

Corporate

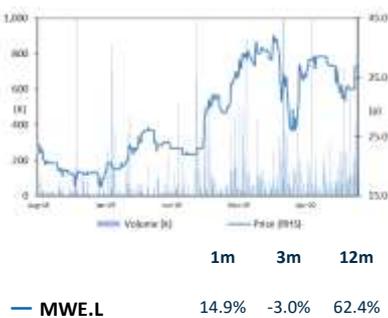
 Current price **37.0p**

 Sector **TMT**

 Code **MWE.L**

 AIM **AIM**

Share Performance



Source: Thomson Reuters, Allenby Capital

Share Data

 Market Cap (£m) **32.5**

 Shares in issue (m) **87.9**

52 weeks	High	Low
	42p	23p

 Financial year end **31 December**

Source: Company Data, Allenby Capital

Key Shareholders

 Borovitz Family **34.5%**

 Beer Family **11.2%**

 Directors & PDMR **6.8%**

 Miton Asset Management **6.0%**

 Herald Investment Man. Ltd **4.5%**

Source: Company Data, Allenby Capital

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MTI Wireless Edge Ltd (MWE.L)

Revenue growth and EBIT margin appreciation

Good H1 performance from the provider of communications and radio frequency solutions given the global backdrop with revenue growth in all three divisions (Antenna, Mottech and Distribution) and overall growth of 3% to \$19.6m. Operating profit increased significantly (+28% to \$1.9m) with EBIT margin +190bps, reflecting operating leverage and cost savings. Strong cash conversion resulted in net cash of \$7.6m (H1 FY19: \$5.0m), post April's final dividend payment (\$1.8m). MTI's diversified business (sector and geography) has provided some protection against COVID-19 as different countries have entered/emerged from lockdown as evidenced by recent Mottech contract wins in China. Management's confidence in the outlook is underpinned by order book strength and MTI is currently on track to meet our FY20 profitability expectations. Forecasts and 46p/share fair value, equivalent to 13x FY21 EPS, remain unchanged.

- H1 performance** – Group revenue increased 3% to \$19.6m with growth in each division: Antenna +0.7% to \$5.9m; Mottech +3.7% to \$7.9m; and Distribution +5.7% to \$5.7m. Each division was also profitable. Gross margin fell 60bps to 31.5% reflecting increased freight costs but this was more than offset by operating cost savings (R&D and Distribution) and EBIT increased 28% to \$1.9m, equivalent to 9.7% EBIT margin (H1 FY19: 7.8%). Cash collection was good at \$2.2m, a conversion rate of 114%. In April, MTI paid the FY19 final dividend (\$1.8m) and period end cash was \$7.9m (H1 FY19: \$5.7m; FY19: \$8.1m).
- Mottech** – Mottech saw increased demand for its water management systems in China and also successfully launched its Tethys system for the French vineyard market. In China, MTI announced contracts totalling \$0.5m in the first four months of FY20, including a \$300k order for a landscape project in East China. It has also agreed to acquire its partner's 40% holding in the Mottech China JV. Tethys was first installed in March and already 200 vineyards have become customers. There is scope to increase its market share substantially in France but also expand into other wine producing regions. Mottech also renewed a service agreement worth c. \$0.9m with one of the five largest municipalities in Israel for an initial two years and scope to extend to five.
- Distribution and Antennas** – MTI Summit (Distribution) continues to perform well as design wins move into production. For example, it announced a \$1.5m contract for the supply of radio frequency components in February. MTI Summit works with its customers during the design phase and has close relationships with component suppliers. In Antennas, MTI supplies four of the largest providers in the backhaul market and is unique in offering both Dual Band and Flat Antenna. CV-19 is accelerating bandwidth demand and 5G network roll out represents a considerable medium growth opportunity.

Year End: 31 December

(\$'000)	2017A	2018A	2019A	2020E	2021E
REVENUE	34,653	35,471	40,043	43,458	45,914
ADJ. EBITDA	3,062	3,513	4,432	5,170	5,721
ADJ. PBT	2,448	2,650	3,409	4,270	4,881
ADJ. EPS (p)	1.75	2.05	2.49	2.97	3.39
NET CASH	3,695	4,393	7,687	7,653	8,508
EV/EBITDA (x)	12.8	10.9	7.9	6.8	6.0
YIELD (%)	4.1	3.1	4.1	5.1	5.6

Allenby Capital acts as Nomad & Broker to MTI Wireless Edge Ltd (MWE.L).

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