

MTI Wireless Edge Ltd

("MTI", the "Company" or the "Group")

Interim results

MTI Wireless Edge Ltd (AIM: MWE), the technology group focused on comprehensive communication and radio frequency solutions across multiple sectors, is pleased to today announce its financial results for the six month period ended 30 June 2022.

Financial highlights

- Good revenue growth, up by 6% to US\$22.7m (H1 2021: US\$21.3m)
- Profit from operations, up by 1% to US\$2.19m (H1 2021: US\$2.175m). In H1 2022 the Company incurred:
 - one off acquisition costs totalling US\$0.1m; and
 - depreciation of intangible assets charges relating to the acquisition totaling US\$0.1m (note – from 2023 the depreciation charge will be 50% lower)
- EBITDA* up 11% to \$2.9m (H1 2021: \$2.6m), with all three divisions contributing positively
- Earnings per share, down by 3% to 0.183 US cents (H1 2021: 1.89 US cents) due to increased finance costs relating to weakness of the Euro and Pound against the US Dollar (as some of the Group's net cash is held in these currencies)
- Balance sheet remains strong with net cash at \$5.2m as of 30 June 2022 (30 June 2021: \$9.7m) after:
 - Payment of 2021 dividend of \$0.028 per share (2020 dividend: \$0.025 per share) on 31 March 2022
 - divesting the Group's Russian business in March 2022;
 - acquiring 51% of PSK; and
 - providing working capital loans to PSK

Cash Flow from operation was flat reflecting the use of strong balance sheet with some vendors and PSK's longer debtor terms.

Operational highlights

- Group has delivered another good operational performance across all three divisions, despite the challenges facing all businesses, in particular scarcity in supply of microchips and increasing costs. The operation highlights include:
 - MTI Summit having another strong 6 months, with high demand from the defence sector and a satisfying start from the newly acquired PSK business
 - Mottech seeing high demand in many geographical areas and softer in others but overall, the order book is strong, including a significant backlog, positioning the division well going forward

- The Antenna division continuing to perform and the 5G market continues to hold significant potential with new relationships being established with most of the market leading OEMs in the sector. Military orders are increasing from both new and existing customers

Moni Borovitz, Chief Executive Officer of MTI Wireless Edge, said:

“This has been a good trading period for the Group, with all divisions making operational profits. In the context of the challenging trading conditions we have faced, including the rising inflation and the difficulties in supply chain (shortage in supply of microchips and shipping costs, which are delaying the delivery of certain orders), the board is very pleased with the results.

“There are some signs of the supply chain issues easing and, as importantly, we have a healthy order book going into the second half of the year and beyond. We have been able to successfully put through a number of price increases which will ensure we can maintain our target profit margins. As a result, we feel confident about the outcome for the full year.”

Moni Borovitz, Chief Executive Officer, will provide a live investor presentation relating to the financial results via the Investor Meet Company (IMC) platform on Monday, 15 August 2022 at 10.00am UK time.

Investors can sign up for free via: <https://www.investormeetcompany.com/mti-wireless-edge-ltd/register-investor>

*Earnings before interest, tax, depreciation and amortization

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Chief Executive's statement

It is pleasing to be able to report a solid set of numbers and a confident outlook for the current year when there are so many challenges facing all businesses. I believe we have been able to do this because our three divisions are all leaders in their respective sectors and the services and expertise they provide all continue to be in high demand. We have intentionally targeted markets which are expanding significantly and as a result our sales have grown and we have been able to pass on, to our customers, most of cost increases that occur in our supply chain. Our order book, coupled to the pipeline of opportunities we have, give us good confidence for the remainder of 2022.

Antenna division

This division is 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.

Operationally the Antenna division has performed robustly over the last six months with sales only slightly lower than 2021. The legacy fixed wireless broadband access market generated steady revenues, but it is the future potential of the 5G market for this division that is increasingly exciting. It is hard to be explicit around timing of revenues, but the division is now working with 5 out of the 7 leading OEMs in the sector. As the roll-out of 5G infrastructure gathers pace the potential for our backhaul solution is significant. Very recently, India completed its 5G auction with a subsequent flurry of customer enquiries around MTI's Indian based manufacturing capabilities, this market is often slow to finalise orders and is price competitive, but the scale is substantial.

As previously reported, alongside the backhaul solution, the Company has developed a 5G automatic beam steering ("ABS") antenna solution, which ensures the antenna adapts to any small movements caused by different climate conditions, including wind or temperature changes. This solution has attracted the interest of most Tier 1 corporations and is currently under development with number of these companies and is therefore further establishing our business within this market.

Military revenues have been slow in the period, mainly due to COVID-19 related delays (some of our customers had only recently returned to full capacity) slowing the projects over the period, but new orders and new enquiry levels are high from both new and existing customers. The conflict in Ukraine has undoubtedly had a knock on effect on military and defence spending by Western Governments which will filter through to both this and the distribution and special consulting services divisions.

With the reputation gained from latest successful projects and the division's existing backlog and pipeline of opportunities the prospects for our military antenna business is strong for the remainder of this year and further out.

Water Control & Management division

This division provides wireless control systems to manage irrigation and water distribution for agriculture, municipal authorities and commercial entities. It operates under the Mottech brand and utilises part of the 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 higher quality crops and plants being grown.

Mottech delivered a solid financial performance in H1, growing revenues and maintaining profits. The global issue of water scarcity and subsequently conservation of this vital resource continues to gain prominence amongst commercial enterprises and Governments throughout the world. The OECD has developed recommendations to help countries improve the sustainability of agriculture by developing cost-effective agricultural policies. The policies are anticipated to boost productivity and reduce environmental damage by incorporating proper irrigation solutions, which is expected to benefit the market growth over the coming years.

Mottech is well placed to capitalize on the increased market demand. In our home market of Israel the Company signed a number of long-term agreements which included material price increases with key municipalities to provide irrigation services for their green spaces. In other regions, especially in developed countries, Mottech continued to perform strongly, expanding its client base and its services to existing clients. As recently announced, Mottech has secured a series of new contract wins in Italy, totaling Euro 1.0m, to be supplied in the coming weeks.

Overall, Mottech is well placed to deliver a solid result for the year.

Distribution & Professional Consulting Services division

Operating under the MTI Summit Electronics brand, this division exclusively represents approximately 40 international suppliers of radio frequency/microwave components and sells these products to Israeli 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.

Once again MTI Summit produced the largest increases in sales and profitability. As mentioned above, the expected military and defence spending by Western Governments will filter through to this division and demand is high for continued development of new wireless/RF commercial solutions in Israel.

The acquisition of 51% of PSK in January 2022 has proven to be immediately successful. The integration is proceeding well and in July 2022 PSK secured the Group's largest ever contract win (worth up to \$10m over the next 7 years) with the Israeli Ministry of Defence. In the short term, PSK will require additional working capital to manage its debtor days, but this is expected to be reduced in time.

The outlook for this division remains very positive with the current order book and is expected to secure a good outcome for this year and is also showing good potential longer term.

Outlook

Given the depth of our order book and the ongoing positive dialogue with our customers across all three divisions we are confident going into the second half of the year. Our products and expertise are in demand because the needs across the markets we cover are high. Financially, our balance sheet remains strong and our cash flow, which slowed during H1 2022, is expected to improve in the second half of the year. Our profitability will also improve now that we have absorbed various one off costs associated with the acquisition of PSK and the disposal of our Russian subsidiary.

Looking ahead we are confident of delivering a successful 2022.

About MTI Wireless Edge Ltd. ("MTI")

Headquartered in Israel, MTI is a technology group focused on comprehensive communication and radio frequency solutions across multiple sectors through three core divisions:

Antenna division

MTI is a world leader in the design, development and production of high quality, state-of-the-art, and cost-effective antenna solutions including Smart Antennas, MIMO Antennas and Dual Polarity Antennas for wireless applications. MTI supplies antennas for both military and commercial markets from 100 KHz to 174 GHz.

Internationally recognized as a producer of commercial off-the-Shelf and custom-developed antenna solutions in a broad frequency range, MTI addresses both commercial and military applications.

MTI supplies directional and omnidirectional antennas for outdoor and indoor deployments, including smart antennas for 5G backhaul, Broadband access, public safety, RFID, base station and terminals for the utility market.

Military applications include a wide range of broadband, tactical and specialized communication antennas, antenna systems and DF arrays installed on numerous airborne, ground and naval, including submarine, platforms worldwide.

Water Control & Management division

Via its subsidiary, Mottech Water Solutions Ltd ("Mottech"), MTI provides high-end remote control and monitoring solutions for water and irrigation applications based on Motorola's IRRInet state-of-the-art control, monitoring and communication technologies.

As Motorola's global prime-distributor Mottech serves its customers worldwide through its international subsidiaries and a global network of local distributors and representatives. With over 25 years of experience in providing customers with irrigation remote control and management, Mottech's solutions ensure constant, reliable and accurate water usage, increase crops quality and yield while reducing operational and maintenance costs providing fast ROI while helping sustain the environment. Mottech's activities are focused in the market segments of agriculture, water distribution, municipal and commercial landscape as well as wastewater and storm-water reuse.

Distribution & Professional Consulting Services division

Via its subsidiary, MTI Summit Electronics Ltd., MTI offers consulting, representation and marketing services to foreign companies in the field of RF and Microwave solutions and applications including engineering services (including design and integration) in the field of aerostat systems and the ongoing operation of Platform subsystems, SIGINT, RADAR, communication and observation systems which is performed by the Company. It also specializes in the development, manufacture and integration of communication systems and advanced monitoring and control systems for the Government and defence industry market.