

Solid State

Industrials
1 May 2025

Year-end update ahead of consensus

Solid State finished the year strongly, including the announcement of a £19m communications order and defence activity gaining momentum. This, combined with the restructuring and cost initiatives, suggests positive momentum going into FY26. This was after the well documented weakness in industrial markets and destocking affected the year to March 2025.

FY25 ahead of consensus

Reflecting positive year-end shipments, management expects to report FY25 sales of at least £124m (consensus: £123m) and adjusted PBT of at least £4.25m (consensus: £4.0m). Gross margins have benefited from a favourable product mix and continue to exceed 30% (FY24: 31.7%), with actions taken to reduce SG&A. Net debt at year-end was c £7.5m. FY25 consensus has increased, with PBT up from £4.0m to £4.25m (+6.3%) and EPS from 5.5p to 5.8p (+5.5%). Full results are due 8 July.

Systems division

Defence was the outstanding end market in the year, with strength across the board, while industrial sectors were generally softer, except for some technology-driven segments. Restructuring has included consolidation of the Power business under a single brand, Custom Power. This will permit marketing and allocation of resources globally, aiding tariff response. Custom Power is seeing some pull-forward in response to the current global unrest. Investment is being made into training and services to support growing products, particularly in the communications sector.

Components division

The division was affected by destocking in the industrial sector in the year, yet it has performed in line with management's expectations. Management expects the division to return to growth in FY26, benefiting from increased defence demand and new medical business.

Order book positive, FY26 guidance unchanged

The order book on 31 March 2025 was £108.5m, an underlying increase of 17% (excluding the recently announced c £19m communications equipment order). Approximately 95% of the total order book is expected to be delivered in the current financial year, equating to cover of 70%, ahead of the typical 50–60%. Given the uncertainty of global markets and the additional c £0.5m cost associated with the autumn budget, there is no change to FY26 guidance, which was upgraded with the £19m contract announcement on 11 March.

Consensus estimates

Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
3/23	126.5	10.8	16.10	4.00	11.9	2.1
3/24	163.3	15.6	20.00	4.30	9.6	2.2
3/25e	124.0	4.3	5.80	2.50	33.1	1.3
3/26e	145.2	7.2	9.55	2.50	20.1	1.3

Source: Company reports, broker consensus estimates

Price 192.00p
Market cap £109m

Share price performance



Share details

Code	SOLI
Listing	AIM
Shares in issue	56.7m
Net cash/(debt) at 30 September 2024	£(2.0)m

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 a CAGR of 20% in total shareholder return to 2030 supported by targeted 17% CAGR revenue and increase in adjusted operating margin to 12%.
- 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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