

## Technology hardware

52-WEEK HIGH	27.50p
52-WEEK LOW	15.00p
PRICE	23.00p
MARKET CAP MLN	£20.12
NET CASH (MLN)	\$5.25

## Share Price



## Major Shareholders

Borovitz family entities - 34.7%	
Beer family - 11.3%	
Directors and PDMRs - 6.9%	
NAV (MLN)	\$21.44
Primary Index	AIM

## Company Information

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## Analyst Details

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## MTI Wireless Edge - Expanding irrigation opportunity

### Parkland acquisition - accretive to the P&L, strategically valuable

MTI Wireless Edge (LON:MWE) recently announced the acquisition of a 50% stake in Parkland Australia, a value added reseller of MTI's smart irrigation systems.

We are increasing our revenue and earnings per share (EPS) forecasts by 1% for 2019e and 2% for 2020e to reflect the acquisition (table on p2 summarises).

Strategically, the acquisition expands MTI's presence in Australia, a major global market for smart irrigation. We believe that the largest markets for MTI in the irrigation space currently are Israel, North America, South Africa, and China, with Australia adding a potentially significant new avenue for growth.

### Overall progress of the business remains strong

We understand that the overall progress of the group remains firmly on track for 2019e. We are maintaining forecasts for revenue growth of 10%, and EPS growth of 26%. Furthermore, we continue to expect an increase in the dividend, representing a dividend yield of 5.7%, and a strong net cash position on the balance sheet.

Revenue growth is driven by positive performance across all three operating divisions. We provide a summary of the three businesses on p2.

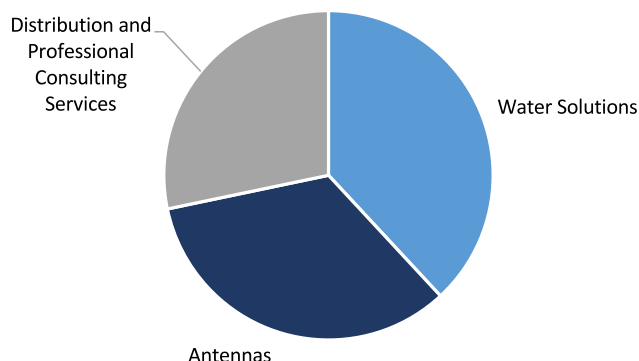
### Share price - strong performer YTD, but still a very undemanding valuation

The MTI share price has increased 53% from its low point of January 2019. However, the shares remain on a price/earnings ratio of only 8.6x for 2019e and 7.0x for 2020e. With structural growth drivers across all three divisions and a strong balance sheet, we would argue for a P/E of at least 10x for 2020e. As the market continues to become more familiar with the enlarged MTI Wireless Edge (following the August 2018 merger) we see scope for further re-rating.

Year end Dec 31	2017	2018	Current	2020
Revenue (\$M)	34.65	35.47	39.52	42.22
EBITDA (US\$M)	3.05	3.51	4.49	5.21
EPS ( US cents)	2.3	2.7	3.5	4.2
DPS ( cents)	2.0	1.5	1.7	1.8
Dividend yield	6.7%	5.0%	5.7%	6.0%

**Moni Borovitz - Chief Executive Officer.** Borovitz is a certified public accountant. He holds a BA from Tel Aviv University and an MBA from Ben Gurion University.

## Revenue by division, 2019e



Source: Capital Network forecast

The chart above shows our forecast for MTI Wireless Edge revenues by division for 2019e. The divisions can be summarised as follows:

**Water Solutions:** Provides wireless remote control solutions for water management and irrigation applications, including agricultural, municipal and water distribution applications.

Demand remains strong globally for smart irrigation systems. During 2019 the business has secured its largest ever order, a breakthrough order for irrigation control systems into the Chinese market. The Parkland acquisition further extends the geographic presence in Asia/Pacific.

**Antennas:** Supplies antennas for both military and commercial markets from 100 KHz to 90 GHz.

Demand drivers include 5G wireless infrastructure in the civil communications sector and increasing budgets among major military customers. The outlook remains positive.

**Distribution & Professional Consulting Services:** Consultation services specialising in RF and Microwave solutions and applications into the Israeli and Russian markets, and also design and integration of aerostat operation systems, used for surveillance and border control.

Revenue for the division has grown strongly in 2019 as previously announced projects matured into revenue generation. A recent new order for aerostat systems will deliver additional revenues in the coming quarters.

## Earnings revisions to reflect the Parkland deal

	2019 old	2019 new	Change	2020 old	2020 new	Change
Revenue US\$mln	39.0	39.5	1.3%	41.2	42.2	2.4%
EPS (cent)	3.43	3.47	1.2%	4.07	4.15	2.0%

Source: Capital Network

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