

Corporate

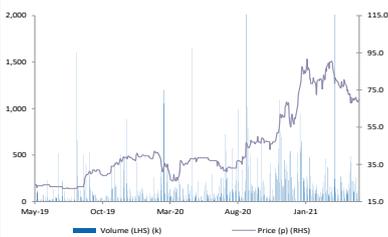
 Current price **70.0p**

 Sector **TMT**

 Code **MWE.L**

 AIM **AIM**

Share Performance



	1m	3m	12m
MWE.L	-10.3%	-12.5%	91.8%

Source: Thomson Reuters, Allenby Capital

Share Data

 Market Cap (£m) **62.0**

 Shares in issue (m) **88.5**

52 weeks (p)	High	Low
	91.5	31

 Financial year end **31 December**

Source: Company Data, Allenby Capital

Key Shareholders

Borovitz Family 31.6%

Beer Family 10.3%

Directors & PDMRs 6.3%

Premier Miton 5.6%

Herald Investment Man. Ltd 5.0%

Source: Company Data, Allenby Capital

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MTI Wireless Edge Ltd (MWE.L)

Solid start to FY21 and outlook positive

Solid start to FY21 by MTI Wireless Edge Ltd, the technology group specialising in comprehensive radio frequency communication solutions across multiple sectors, with Q1 revenue growth of 4% to \$9.95m and EBIT +14% to \$0.96m, reflecting operational gearing. There was strong cash generation with net cash up 10% to \$9.95m despite paying the FY20 dividend of \$2.2m in March (the FY19 dividend was paid in April 2020). Each of the three divisions (Antennas, Water Solutions (Mottech) and Distribution & Consultation (MTI Summit)) remained profitable with the bulk of the growth coming from Mottech. The outlook remains positive with structural growth drivers for each division (5G roll out, water scarcity and growth in the international defence market) and the disruption caused by COVID-19 is starting to dissipate. Forecasts and fair value of 95p/share remain unchanged, equivalent to an FY21 EV/EBITDA of 19.1x falling to 16.9x in FY22. The current share price offers a yield of 2.8% in FY21 and 3.0% in FY22.

— **Q1 performance:** Group revenue increased 4% to \$9.95m. Within this, Mottech increased 13% to \$4.2m, MTI Summit was up slightly at \$3.0m and Antennas down 5% to \$2.8m – the latter seeing growth in 5G backhaul but some project delays in the legacy fixed broadband wireless antenna business. Revenue growth and good cost control resulted in EBIT growth of 14% to \$0.96m and EBIT margin increased 80bps to 9.6%. PBT +25% to \$0.9m. Cash collection was particularly strong with net cash from operating activities of \$2.6m (Q1 FY20: \$1.3m), equivalent to 2.5x EBIT with significant reductions in trade receivables (\$1.5m) and inventories (\$0.7m). Net cash increased 10% to \$9.95m.

— **Operating highlights:** Management reports increasing demand for its backhaul antenna solutions as network operators roll out 5G services as the leading mobile phone companies incorporate 5G connectivity. At Mottech, the company opened a new office in Alberta, Canada – an important market for Mottech for many years but was previously supported by a local VAR. Mottech also secured new contracts and retained clients, including a support contract extension with a leading Israeli municipality for another two to four years, worth up to \$2.5m. Summit announced several orders from an existing customer totalling \$1.7m, with the majority delivered in Q1. Summit's tethered balloon project also continued to generate good revenue and there is consistent demand across its core customer base in the defence and technology sector based in Israel and ongoing success at its Russian office.

— **Outlook:** The growth drivers for each division remain in place – Antennas (global roll-out of 5G), Mottech (water scarcity and the need for efficient irrigation) and Summit (increases in defence spending and the particular reliance on wireless technologies in the sector). MTI is well funded to grow organically and potential via M&A.

Year End: 31 December

(\$'000)	2018	2019	2020	2021E	2022E
REVENUE	35,471	40,043	40,893	43,443	45,975
ADJ. EBITDA	3,513	4,432	5,085	5,705	6,351
ADJ. PBT	2,650	3,409	4,056	4,905	5,451
ADJ. EPS (p)	1.90	2.30	2.70	3.14	3.49
NET CASH (£m)	4,393	7,687	9,435	10,436	12,152
EV/EBITDA (x)	23.8	18.1	15.5	13.6	11.9
PER (x)	1.5%	2.0%	2.5%	2.8%	3.0%

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

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David Johnson is the author of this research recommendation and is employed by Allenby Capital Limited as an Equity Analyst. Unless otherwise stated, the share prices used in this publication are taken at the close of business for the day prior to the date of publication. Information on research methodologies, definitions of research recommendations, and disclosure in relation to interests or conflicts of interests can be found at www.allenbycapital.com. Allenby Capital acts as Nomad and joint broker to MTI Wireless Edge Ltd.

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