

Corporate

 Current price **50.5p**

 Sector **TMT**

 Code **MWE.L**

 Listing **AIM**

Share Performance


% Change

	1m	3m	12m
MWE.L	+6.8	-13.7	-33.6

Source: Thomson Reuters, Allenby Capital

Share Data

 Market Cap (£m) **44.7**

 Shares in issue (m) **88.5**

52 weeks (p)	High	Low
	82.5	45

 Financial year end **31 December**

Source: Company Data, Allenby Capital

Key Shareholders

Borovitz Family 31.6%

Beer Family 10.3%

Directors & PDMRs 6.3%

Herald Investment Man. Ltd 5.0%

Premier Miton Asset Man. 5.0%

Source: Company Data, Allenby Capital

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MTI Wireless Edge Ltd (MWE.L)

All divisions remain well placed for FY23 and beyond

Good Q3 update from MTI Wireless Edge Ltd (MWE.L), the technology group focused on comprehensive communication and radio frequency solutions across multiple sectors. Each division (MTI Summit, Antenna and Mottech) demonstrated revenue growth and remained profitable. Overall, 9m revenue +8% to \$34.8m and EBITDA +14% to \$4.6m. Net cash remains a healthy \$5.2m, despite payment of the final dividend, the PSK acquisition and Russian exit. Q4 has started well with two contract wins already announced for the Antenna division in India and Israel worth \$1.2m in total. India represents a major opportunity for MTI's 5G backhaul solution given the number of Eband towers that will be required. The PSK acquisition is bedding in well and it secured the group's largest ever contract in July with the Israeli Ministry of Defence. All three divisions remain well placed. No change to P&L forecasts or 90p/share fair value.

- Financial performance:** 9m revenue +8% to \$34.8m. Within this, revenue in Antenna was essentially flat at \$8.6m, Mottech +5% to \$13.7m and MTI Summit +19% to \$12.4m. This included the contribution from P.S.K. WIND Technologies that more than offset MTI's decision to dispose of its Russian operations in March. Each division remained profitable and overall EBITDA increased 14% to \$4.6m, implying a 60bps increase in margin to 13.2%. The balance sheet remains strong with net cash of \$5.2m, similar to H1, and YTD includes the final dividend (\$2.5m), PSK (\$1.4m) and Russia exit (\$2.8m). MTI will continue to look to grow organically and via acquisition. The difference in the payment terms at PSK (90 days) and the Russian subsidiary (cash in advance) lead to changes to our cash forecasts.
- Antennas:** Investment in 5G networks is now coming through and MTI's Antenna division is working with five of the seven leading OEM manufacturers and almost all the radio manufacturers, via its new ABS antenna solution. October's contract for MTI's 5G backhaul solution is potentially very significant as India recently completed its 5G auction and a nationwide roll out would require a huge number of Eband towers. The orders, with an existing customer, are worth \$0.65m and scheduled for this quarter and MTI, with its local presence, is well positioned to capitalise on the opportunity.
- MTI Summit:** PSK has been successfully integrated and it secured the Group's largest contract to date, worth \$10m over seven years. As anticipated, PSK has enabled MTI Summit to increase recurring revenue from service and maintenance contracts and moved it up the value chain in the Israeli defence market by enabling it to offer turnkey solutions as well as components.
- Mottech:** saw good renewals from key municipality customers plus successful price increases. There is potential for further growth in fountain management, good progress in Italy and the successful launch of the ICC Pro Autopilot, the first AgroGation system.

Year End: 31 December

(\$'000)	2020	2021	2022E	2023E	2024E
REVENUE	40,893	43,184	46,506	49,020	52,057
ADJ. EBITDA	5,085	5,401	5,649	6,065	6,558
ADJ. PBT	4,056	4,038	4,549	4,975	5,418
ADJ. EPS (c)	3.83	4.07	4.10	4.44	4.75
NET CASH	9,435	12,536	6,404	8,114	9,304
EV/EBITDA (x)	8.3	7.3	8.0	7.2	6.5
YIELD (%)	4.3%	4.7%	5.1%	5.6%	6.3%

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 ended December (\$000s)	2019A	2020A	2021A	2022E	2023E	2024E
Revenue	40,043	40,893	43,184	46,506	49,020	52,057
<i>Growth</i>	12.9%	2.1%	5.6%	7.7%	5.4%	6.2%
Gross Profit	12,796	13,077	13,499	14,789	15,686	16,658
<i>Margin</i>	32.0%	32.0%	31.3%	31.8%	32.0%	32.0%
Total administrative and operating expenses	-9,337	-9,001	-9,074	-10,090	-10,571	-11,101
<i>Growth</i>	2.3%	-3.6%	0.8%	11.2%	4.8%	5.0%
EBIT	3,459	4,076	4,425	4,699	5,115	5,558
<i>Margin</i>	8.6%	9.7%	10.2%	10.1%	10.4%	10.7%
EBITDA	4,432	5,085	5,401	5,649	6,065	6,558
<i>Margin</i>	11.1%	12.4%	12.5%	12.1%	12.4%	12.6%
Profit before tax	3,409	4,056	4,038	4,549	4,975	5,418
Shares in issue (diluted)	87.2	88.1	88.5	88.5	88.5	88.5
EPS (diluted) (cents)	3.3	3.8	4.1	4.1	4.4	4.8
DPS (cents)	2.0	2.5	2.8	3.0	3.3	3.7
Cash Flow						
Year ended December (\$000s)	2019A	2020A	2021A	2022E	2023E	2024E
Operating profit before movements in working capital	4,414	5,149	5,042	5,657	6,065	6,558
Cash generated from operating activities	6,395	4,507	7,586	2,327	5,920	6,129
Net cash flow from investing activities	-699	-447	-736	-4,762	-550	-550
Net cash flow from financing activities	-2,211	-2,327	-2,815	-2,731	-3,100	-3,365
Net increase/(decrease) in cash and cash equivalents	2,688	1,224	3,042	-6,132	1,709	1,190
Cash and cash equivalents at end of period	8,140	9,577	12,572	6,290	7,999	9,189
Net cash	7,687	9,435	12,536	6,404	8,114	9,304
Balance sheet						
Year ended December (\$000s)	2019A	2020A	2021A	2022E	2023E	2024E
Non-current assets	7,023	6,623	7,582	11,256	10,832	10,359
Inventories	5,748	6,399	6,849	6,976	7,255	7,600
Trade and other receivables	9,799	10,658	10,628	11,626	12,010	12,754
Other current assets (excluding cash)	3,538	2,875	3,312	3,300	2,800	2,600
Cash and cash equivalents	8,140	9,577	12,567	6,435	8,145	9,335
Total current assets	27,225	29,509	33,356	28,338	30,210	32,289
Total assets	34,248	36,132	40,938	39,594	41,042	42,648
Non-Current Liabilities	-1,277	-1,069	-1,341	-2,323	-1,873	-1,423
Trade and other payables	-9,139	-9,192	-12,241	-10,149	-10,667	-11,328
Other current liabilities	-542	-318	-345	-273	-273	-273
Total current liabilities	-9,681	-9,510	-12,586	-10,422	-10,940	-11,601
Total liabilities	-10,958	-10,579	-13,927	-12,745	-12,813	-13,024
Net assets	23,290	25,553	27,011	26,848	28,229	29,625

Source: Company; Allenby Capital

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