

Corporate

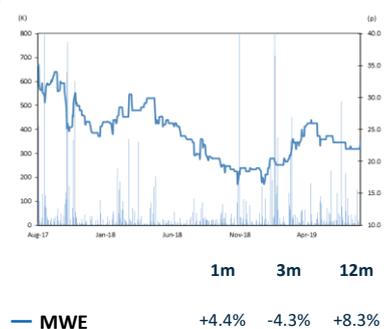
 Current price **22.2p**

 Sector **TMT**

 Code **MWE.L**

 AIM **AIM**

Share Performance



Source: Thomson Reuters, Allenby Capital

Share Data

 Market Cap (£m) **19.4**

 Shares in issue (m) **87.7**

52 weeks High Low

26.5 16.5

 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 **6%**

 Herald Investment Man. Ltd **4%**

Source: Company Data, Allenby Capital

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MTI Wireless Edge Ltd (MWE.L)

Diversified growth and positive outlook

Interim results from MTI Wireless Edge, the technology group focused on communications and radio frequency solutions, were in line with expectation and demonstrate the value of the company's diversified strategy and the benefit of 2018's merger with MTI Computers Software and Services (1982). Group revenue increased 12% to \$19.1m and operating profit by 41% to \$1.5m. Within this, there was particularly strong growth in the Distribution & Professional Consulting Services division. Cash flow from operations increased 22% to \$2.6m and H1 cash was \$5.7m, supporting the progressive dividend policy. Management reports a positive outlook across all three divisions and we make no change to forecasts. Given sterling's weakness, the shares are now yielding an attractive 7.5% in FY19 and 9.3% in FY20 and trading on an EV/EBITDA of 4.2x in FY19 and 3.6x FY20. Our fair value of 38p/share represents a prospective PER of 13.3x in FY19 and 11.6x in FY20 and a 72% upside to the current price.

- Group performance** – Revenue increased 11.8% to \$19.1m with a standout performance in the Distribution division (revenue +44.3% on a restated basis to \$5.6m) as projects where it has designed solutions have started to mature. Mottech continued to grow (+7.5% to \$7.7m). Revenue declined 3.9% to \$5.9m in Antennas with some slowdown in broadband antenna sales that was not fully offset by growth in 5G millimeter wave. A 100bps improvement in group gross margin and good cost control resulted in EBIT increasing 40.9% to \$1.5m and EBIT margin was 7.8% (H1 FY18: 6.2%). Positive movements in working capital resulted in net cash from operations of \$2.6m (H1 FY18: \$2.1m). This was used partly to fund the FY18 dividend (\$1.3m). Shareholders' equity grew to \$20.7m (H1 FY18: \$19.3m), equivalent to 19.5p/share.

- Outlook** – Management reports a significant growth in its order book across all three divisions with demand for efficient water management solutions, increased defence budgets and demand for broadband. The testing with OEM vendors of its 5G antenna offering is ongoing and MTI is seeing substantial interest as MNOs plan and implement network upgrades in order to address the ongoing growth in demand for network capacity. This represents a major growth opportunity.

- Parkland acquisition** – In July, MTI acquired 50% of Parkland Australia, the Australian distributor of its IRRInet-based water management system. The acquisition is expected to be earnings' enhancing in its first full year and Australia represents a significant growth market across multiple sectors (agriculture, water distribution, municipal and commercial landscape) as well as wastewater and storm-water reuse. There is also scope to increase the Parkland product offering.

Year End: December

(\$'000)	2016A	2017A	2018A	2019E	2020E
REVENUE	23,276	34,653	35,471	39,816	43,446
ADJ. EBITDA	2,138	3,062	3,513	4,349	4,934
ADJ. PBT	1,206	2,448	2,650	3,609	4,174
ADJ. EPS (p)	1.50	1.91	2.23	2.85	3.27
NET CASH (\$m)	1,962	3,695	4,393	5,192	5,919
YIELD (%)	3.7	7.5	5.6	7.5	9.3
PER (x)	14.8	11.6	9.9	7.8	6.8

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

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