

Solid State

Solid foundations

Solid State's interim results were always going to show a substantial uplift, given the contribution from the previously delayed defence communications order during the period. Looking through this, the company's foundations for sustaining growth in the medium to long term also look more solid. The company's order book, at £87.3m, is healthy and has subsequently been strengthened by recent contract awards. Growth investments and consolidation in Systems and Power should support growth and improve resilience. The company looks well-placed to at least meet FY26 estimates and deliver robust performance thereafter.

Resilient H1, boosted by communications order

Group revenues advanced 38.6% to £85.7m in H126, including £23.3m from the previously delayed defence communications order, with underlying constant currency growth of 3.6% against US dollar headwinds. Adjusted EBIT margins expanded 140bp to 6.5% despite £2.5m of growth investment in the period, reflecting improved operational gearing. Adjusted diluted EPS rose 85.7% to 6.5p, while the interim dividend increased a better-than-expected 10.8% to 0.92p. Net debt of £7.1m (vs £7.4m at FY25) remains comfortable. The Systems division grew 79.8% to £38.7m, driven by a large communications contract. The newly opened integrated systems facility has already secured material programmes, including the DSTL agreement, and with a robust H2 pipeline and growth opportunities across all three business units (antennas, communications and computing systems), prospects for this division look strong. The Components division grew 11.8% to £30.0m, reflecting resilient demand in defence and security alongside strong industrial IoT traction. Performance was achieved despite subdued industrial markets and ongoing supply chain normalisation in global electronics, demonstrating the division's resilience and attractive application exposure. The Power division, now operating as a standalone unit, grew 26.4% to £17.0m, driven by strong demand across robotics, drone and naval sonar buoy applications. The company is investing in developing its class-leading antenna capabilities and building capacity to serve larger-scale defence programmes and autonomous technology markets.

Estimates and valuation

Consensus estimates have not changed materially, although the dividend has been slightly upgraded. Given the contribution from the major defence communications order (£23.3m in H126), which is relatively regular, periodical business, but not recurring, FY27 estimates somewhat understate the underlying growth that is expected. The company's FY27e P/E looks modest, given the platform for higher-quality earnings growth that is being established.

Consensus estimates

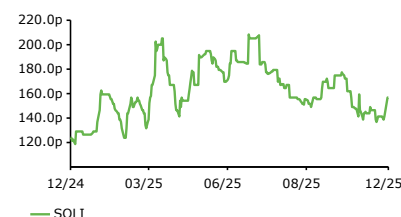
Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
3/24	163.3	15.6	20.10	4.30	7.8	2.7
3/25	125.1	5.0	6.20	2.50	25.4	1.6
3/26e	145.0	7.2	9.50	2.80	16.6	1.8
3/27e	149.3	8.0	10.50	3.00	15.0	1.9

Source: Company reports, broker consensus estimates

Industrials
3 December 2025

Price 157.50p
Market cap £89m

Share price performance



Share details

Code	SOLI
Listing	AIM
Shares in issue	56.8m
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 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.

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