

Corporate

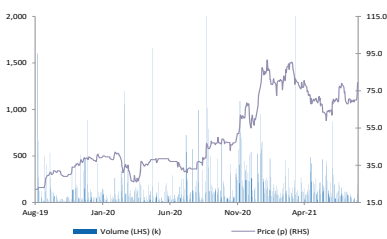
 Current price **76.5p**

 Sector **TMT**

 Code **MWE.L**

 AIM **AIM**

Share Performance



	1m	3m	12m
MWE.L	+7.4%	+15%	+141%

Source: Thomson Reuters, Allenby Capital

Share Data

 Market Cap (£m) **67.7**

 Shares in issue (m) **88.5**

52 weeks (p)	High	Low
	91.5	33

 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 Asset Man. 5.6%

Herald Investment Man. Ltd 5.0%

Source: Company Data, Allenby Capital

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MTI Wireless Edge Ltd (MWE.L)

Solid revenue growth; increase in EBIT margin

Interims from MTI Wireless Edge Ltd, the group specialising in comprehensive radio frequency communication solutions across multiple sectors, demonstrated good top and bottom line growth as its end markets gradually emerge from the pandemic-related disruption. Each division (Antennas, Water Solutions (Mottech) and Distribution & Consultation (MTI Summit)) remained profitable and there are long term global structural growth drivers for each (5G roll out, water scarcity and the growth in the international defence market). MTI is also well capitalised with net cash of \$9.7m that will be used for organic growth, M&A and fund the progressive dividend (current yield c. 2.5%). Forecasts and fair value of 95p/share remain unchanged.

- H1 performance:** Group revenue +8.9% to \$21.3m. Within this, MTI Summit stood out (+21.3% to \$7.0m), reflecting increased defence spend. Mottech revenue +8.3% to \$8.6m while Antennas declined 2.4% to \$5.8m. Group gross margin remained stable at 31.3% and with costs +5.7%, EBIT increased 13.9% to \$2.2m, an EBIT margin of 10.2% (H1 FY20: 9.7%). Some Q2 working capital expansion but the balance sheet remains strong - net cash of \$9.7m (FY20: \$9.4m) and this follows March's \$2.2m dividend payment.
- Antennas:** The division was impacted by some project delays for legacy fixed broadband wireless antennas but management reports a recovery in the RFID business to pre COVID-19 levels and the uptake of 5G antennas is in line with internal forecasts. 5G represents a major multi-year global opportunity for MTI's multi-band and flat antennas as network operators increase backhaul connectivity between cell towers to deliver faster services. Post-period end, MTI secured its first contract to develop antennas for use in space. The recent contract win for a naval antenna with Ultra Electronics TCS (worth an initial \$570k and potentially triple this sum) also opens another significant growth opportunity.
- Mottech:** Increasing awareness of the issue of water scarcity globally is driving demand for the division's services and there was a healthy mix of business from new and existing customers in H1. The new direct office in Canada has retained its key clients for both services contracts and system upgrades. The Tethys system for the French wine market continues to gain traction and Mottech Parkland in Australia has seen 35% revenue growth since MTI acquired a 50% stake in its partner two years ago.
- MTI Summit:** Summit continues to benefit from high levels of spending by governments on defence and the ongoing development of new wireless/RF (radio frequency) commercial solutions in Israel. There was some softness in Q2 revenue associated with the large tethered-balloon project but this should pick up in H2 and there remains the potential for a long term service contract, not included in our forecasts.

Year End: 31 December

(\$'000)	2018	2019	2020	2021E	2022E
REVENUE	35,471	40,043	40,893	43,443	45,975
EBITDA	3,513	4,432	5,085	5,705	6,351
PBT	2,650	3,409	4,056	4,905	5,451
EPS (p)	1.96	2.37	2.77	3.23	3.59
NET CASH	4,393	7,687	9,435	10,459	12,175
EV/EBITDA (x)	25.4	19.4	16.5	14.5	12.8
PER (x)	39.1	32.3	27.6	23.7	21.3

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

Exhibit 1: Summary financials**Income statement**

Year-end December (\$000s)	2018A	2019A	2020A	2021E	2022E
Revenue	35,471	40,043	40,893	43,443	45,975
<i>Revenue growth</i>	2.4%	12.9%	2.1%	6.2%	5.8%
Gross Profit	12,051	12,796	13,077	14,032	14,896
<i>Gross margin</i>	34.0%	32.0%	32.0%	32.3%	32.4%
Total administrative and operating expenses	-9,127	-9,337	-9,001	-9,077	-9,345
<i>Growth</i>	3.6%	2.3%	-3.6%	0.8%	3.0%
EBIT	2,924	3,459	4,076	4,955	5,551
<i>EBIT margin</i>	8.2%	8.6%	9.7%	11.4%	12.1%
EBITDA	3,513	4,432	5,085	5,705	6,351
<i>EBITDA margin</i>	9.9%	11.1%	12.4%	13.1%	13.8%
Profit before tax	2,650	3,409	4,056	4,905	5,451
Shares in issue (diluted)	87.0	87.2	88.1	88.5	88.5
EPS (diluted) (p)	1.9	2.4	2.8	3.2	3.6
DPS (cents)	1.5	2.0	2.5	2.8	3.0

Cash flow

Year End December (\$000s)	2018A	2019A	2020A	2021E	2022E
Operating profit before movements in working capital	3,206	4,414	5,149	5,505	6,151
Cash generated from operating activities	2,462	6,395	4,507	5,081	5,656
Net cash flow from investing activities	1,564	-699	-447	-472	-500
Net cash flow from financing activities	-1,875	-2,211	-2,327	-2,439	-2,229
Net increase/(decrease) in cash and cash equivalents	1,950	2,688	1,224	903	1,699
Cash and cash equivalents at end of period	5,401	8,140	9,577	10,480	12,179
Net cash	4,393	7,687	9,435	10,459	12,174

Balance sheet

Year End December (\$000s)	2018A	2019A	2020A	2021E	2022E
Non-current assets	5,845	7,023	6,623	6,298	5,999
Inventories	6,005	5,748	6,399	6,951	7,586
Trade and other receivables	9,591	9,799	10,658	10,774	11,402
Other current assets (excluding cash)	2,424	3,538	2,875	2,653	2,654
Cash and cash equivalents	5,401	8,140	9,577	10,480	12,179
Total current assets	23,421	27,225	29,509	30,858	33,821
Total assets	29,266	34,248	36,132	37,156	39,820
Non-current liabilities	-1,128	-1,277	-1,069	-897	-881
Trade and other payables	-3,998	-6,298	-5,098	-5,588	-5,905
Other current liabilities	-3,125	-3,383	-4,412	-4,226	-4,451
Total current liabilities	-7,123	-9,681	-9,510	-9,814	-10,356
Total liabilities	-8,251	-10,958	-10,579	-10,711	-11,237
Net assets	21,015	23,290	25,553	26,446	28,583

Source: Company; Allenby Capital

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