

Corporate

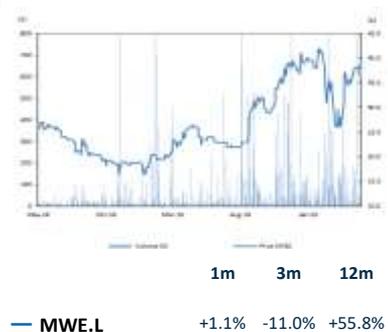
 Current price **36.5p**

 Sector **TMT**

 Code **MWE.L**

 AIM **AIM**

Share Performance



Source: Thomson Reuters, Allenby Capital

Share Data

 Market Cap (£m) **32.1**

 Shares in issue (m) **87.9**

 52 weeks High Low
42p 22p

 Financial year end **31 December**

Source: Company Data, Allenby Capital

Key Shareholders

Borovitz Family 34.6%

Beer Family 11.2%

Directors & PDMR 6.9%

Miton Asset Management 7.0%

Herald Investment Man. Ltd 4.5%

Source: Company Data, Allenby Capital

David Johnson

0203 394 2977

d.johnson@allenbycapital.com

www.allenbycapital.com

MTI Wireless Edge Ltd (MWE.L)

Q1 results: Solid start to FY20

Today's Q1 update indicates a solid start to FY20 at MTI Wireless Edge, the provider of communications and radio frequency solutions, with revenue +5% to \$9.6m and EBIT +40% to \$0.8m, reflecting gross margin improvement and operating leverage. Finance expenses were higher than usual given significant FX rate movements caused by COVID-19 and some of this has already reversed. Cash generation was good at \$1.3m and Q1 net cash was \$8.6m. MTI operates across multiple geographies and sectors and this has afforded some protection against COVID-19 as different countries have introduced/withdrawn restrictions, as evidenced by the recent Mottech customer wins in China. Management reports a good order book and sales pipeline across its three divisions and MTI is positioned to capitalise on three global trends: 5G adoption, climate change and increased defence spending. Although the outlook remains uncertain, forecasts and 46p/share fair value, equivalent to 13x FY21 EPS, remain unchanged.

- Q1 performance** – Revenue increased 5% to \$9.6m. Within this, there was growth in each division: Antenna (+4% to \$2.9m), Mottech (+5.0% to \$3.7m) and Distribution (+7% to £2.9m). Gross margin increased 40bps to 32.6% and lower R&D and distribution costs resulted in operating profit increasing 40% to \$0.8m, equivalent to an 8.8% EBIT margin (Q1 FY19: 6.6%). The weakness of some currencies against the US dollar during Q1 contributed to an increase in finance expenses (\$140k versus \$68k) and translation of statements of foreign operations (\$278k). These are generally non-cash items and some of the weakness has already reversed. Cash generation was flat at \$1.3m and period net cash was \$8.6m. The FY19 dividend of \$1.8m was paid in April.
- Operating performance** – Management reports a good order book and pipeline of opportunities across all three divisions. In April, MTI announced several contracts at Mottech for water irrigation systems in China totalling \$0.5m. This represents a core growth market for the company and is evidence that the Chinese market has re-opened post COVID-19. There was also a \$0.9m service agreement renewal for Mottech in Israel (March), a \$1.5m distribution contract for MTI Summit in Russia (February) and \$0.6m follow on order for MWE's military antennas (January).
- Outlook** – Management believes that there will be significant medium-term demand for its 5G backhaul products as network operators increase network data capacity to meet the demands of flexible and remote working. MTI is not immune to COVID-19, however, as travel and health restrictions are impacting supply chains as well as customers' ability to upgrade networks and installations. That said, MWE has resumed working in most of its facilities and it is seeing the majority of its markets recover.

Year End: 31 December

(\$'000)	2017A	2018A	2019A	2020E	2021E
REVENUE	34,653	35,471	40,043	43,458	45,914
ADJ. EBITDA	3,062	3,513	4,432	5,170	5,721
ADJ. PBT	2,448	2,650	3,409	4,270	4,881
ADJ. EPS (p)	1.89	2.21	2.70	3.21	3.67
NET CASH	3,695	4,393	7,687	7,653	8,508
EV/EBITDA (x)	11.6	9.9	7.1	6.1	5.4
YIELD (%)	4.5%	3.4%	4.5%	5.6%	6.2%

Allenby Capital acts as Nomad & 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.

Allenby Capital, 5 St Helen's Place London EC3A 6AB, +44 (0)20 3328 5656, www.allenbycapital.com