

MTI Wireless Edge Ltd

("MTI" or the "Company")

Final results for 2019

MTI Wireless Edge Ltd (AIM: MWE), the technology group focused on comprehensive communication and radio frequency solutions across multiple sectors, today announces its audited results for the year ended 31 December 2019.

HIGHLIGHTS

Strong Financial Performance

- Delivered solid revenue growth, up by 13% to \$40.0m (2018: \$35.5m)
- Performance reflects the benefits of increasing scale and improved profit margins, leading to a 29% increase in profit before tax to \$3.4m (2018: \$2.65m)
- Earnings per share increased by 21% to 3.27 US cents (2018: 2.70 US cents)
- Generated \$5.6m of cash from operations (2018: \$2.3m), increasing net cash to \$7.7m on 31 December 2019 (31 December 2018: \$4.4m)
- Shareholder's equity grew to \$22.3m on 31 December 2019 (31 December 2018: \$20.6m) representing 19.7p per share (*Calculated at £/\$ rate of 1.29*)
- Dividend of \$0.02 per share (2018: \$0.015 per share) declared
- Ongoing successful share repurchase programme contributed to tripled average daily share trading in 2019

Operational Growth Drivers

- Good demand for MTI's comprehensive solutions across multiple geographies and sectors
- No single customer generated more than 7% of revenues and income is spread across three divisions
- Macro trends underpinned growth in 2019 and are expected to continue into 2020 and beyond, namely:
 - Climate change and water shortages are driving demand for Mottech's water management solutions;
 - Increases in defence spending globally and MTI's Indian offset solution led to growth in military antenna sales and solutions;
 - The move by mobile operators to next generation 5G networks is driving requests for tests / early deployments of MTI's 5G backhaul antennas from large OEM suppliers.
- Successful acquisition of a 50% shareholding in Parkland, Australia. The Group continues to assess other similar value enhancing acquisition opportunities

Moni Borovitz, Chief Executive Officer of MTI Wireless Edge, said "This is an excellent result for 2019 and we are well placed for 2020. Our business is diversified across several markets with a core focus on providing radio frequency solutions. We will continue to seek to expand through a mix of acquisition led and organic growth."

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About MTI

MTI Wireless Edge Ltd ("MTI" or the "Company") (AIM: MWE.L) has established over the last 50 years its reputation as a global provider of comprehensive radio frequency communication solutions across multiple sectors through three core divisions:

Antennas: A one stop shop for the sale of 'off the shelf' flat and parabolic antennas, combined with the provision of custom-developed antenna solutions to a range of commercial and military customers, with a growing focus on providing 5G backhaul antenna solutions to support mobile phone operators as they roll-out their 5G networks.

Water Control & Management: This division provides wireless control systems to manage agricultural irrigation and water distribution for municipal authorities and commercial entities. It operates under the Mottech brand and utilises hardware technology from Motorola, integrated with the Company's own proprietary management software. Mottech's solutions reduce water and power usage whilst providing clients with higher revenue from accurate irrigation, leading to more and better quality crops and plants being grown.

Distribution & Professional Consulting Services: Operating under the MTI Summit Electronics brand, this division exclusively represents 40 international suppliers of radio frequency/microwave components and sells these products to Israeli and global customers. Expert knowledge of both the international suppliers and customers further enables MTI to act as a consultant to all parties and assist with devising complete radio frequency/microwave solutions.

MTI is based in Israel, India, USA, South Africa, Russia, Australia and China. As at 31 December 2019, MTI had a total of 212 employees.

CHAIRMAN'S STATEMENT

Introduction

As we enter our 50th year, I am very pleased to report our audited results for the financial year ended 31 December 2019, led by record revenues of \$40.0m and profit before tax of \$3.4m. This is an excellent result for the Company and a reflection of the increasing demand for our comprehensive solutions from our global customer base.

MTI is a well-established, cash generative, expert in the field of radio frequency communication. We provide comprehensive solutions across multiple sectors to hundreds of customers globally. Our success, in the large part, stems from the knowledge and expertise accumulated over the past 50 years within our management team and across the businesses, which enables us to deliver the technical solutions that clients are seeking.

Trading overview

In 2019 the Company experienced high growth, with both revenues up 13% and profit before tax up 29%, with these increases coming primarily from organic growth. In particular, MTI's Distribution and Consultation division benefited from customers recently deploying technical design solutions that have been introduced by MTI over the last number of years. There is an encouraging order-book from design solution wins, which are maturing into profitable sales, and of course, the team continues to propose new design solutions to a range of clients.

Water Control & Management had another strong year. We completed the acquisition of 50% of Parkland Australia, which contributed positively in the second half of 2019 and Parkland Australia is well placed to expand in 2020. Climate change and water scarcity is driving demand for our solutions and as a result there are exciting opportunities to expand this business in both existing and new markets.

The Antenna division recorded record sales of military antenna. However, overall revenues were held back as the telecoms industry transitions to adopting 5G networks which we believe will continue in 2020, with further testing and early deployments of MTI's technology after which hopefully material sales of 5G- equipment are expected to begin.

Dividend

Reflecting the strength of the Company's trading performance the Board is pleased to declare a final dividend of \$0.02 per share representing a 33% increase (2018: \$0.015). The dividend will be paid on 3 April 2020 to shareholders on the register at the close of trading on 20 March 2020 (ex-dividend on 19 March 2020). There will not be scrip dividend alternative.

Share Buyback Programme

In January 2019 the Company announced a share buyback programme up to a maximum value of £150,000. The objective of this programme is to assist with trading liquidity, by holding purchased shares in treasury and selling blocks of shares to institutional shareholders, subject to demand and price.

Cash generated from any resales of purchased shares has been reused for further share purchases, and this policy will continue to be as long the programme is in place. The programme commenced on 28 January 2019 for an initial term of six months and has been renewed twice so far, being currently valid until 26 July 2020. It has been very successful, with average daily share trading in 2019 tripling over 2018 and the Board has therefore decided to continue with the programme. As at 1 March 2020, no shares were held in treasury.

People

I would like to thank our employees for their contribution to the Company and for their dedication and creativity, which has enabled us to achieve these results. I would also like to acknowledge our gratitude to the employees' families for their continued support.

Outlook

MTI is well placed in its key markets, all of which have good macro trends that are likely to drive future growth. Our business has been repositioned and streamlined to focus on taking advantage of the following key trends:

- Demand for next generation 5G networks;
- Global warming and climate change; and
- Increased defence budget spending.

These factors, together with the market reputation and positioning of MTI, has established the Company as an expert in the field of radio frequency and as a partner that is able to develop unique solutions to meet the individual technical needs of our customers. The Board believes that this positions the Group well for 2020 and beyond.

Zvi Borovitz
Chairman

CHIEF EXECUTIVE'S REVIEW

Introduction

It is very pleasing to report such a good set of results in the Company's 50th year. Achieving \$40m in revenues was an internal target and it is highly satisfying to achieve this.

Over the last two years we have reorganised and simplified the business, so that we are now a single company with a single listing on the AIM market of the London Stock Exchange. The response to this, together with the strength of our trading performance, has been positive.

Our aim now is to continue to build our customer base and take advantage of the positive tailwinds supporting our products and services.

Financial Results

Revenues for the twelve months to 31 December 2019 increased by 13% to \$40.0m (2018: \$35.5m), which is a significant uplift and reflects both strong organic growth and contributions from acquisitions.

Gross margin improved by 6%, reflecting the mix of products sold in different markets. Gross margin was also negatively affected by exchange rates (especially due to strengthening of the New Israeli Shekel), which lowered profitability relative to revenue growth.

Nevertheless, profit before tax increased by 29% to \$3.4m (2018: \$2.65m), which demonstrated the scalability of the business and the ability for the businesses' existing infrastructure to support increased revenues. Finance expenses were also lower, as the result of an internal protection on currency exchange and lower levels of bank loans due to the repayment of the Mottech acquisition loan.

These resulted in increased earnings per share, which grew by 21% over 2018 to 3.27 US cents (2018: 2.70 US cents), coupled with strong cash generation from operations of \$5.6m of (2018: \$2.3m), increasing net cash to \$7.7m on 31 December 2019 (31 December 2018: \$4.4m).

Operational Review

Over the last 50 years MTI has established its reputation as a global provider of comprehensive radio frequency solutions across multiple sectors through three core divisions.

Antennas

A one stop shop for the sale of 'off the shelf' flat and parabolic antennas, combined with the provision of custom-developed antenna solutions to a range of commercial and military customers, with a growing focus on providing 5G backhaul antenna solutions to support mobile phone operators as they roll-out their 5G networks.

In 2019, revenues from this division decreased by 5% as the fixed broadband access market slowed whilst the market for 5G backhaul showed good progress, with 10% of antenna revenue coming from 5G backhaul versus 5% in 2018. Demand for 5G backhaul antenna solutions and our unique position of offering both flat antennas and dual band subsystem antennas, helped secure contracts with key customers (with these customers together having a market share of over 30% in the current backhaul market). Our technology and the increased sales had laid good foundations for further tests and early deployments in 2020, with material sales hopefully starting in 2021.

In the military antenna market, sales grew 13% over 2018, boosted by our offset facility in India. MTI's Indian business enables customers to conform to India's Defence Offset Guidelines which dictate, in general, that 30% of any defence contract must be completed in India. We remain optimistic on the future growth of this segment as we continue to see a large pipeline of opportunities for both military antennas and MTI's offset solution.

Water Control & Management

This division provides wireless control systems to manage agricultural irrigation and water distribution for municipal authorities and commercial entities. It operates under the Mottech brand and utilises hardware technology from Motorola, integrated with the Company's own proprietary management software. Our solutions reduce water and power usage, whilst providing higher revenue from accurate irrigation, leading to more and better quality crops and plants being grown.

In 2019, our wireless controller segment revenue grew by 16% in 2019, which has contributed to this division growing over 60% since its acquisition in 2015. The acquisition of 50% of Parkland Australia (now registered as Mottech Parkland) added to our commercial positioning in Australia and the integration of this acquisition was completed during 2019. We believe that this will increase our service offering in Australia in the years to come. Climate change is driving demand for better water management solutions and we remain focused on developing this business segment globally.

Distribution & Professional Consulting Services

Operating under the MTI Summit Electronics brand, this division exclusively represents circa 40 international suppliers of radio frequency/microwave components and sells these products to Israeli and Russian customers. Expert knowledge of both the international suppliers and customers further enables MTI to act as a consultant to all parties and assist with devising complete radio frequency/microwave solutions.

In 2019, this division was the best contributor to the Company's overall revenue, given that it grew its revenues by 33%. The division benefitted from customers adopting design solutions that in some cases were proposed by MTI several years ago. This is a long-term business with some projects lasting over 10 years.

Prospects for this division are good, as there is an encouraging order-book to fulfill this year, coupled with design wins which are creating new orders, and of course, the Company continues to propose new design solutions to a range of clients.

Outlook

MTI is a well-balanced business with a diversified spread of income, both geographically and across multiple markets. We have a clear business focus on providing comprehensive radio frequency solutions to leading technology corporations. The fact that it is our 50th year of operations demonstrates our longevity and our experience, which enables our "first to develop" approach using MTI's intellectual property and licensed technology from leading partners to create unique solutions.

Our financial performance in 2019 showed a significant increase in profit before tax, which increased by 29%, reflecting the benefits of our scalable and risk adjusted business model. Looking ahead, MTI will continue to seek to expand its business through a mix of acquisition-led and organic growth.

Moni Borovitz
Chief Executive Officer

Shareholders should note that the Company will not post hard copies of its audited annual report and accounts for the year ended 31 December 2019 (the "Annual Report") to its shareholders. Shareholders who require a hard copy of the Annual Report may write to the Company at MTI Wireless Edge Ltd Headquarters, 11 Hamelacha St. Afek Industrial Park, Rosh-Ha'Ayin, Israel requesting a hard copy. An electronic version of the Annual Report will shortly be available on the Company's website at the following address: www.mtiwirelessedge.com