

Solid State

Improving execution and robust fundamentals

Solid State's FY26 results were ahead of upgraded consensus, while positive momentum looks set to continue into FY27 and beyond. The group's order book increased from £97.0m at H126 to c £106.6m at the year end, supported by exposure to growth domains within defence and security, Internet of Things (IoT) and AI data centres, as well as the benefits of investment in organisational restructuring and engineering capability.

Ahead of consensus. Recovery and fundamental progress

Revenue grew by 23% to £156.8m (vs consensus £151.6m), while adjusted PBT and EPS rose by 72% and 77% to £9.6m (consensus £7.9m) and 11p (cons 10.3p) respectively. The results reflect strong fundamental progress despite a currency headwind but benefited from £23m of communications product revenue from NSPA* in H126. Return on capital employed improved to 14% from 9% in FY25, underpinning the 10% dividend increase to 2.75p, while net debt reduced to £4.2m (FY25: £7.4m) despite investment in facilities, capabilities and growth opportunities.

Sovereign technology demand and reorganisation impact

The FY26 results highlighted the benefits of management actions and improving fundamentals across all three divisions. Growth is being driven primarily by exposure to high-growth defence and security domains, including drones, unmanned ground and maritime systems, robotics and secure communications, alongside sovereign technology investment (defence and security accounted for 47% of FY26 revenues), with additional support from AI data centre build-out and IoT demand. The benefit of management actions was most apparent in Power, where order intake reached c \$20m since the beginning of December while revenues grew by 17% to £31.8m and EBIT by 467% to £1.7m, reflecting higher volumes and a better value-added mix. Systems revenues increased by 48% to £62.5m and EBIT by 62% to £8.9m, benefiting from NSPA revenues in H1, while underlying momentum remains positive, supported by Project CAIN, secure communications demand and investment in integrated systems and antenna capabilities. Components revenues increased by 8% to £59.8m, supported by IoT demand and a notable US AI data centre win, with EBIT growing by 9% to £2.4m despite investment in talent, which should support future operational leverage.

Valuation: Modest given progress and opportunity

Solid State's rating of c 20x FY27 and 17x FY28 earnings is broadly in line with peers but appears modest given recent earnings momentum, improving execution and fundamentals, and upside potential from management's 10% medium-term EBIT margin goal (vs consensus estimate of 6.5% for FY27).

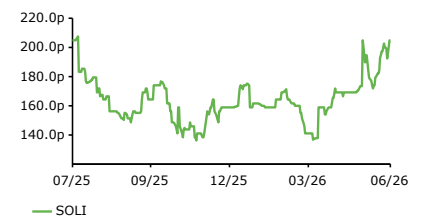
Consensus estimates						
Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
3/25	125.1	5.0	6.20	2.50	33.1	1.2
3/26	154.1	8.6	11.00	2.75	18.6	1.3
3/27e	156.8	8.1	10.50	2.95	19.5	1.4
3/28e	161.5	9.9	12.90	3.22	15.9	1.6

Source: Company reports, LSEG Data & Analytics. Note: *NSPA, NATO Support and Procurement Agency.

Industrials
30 June 2026

Price 205.00p
Market cap £116m

Share price performance



Share details

Code	SOLI
Listing	AIM
Shares in issue (excluding treasury shares)	56.7m
Net debt as at 31 March 2026	£4.2m

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

- Sustainable growth strategy driven by favourable defence exposure, organic investment and strategic M&A.
- Ambition to deliver strong revenue growth and to improve adjusted operating margin to 10% over the medium term.
- 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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