

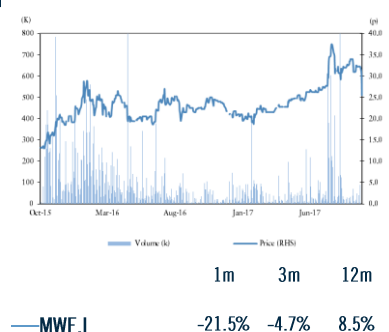
CORPORATE

Current price 25.25p

Sector Tech Hardware & Equipment

Code (MWE.L)

Listing AIM

SHARE PERFORMANCE


Source: Thomson Reuters, Allenby Capital

SHARE DATA

Market cap £13.1m

Shares in issue 53.62m

52 weeks	High	Low
	37.25p	18.75p

Financial year end December

Source: Company data, Allenby Capital

KEY SHAREHOLDERS

MTI Computers & Software Services 52.2%

Miton Group 6.9%

Directors 5.6%

Herald Investment Management Ltd 5.2%

Employees 2.7%

Source: Company data, Allenby Capital

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MTI WIRELESS EDGE LTD (MWE.L)
Q3 update: Higher costs impact FY17 profits

Higher than expected costs were incurred during Q3 in relation to a military antenna project. As a result, although management believes the project will ultimately be profitable, the Antenna division has made a loss in Q3. This shortfall will not be fully made up in Q4 and hence FY17 profit is expected to be lower than our previous forecasts. The Water Solutions division (Mottech) continues to perform well with strong operating margins and MWE was profitable in Q3 on a consolidated basis. The higher than expected costs appear to be one-off in nature and we leave our FY18 forecasts unchanged at the top and bottom line but reduce our FY17 PBT by \$0.4m to \$1.5m – FY17 revenue is unchanged at \$25.8m, representing 10.7% growth. The outlook is generally positive with increased demand across the Antenna division's target markets and in multiple geographies for Mottech's remote control solutions for water and irrigation applications based on Motorola's IRRInet suite of control, monitoring and communications products. Our fair value of 38.0p, equivalent to a FY18 PER of 15.2x FY18 (12.3x excluding cash), remains unchanged. On the basis of the current price, the shares are yielding 3.3% in FY17 and FY18.

EXHIBIT 1: SUMMARY OF FINANCIALS

Y/E December (\$'000)	2014A	2015A	2016A	2017E	2018E
REVENUE	14,341	19,579	23,276	25,769	27,830
EBIT	340	1,762	1,483	1,781	2,375
PRE TAX PROFIT	153	1,374	1,206	1,531	2,175
NET (DEBT) / CASH	5,031	1,547	1,962	1,991	2,415
EPS (BASIC) (P)	0.37	1.84	1.40	1.76	2.51
DPS (P)	0.53	0.85	0.78	0.83	0.83
PE (X)	70.3	14.2	24.2	14.5	10.2
DIVIDEND YIELD (%)	2.0%	3.3%	3.0%	3.3%	3.3%

Source: Company data, Allenby Capital. FX rate for £ : \$ = 1:1.32

Allenby Capital acts as nominated adviser and broker to MTI Wireless Edge Ltd (MWE.L)

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RESEARCH RECOMMENDATION DISCLOSURE

David Johnson is the author of this research recommendation. David is employed by Allenby Capital Limited as an Equity Analyst.

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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.

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