

Solid State

Strength in all divisions prompts upside

Solid State's trading update signalled that trading remained strong in Q426 and, as a result, FY26 revenues will be at least £150m (vs £145m consensus). PBT is also expected to be ahead of the £7.2m consensus figure, with outperformance driven across all three divisions. Fundamentally, the company's outlook is also positive, supported by its exposure to defence and secure communications, together with the cover from a £106.5m open order book at end-March (30 November 2025: £97.0m), although lengthening component lead times, linked to AI-driven demand and geopolitical disruption, introduce some risk to delivery timing.

Sovereign technology demand and reorganisation impact

Solid State's strong trading momentum continued into Q4. Components continues to recover from a destocking-affected FY25, supported by new design wins in both the UK and US across defence, medical and AI-related applications. The Power division is now seeing tangible benefits from management reorganisation and investment in facilities, supported by strong demand from defence and other secure applications (eg robotics, drones and naval sonar). Performance in the Systems business in FY26 was driven by strong demand for communications, including the contribution of a large contract, which drove H1 revenue up 79.8% to £38.7m. The company's investment in developing its integrated systems and antenna capabilities is now opening up higher-value, higher-margin opportunities, which are expected to support growth and an improving mix in the future.

Upgrades for FY26, positive outlook but turbulence in FY27

FY26 revenues are now expected to be at least £150m (up at least 19.9% y-o-y and vs £145m consensus), with PBT also ahead of the £7.2m consensus figure. The figures seen so far indicate c 10% PBT upgrades. The company's outlook for FY27 and beyond also looks structurally attractive, driven by its exposure to demand for sovereign technology in the US and UK, alongside the benefits of its own investment and restructuring initiatives. An open order book of c £106.5m, most of which is expected to convert over the next 18 months, also provides support, although emerging supply chain pressures and lengthening lead times obscure the picture and are likely to dampen upgrade momentum.

Valuation: Modest given progress and opportunity

Solid State's rating of c 15x FY26 and FY27 earnings is in line with peers, but appears modest given recent earnings momentum, the company's attractive market exposure and improving operational execution. Major contract wins represent the most obvious catalyst for further estimate upgrades and share price upside.

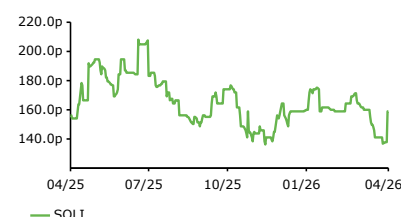
Consensus estimates						
Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
3/24	163.3	15.6	20.10	4.30	8.0	2.7
3/25	125.1	5.0	6.20	2.50	25.8	1.6
3/26e	151.6	7.9	10.30	2.80	15.5	1.8
3/27e	152.5	8.1	10.50	3.10	15.2	1.9

Source: Company reports, LSEG Data & Analytics.

Industrials
9 April 2026

Price 160.00p
Market cap £91m

Share price performance



Share details

Code	SOLI
Listing	AIM
Shares in issue (excluding treasury shares)	56.7m
Net cash/(debt)	£7.1m

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 10% over the medium term.
- Sustainable growth strategy driven by defence exposure 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.
- Exposure to supply chain disruptions and constraints

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