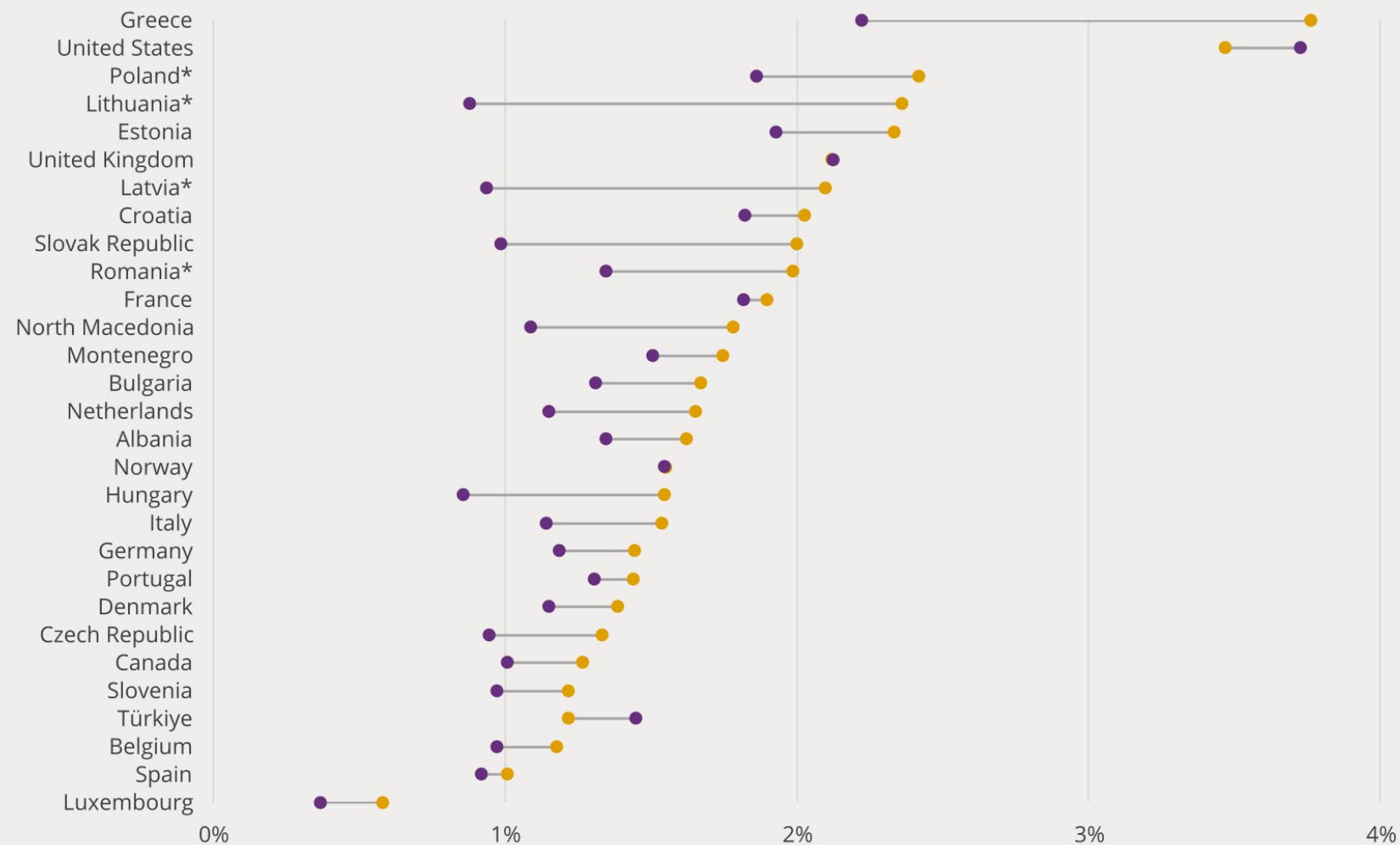
NET ASSET BRIDGE



DEFENCE EXPENDITURE

Defence expenditure of NATO members

Defence expenditure as a share of GDP, 2014 compared to 2022



* National laws and political agreements call for 2% of GDP to be spent on defence annually.

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