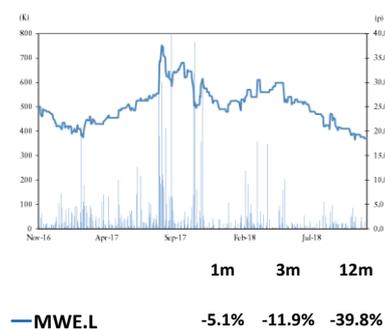


CORPORATE
Current price 17.0p

Sector Tech Hardware & Equipment

Code MWE.L

Listing AIM

Share Performance


Source: Thomson Reuters, Allenby Capital

Share Data
Market cap (£) 14.8m

Shares in issue (m) 87.0

52 weeks High Low
 30.5p 17.0p

Financial year end 31 December

Source: Company Data, Allenby Capital

Key Shareholders

Borovitz family 35%

Jacques and Rina Beer 11%

Directors and PDMRs 7%

Miton Asset Management 5%

Herald Investment Management Ltd 3%

Source: Company Data; Argus Vickers

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MTI WIRELESS EDGE LTD (MWE.L)
Enlarged group on track

Nine-month results present the performance of the enlarged group as if MTI Computer Software and Services (1982) and MTI Wireless Edge (MWE) had been together since inception. The merger with MWE's largest shareholder was completed in August and has brought numerous benefits – increasing revenue by a third, broadening the product set, diversifying the business and eliminating secondary listing fees. The companies operated in complementary spaces in the military and communications markets and already worked closely together. Despite the disruption of the merger process, the enlarged group has grown at the top and bottom lines. Small changes to P&L forecasts around tax and we increase our cash forecast by \$0.4m for FY18. Our fair value of 38p/share, equivalent to an FY18 PER of 17.4x (14.9x), falling to 14.1x (11.7x), represents a 120% upside to the current price. The current price is offering a yield of 7.4% (FY18) and 9.2% (FY19).

- Group performance** – Pro forma revenue increased 2% to \$25.9m, gross profit by 5.5% to \$8.7m, operating profit by 7% to \$1.9m and EPS by 10% to \$1.81. Operating cost savings from the merger started to come through in Q3. Cash increased \$1.9m to \$5.3m with operating cashflow (\$1.7m) and sale of investments (\$2.0m) more than offsetting the dividend (\$1.1m). Net cash was \$3.8m. Shareholders' equity increased \$0.3m YTD to \$19.9m, ~ 17.8p/share.
- Mottech** – Revenue in the division supplying wireless remote control solutions for water management and irrigation applications grew 9.8% to \$10.6m. The outlook remains positive as organisations in the public and private sector contend with water shortages. In October, MWE announced its first contract in Mozambique for a commercial farm where the system will automatically and accurately irrigate and fertilise crops by remote control. Management estimates that this could represent an addressable market of c. \$65m in Mozambique alone.
- Antennas** – Segment profit increased \$0.4m to \$0.4m in spite of revenue declining 6.3% to \$9.4m reflecting good performance in higher margin business lines (military and millimetre wave).
- New divisions** – Revenue at Representation, where MWE represents >40 international RF and Microwave companies into Israel, increased 6.2% to \$4.7m with 12.6% growth in Q3. Systems Engineering, aerostat operation, remains the smallest division and subject to project timing and revenue fell 18% to \$1.0m.

EXHIBIT 1: SUMMARY OF

Year End: December (\$000)	2016A	2017A	2018E	2019E
REVENUE	23,276	34,653	36,238	39,400
ADJUSTED EBITDA	2,138	3,089	3,671	4,362
ADJUSTED PBT	1,206	2,448	2,821	3,552
ADJUSTED EPS (p)	1.42	1.75	2.20	2.71
DPS (p)	0.78	1.56	1.25	1.56
CASH	1,962	3,695	4,624	5,601
PER (x)	24.3	9.7	7.7	6.3
DIVIDEND YIELD (%)	4.6%	9.2%	7.4%	9.2%

Source: Company; Allenby Capital.

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