

## Solid State

### 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.

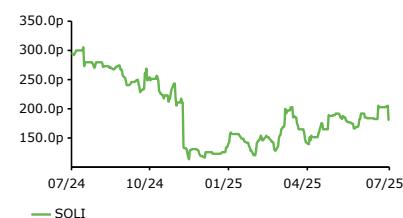
#### Consensus estimates

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

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

David Larkam

+44 (0)20 3077 5700

industrials@edisongroup.com

Edison profile page

**Solid State is a research client of Edison Investment Research Limited**

---

### General disclaimer and copyright

This report has been commissioned by Solid State and prepared and issued by Edison, in consideration of a fee payable by Solid State. Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

**Exclusion of Liability:** To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained on this note.

**No personalised advice:** The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

**Investment in securities mentioned:** Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright 2025 Edison Investment Research Limited (Edison).

---

### Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

---

### New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

---

### United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

---

### United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

---