



15 August 2023

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 2023.

‘Significant improvement in Operating Cashflow - a steady performance and on track for the year’

Financial highlights

- Revenues broadly level at US\$22.4m (H1 2022: US\$22.7m), held back by adverse currency translation. On a constant currency basis revenues increased by 2%
- Gross margin improved 1% to 32% (H1 2022: 31%)
- Profit from operations level at US\$2.19m (H1 2022: US\$2.19m)
- Profit before tax increased 3% to US\$2.1m (H1 2022: US\$2.04m)
- Earnings per share increased 9% to 1.99 US cents (H1 2022: 1.83 US cents)
- Net cash provided by operating activities improved significantly to US\$1.23m (H1 2022: US\$0.037m)
- Strong financial position maintained, with an increase of 20% in net cash at 30 June 2023 to \$6.25m (30 June 2022: \$5.18m)

Operational highlights

- The Antenna division benefitted from increased defence sales and this is expected to continue into the second half of the year and beyond. This helped offset a softer commercial market and, overall, the division grew revenues by 3% and this segment’s profit from operations increased significantly.
- The 5G market opportunity for MTI remains substantial, albeit progress is slow. Relationships with the leading OEMs in the sector are deepening alongside growing interest in the Company’s ABS® antenna solution to counter small mast movements
- Mottech experienced a relatively quiet first half resulting in a 2% decrease in revenue, mainly due to adverse currency translation, but the segment’s profit from operations increased reflecting the updated pricing in its renewed agreements and foreign exchange benefits on export. In Q3 2023 trading has started well and Mottech’s pipeline looks positive with Italy and France, in particular, performing well
- MTI Summit delivered a solid performance, although sales were 5% behind the same period last year. This was due to delays on two key projects being undertaken by the Group’s subsidiary in the defence sector, PSK, which have now moved into the second half of the year. One of these projects is now completed and the second is underway. The segments profit from operations decreased reflecting the shift in revenues, due to these two projects

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

“Our strategy of diversification continues to support the overall positive performance of the business. We are a technology company providing radio frequency solutions but we do so across multiple sectors where we see significant long-term demand such as defence spending, modern water irrigation and the global rollout of the next generation 5G mobile network.

“Being a diverse technology company enables us to adapt to changing market conditions. To date in 2023, defence related orders are currently the fastest growing segment of our business and this trend is expected to continue for some time.

“The results for the first half were held back at the revenue level by the strength of the dollar against the shekel but we also benefitted from this movement, together with successful price increases, at the cost level improving gross margin and ultimately helping earnings per share to increase by 9% in the period. While the commercial market is still challenging, the supply issues experienced last year have dissipated and, with a strong pipeline of opportunities, we remain confident in the growth prospects for the business and the outcome for the 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 Tuesday, 15 August 2023 at 10.00am BST.

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

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Chief Executive's statement

The half year performance is particularly pleasing given the rapid upward interest rate movements during the period which has increased macro-economic volatility and brought some caution into the Group's market. That said, the conflict in Ukraine has meant defence budgets around the world are increasing and this started to be reflected in the Company's first half trading results and will be a key growth driver in the second half of the year and beyond. As a result, while Mottech and some commercial business lines were softer during Q2 2023, demand from defence related orders and the pipeline of opportunities mean we remain in a good position to complete a successful year, underlining the benefit of being a diverse business targeting multiple growth sectors.

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.

The Antenna division had a positive first half of the year with revenue and profit growth. Increasing defence spending was behind the growth in this division, with orders coming from around the globe and we expect further orders to come through in the second half of the year. The conflict in Ukraine has meant Governments are increasing defence budgets and MTI is now seeing increased spending from its customers in the military sector. The Group's expertise in military antennas is well-established and new orders are a mix of existing product lines and requests for new solutions, across both existing and new customers.

5G also remains a substantial driver of future growth. In the first half of the year the market was relatively soft as some cellular operators were more cautious, in some cases slowing the pace of installation, reflecting the macroeconomic environment. However, 5G is being installed worldwide and MTI is well placed to benefit. The ABS® antenna solution which ensures the antenna adapts to any small movements caused by different climate conditions, has brought MTI to the attention of three tier one radio manufacturers and two tier two customers, all of whom are working with MTI to prove-out the Company's system. This interaction further positions the division positively and significantly increases the sales prospects for the 5G backhaul solution.

Last year saw the opening of the Indian market for E-Band 5G backhaul. As anticipated, activity in India remains high and, although orders are sporadic, the size of the market and MTI's position within it bodes well. To that end, in July 2023, the Company established a new subsidiary in India, 'MTI Wireless Communication India Private Limited', to cater to the demand for cutting-edge antennas in India's evolving 5G cellular market.

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 hardware technology from Motorola, integrated with the Company's own proprietary management software. Our solutions reduce water and power usage, whilst providing higher revenues from accurate efficient irrigation, leading to more and higher quality crops and plants being grown.

Mottech experienced a slightly softer market in Q2 2023, partially due to the sharp strengthening of the dollar against the shekel, which reduced the reported USD revenue but, due to costs being in shekels gross margin increased and operating profits were correspondingly higher in the first half of the year. Part of this was due to the division's successful introduction of price increases that have been implemented in 2022 and in 2023. As announced on 19 April 2023, Mottech secured two long-term contract wins with a large Israeli municipality. The municipality is an existing customer and has agreed longer than previous contracts. The two contracts are together worth \$2.2million over the contracted periods with one covering installations and the other provision of services.

During the first half, Mottech generated good demand from Italy and started the third quarter with good demand from France, with the pipeline for both these markets looking encouraging and building on the positive performances in 2022.

Importantly, the fundamentals for this division remain strong, with the problem of water scarcity remaining a key global issue; one which Governments are increasingly recognising. Earlier this year, for the first time in almost 50 years, the United Nations held its first water conference in New York, with a plea for countries to work together to tackle overconsumption, inefficient industrial usage and the climate crisis – or else face more hunger, conflicts and forced migration due to worsening water scarcity. Water scarcity is a very real crisis involving both developed and underdeveloped countries. There are multiple solutions, but a key response is to incorporate modern technology, such as that deployed by Mottech, to dramatically reduce water usage and the associated costs.

Overall, Mottech is well placed to deliver another positive 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 their 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.

MTI Summit delivered a resilient performance despite revenues being 5% lower than the comparable period last year, mainly due to delays with two projects. Both projects were being undertaken by PSK. One of the projects has now been completed and the second is now underway with good prospects to be expanded further. Defence represents the majority of the revenue base for MTI Summit and it is benefitting from the current significant increase in military spend by Governments around the globe. The conflict in Ukraine has been the catalyst behind this increase and judging from the future pipeline of orders and design wins, the outlook for MTI Summit is positive.

Outlook

The first six months ended successfully which has positioned the business well for the remainder of the year. We have a significant order book and pipeline of opportunities across all three divisions and the business remains in a strong financial position, with net cash of USD \$6.25million. We expect defence related sales to continue to be a growth driver, alongside improved commercial sales as interest rate levels normalise. Finally, we firmly believe that there will be a step increase in our revenues from 5G in the coming years. Therefore MTI is well placed to grow and deliver attractive returns to shareholders.

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.