

## Corporate

 Current price **42.5p**

 Sector **TMT**

 Code **MWE.L**

 Listing **AIM**

### Share Performance


**% Change**

	<b>1m</b>	<b>3m</b>	<b>12m</b>
<b>MWE.L</b>	-0.9	-14.0	-26.6

Source: Thomson Reuters, Allenby Capital

### Share Data

 Market Cap (£m) **37.6**

 Shares in issue (m) **88.5**

52 weeks (p)	High	Low
	<b>62.0</b>	<b>42.0</b>

 Financial year end **31 December**

Source: Company Data, Allenby Capital

### Key Shareholders

Borovitz Family 31.6%

Beer Family 10.3%

Directors &amp; PDMRs 6.3%

Herald Investment Man. Ltd 5.0%

Premier Miton Asset Man. 5.0%

Source: Company Data, Allenby Capital

### David Johnson

0203 394 2977

d.johnson@allenbycapital.com

[www.allenbycapital.com](http://www.allenbycapital.com)

## MTI Wireless Edge Ltd (MWE.L)

### *Diversification offers multiple growth opportunities*

Interims from MTI Wireless Edge Ltd, the technology group focused on comprehensive communication and radio frequency solutions, demonstrate the value of its diversified model, given ongoing global macro headwinds. Antennas benefited from increased defence sales and this should continue into H2 and beyond. This offset a softer commercial market and somewhat sporadic 5G progress, though the opportunity here remains substantial. Slippage in two PSK projects resulted in MTI Summit revenue down 5% but one is now complete and the other underway. Overall H1 revenue +2% on a constant currency basis to \$22.4m but down 1% on a reported basis given the dollar's strength against the Shekel. This FX strength, plus price increases, resulted in an 1ppt increase in GM to 32% and operating profit was flat at \$2.2m. Balance sheet remains strong with net cash of \$6.2m (FY22: \$8.1m), equivalent to 5p/share. P&L forecasts and 90p/share fair value, equivalent to an FY24 EV/EBITDA of 13.8x, remain unchanged.

— **H1 financial performance:** Revenue +2% on a constant currency basis to \$22.4m. Within this, Antennas +2.5% to \$5.8m as increased defence sales more than offset a softer commercial market. Mottech declined 1.9% to \$8.7m, mainly a function of FX, but Q3 has started well, and the pipeline looks positive with Italy and France performing well. MTI Summit fell 4.6% to \$8.0m, as two PSK defence projects slipped into H2. One is now complete and the second underway. FX and price increases resulted in a 1ppt increase in gross margin to 32% and operating profit remained flat at \$2.2m. EPS +9% to 1.99 cents. Net cash reduced \$1.8m to \$6.4m but this included the dividend payment (\$2.7m) and \$0.2m spent on Treasury shares.

— **Operational highlights:** Antennas saw new orders in military for existing product lines and requests for new solutions, across new and existing customers. MTI's innovative ABS antenna for 5G backhaul is being evaluated by three tier one radio manufacturers and two tier two customers. The opening of the Indian market for E-Band 5G backhaul has created a substantial multi-year opportunity, although orders remain sporadic, and MTI recently established a new local subsidiary. The Mottech division secured two longer contracts in April with an existing customer, a large Israeli municipality, worth \$2.2m over five years, and fountain control also offers growth opportunities in an adjacent market.

— **Outlook:** MTI's three divisions all enjoy strong medium term growth drivers – increased defence spending (Antennas and MTI Summit), water scarcity (Mottech) and the ongoing 5G roll out (Antennas). The outlook for defence is particularly strong (representing c. 44% of group H1 revenue (FY22: c. 37%)) and MTI's design wins typically result in multi-year revenue opportunities. Forecasts remain unchanged with H2 growth expected at the top and bottom lines and the current share price fails to reflect MTI's growth potential.

### Year End: 31 December

(\$'000)	2020	2021	2022	2023E	2024E
<b>REVENUE</b>	40,893	43,184	46,270	49,062	52,055
<b>ADJ. EBITDA</b>	5,085	5,401	6,038	6,133	6,553
<b>ADJ. PBT</b>	4,056	4,038	4,317	4,793	5,213
<b>ADJ. EPS (p)</b>	3.83	4.07	4.21	4.28	4.57
<b>NET CASH</b>	9,435	12,536	8,138	9,390	10,806
<b>EV/EBITDA (x)</b>	7.5	6.5	6.6	6.3	5.6
<b>YIELD (%)</b>	4.6%	5.1%	5.6%	5.9%	6.3%

Source: Company; Allenby Capital. Allenby Capital acts as Nomad &amp; Joint Broker to MTI Wireless Edge Ltd (MWE.L).

Please refer to the last page of this communication for all required disclosures and risk warnings.

**Exhibit 1: Summary financials****Income statement**

<b>Year End December (\$000s)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>
<b>Revenue</b>	<b>40,893</b>	<b>43,184</b>	<b>46,270</b>	<b>49,062</b>	<b>52,055</b>
<i>Growth</i>	2.1%	5.6%	7.1%	6.0%	6.1%
Gross Profit	13,077	13,499	14,590	15,700	16,657
<i>Margin</i>	32.0%	31.3%	31.5%	32.0%	32.0%
Total administrative and operating expenses	-9,001	-9,074	-9,998	-10,767	-11,305
<i>Growth</i>	-3.6%	0.8%	10.2%	7.7%	5.0%
EBIT	4,076	4,425	4,592	4,933	5,353
<i>Margin</i>	9.7%	10.2%	9.9%	10.1%	10.3%
<b>Adj. EBITDA</b>	<b>5,085</b>	<b>5,401</b>	<b>6,038</b>	<b>6,133</b>	<b>6,553</b>
<i>Margin</i>	12.4%	12.5%	13.0%	12.5%	12.6%
<b>Adj. Profit before tax</b>	<b>4,056</b>	<b>4,038</b>	<b>4,317</b>	<b>4,793</b>	<b>5,213</b>
Shares in issue (diluted)	88.1	88.5	88.4	88.4	88.4
<b>EPS (diluted) (cents)</b>	<b>3.8</b>	<b>4.1</b>	<b>4.2</b>	<b>4.3</b>	<b>4.6</b>
<b>DPS (cents)</b>	<b>2.5</b>	<b>2.8</b>	<b>3.0</b>	<b>3.2</b>	<b>3.4</b>

**Cash Flow**

<b>Year End December (\$000s)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>
<b>Operating profit before movements in working capital</b>	<b>5,149</b>	<b>5,042</b>	<b>5,700</b>	<b>6,133</b>	<b>6,553</b>
Cash generated from operating activities	4,507	7,586	4,031	6,031	6,232
Net cash flow from investing activities	-447	-736	-4,749	-550	-550
Net cash flow from financing activities	-2,327	-2,820	-2,969	-3,106	-3,283
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,224</b>	<b>3,037</b>	<b>-4,127</b>	<b>1,252</b>	<b>1,416</b>
<b>Cash and cash equivalents at end of period</b>	<b>9,577</b>	<b>12,567</b>	<b>8,279</b>	<b>9,531</b>	<b>10,947</b>
<b>Net cash</b>	<b>9,435</b>	<b>12,536</b>	<b>8,138</b>	<b>9,390</b>	<b>10,806</b>

**Balance sheet**

<b>Year End December (\$000s)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>
<b>Non-current assets</b>	<b>6,623</b>	<b>7,582</b>	<b>10,633</b>	<b>9,933</b>	<b>9,233</b>
Inventories	6,399	6,849	7,757	7,850	8,068
Trade and other receivables	10,658	10,628	11,035	12,020	12,753
Other current assets (excluding cash)	2,875	3,312	2,753	2,800	2,600
Cash and cash equivalents	9,577	12,567	8,279	9,531	10,947
<b>Total current assets</b>	<b>29,509</b>	<b>33,356</b>	<b>29,824</b>	<b>32,201</b>	<b>34,369</b>
<b>Total assets</b>	<b>36,132</b>	<b>40,938</b>	<b>40,457</b>	<b>42,134</b>	<b>43,602</b>
<b>Non-Current Liabilities</b>	<b>-1,069</b>	<b>-1,341</b>	<b>-2,585</b>	<b>-2,135</b>	<b>-1,685</b>
Trade and other payables	-9,192	-12,241	-9,366	-10,342	-10,973
Other current liabilities	-318	-345	-468	-293	-293
<b>Total current liabilities</b>	<b>-9,510</b>	<b>-12,586</b>	<b>-9,834</b>	<b>-10,635</b>	<b>-11,266</b>
<b>Total liabilities</b>	<b>-10,579</b>	<b>-13,927</b>	<b>-12,419</b>	<b>-12,770</b>	<b>-12,951</b>
<b>Net assets</b>	<b>25,553</b>	<b>27,011</b>	<b>28,038</b>	<b>29,364</b>	<b>30,561</b>

Source: Company; Allenby Capital

## Disclaimer

Allenby Capital Limited (“Allenby”) is incorporated in England no. 6706681; is authorised and regulated by the Financial Conduct Authority (“FCA”) (FRN: 489795) and is a member of the London Stock Exchange. This communication is for information only it should not be regarded as an offer or solicitation to buy the securities or other instruments mentioned in it. It is a marketing communication and non-independent research and has not been prepared in accordance with the legal requirements designed to promote the independence of investment research, and is not subject to any prohibition on dealing ahead of the dissemination of investment research. The cost of Allenby research product on independent companies is paid for by research clients. The content of this promotion has not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000. Reliance on this promotion for the purpose of engaging in any investment activity may expose an individual to a significant risk of losing all of the property or other assets invested.

This communication is for the use of intended recipients only and only for distribution to investment professionals as that term is defined in article 19(5) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. Its contents are not directed at, may not be suitable for and should not be relied upon by anyone who is not an investment professional including retail clients. Any such persons should seek professional advice before investing. For the purposes of this communication Allenby is not acting for you, will not treat you as a client, will not be responsible for providing you with the protections afforded to clients, and is not advising you on the relevant transaction or stock. This communication or any part of it do not form the basis of and should not be relied upon in connection with any contract.

Allenby uses reasonable efforts to obtain information from sources which it believes to be reliable. The communication has been prepared without any substantive analysis undertaken into the companies concerned or their securities, and it has not been independently verified. No representation or warranty, express or implied is made, or responsibility of any kind accepted by Allenby its directors or employees as to the accuracy or completeness of any information in this communication. Opinions expressed are our current opinions as of the date appearing on this material only and are subject to change without notice. There is no regular update series for research issued by Allenby.

No recommendation is being made to you; the securities referred to may not be suitable for you and this communication should not be relied upon in substitution for the exercise of independent judgement. Neither past performance or forecasts are a reliable indication of future performance and investors may realise losses on any investment. Allenby shall not be liable for any direct or indirect damages including lost profits arising from the information contained in this communication. Allenby is acting only for the subject of this research and is not acting for you. Allenby will not treat you as a client, will not be responsible for providing you with the protections afforded to clients, and is not advising you on the relevant transaction or stock.

Allenby and any company or persons connected with it, including its officers, directors and employees may have a position or holding in any investment mentioned in this document or a related investment and may from time to time dispose of any such security or instrument. Allenby may have been a manager in the underwriting or placement of securities in this communication within the last 12 months, have received compensation for investment services from such companies within the last 12 months, or expect to receive or may intend to seek compensation for investment services from such companies within the next 3 months. Accordingly, recipients should not rely on this communication as being impartial and information may be known to Allenby or persons connected with it which is not reflected in this communication. Allenby has a policy in relation to management of conflicts of interest which is available upon request.

This communication is supplied to you solely for your information and may not be reproduced or redistributed to any other person or published in whole or part for any purpose. It is not intended for distribution or use outside the European Economic Area except in circumstances mentioned below in relation to the United States. This communication is not directed to you if Allenby is prohibited or restricted by any legislation or registration in any jurisdiction from making it available to you and persons into whose possession this communication comes should inform themselves and observe any such restrictions.

Allenby may distribute research in reliance on Rule 15a-6(a)(2) of the Securities and Exchange Act 1934 to persons that are major US institutional investors, however, transactions in any securities must be effected through a US registered broker-dealer. Any failure to comply with this restriction may constitute a violation of the relevant country's laws for which Allenby does not accept liability. By accepting this communication, you agree that you have read the above disclaimer and to be bound by the foregoing limitations and restrictions.

David Johnson is the author of this research 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 and disclosure in relation to interests or conflicts of interests can be found at [www.allenbycapital.com](http://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](http://www.allenbycapital.com)**