

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 2024.

'Solid H1 - well placed for continued growth'

Financial highlights

- Revenues level at US\$22.3m (H1 2023: US\$22.3m)
- 18% increase in EBITDA* to US\$3.3m (H1 2023: US\$2.8m)
- Profit before tax increased 10% to US\$2.3m (H1 2023: US\$2.1m)
- Earnings per share increased 8% to 2.14 US cents (H1 2023: 1.99 US cents)
- Strong financial position maintained with net cash standing at US\$5.5m on 30 June 2024 (31 December 2023: \$8.1m) after payment of dividend (US\$2.7m) and purchase of shares (US\$0.6m) via the buyback facility during H1 2024
- Expansion of buyback programme effective from 22 August 2024 with increased funding from £0.7m to a maximum of £1.0m

**Earnings before interest, tax, depreciation and amortisation.*

Operational highlights

- The Antenna division delivered a 16% increase in sales, driven by strong demand from the defence sector and for the Group's 5G backhaul antenna solution. There is a significant order backlog for both military antennas and 5G, plus an increased number of opportunities in the pipeline which provides reasonable visibility of future revenues.
- Domestic sales for Mottech were slower during this period as a result of the conflict, combined with some weakening in North America and Western Europe, leading to an 11% decrease in revenues. Nevertheless, profitability for the period was substantially higher, reflecting a higher margin business mix, some currency benefits and successful price increases. Q3 trading has started well and prospects in Europe for Q4 onwards, in particular, look positive.
- MTI Summit increased sales by 1%, held back by lower than expected revenues from PSK. Profitability was below the same period in last year after absorbing losses from PSK. The core business continues to perform well, tendering a good range of new designs and is well placed to pick up more contract wins in the future. PSK has had a challenging period, and to address this PSK reduced staff numbers in August 2024 to help offset current losses, whilst continuing to pursue an attractive new business pipeline.
- Outlook: Demand for products is high and enquiry levels for potential future projects is at an all time high, largely relating to the global defence sector.

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

“Demand for good communication utilising radio frequency solutions across the water, defence and 5G industries remains high. Our range of products are well positioned in each of these industries and we are experiencing strong enquiry levels, most notably in the defence sector. Our trading performance in H1 shows a good increase in profitability and strong cash generation, combined with maintaining our firm financial base. We are therefore well placed for the current year. Not surprisingly, the conflict in Israel is having some impact on local market revenues although we did experience better deal flow in July and hopefully we will see the end to this conflict soon.”

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Chief Executive's statement

We have delivered a solid trading performance for the first six months of the year. A key change has been the increase in new business prospects. Enquiry levels have risen substantially over the past 10 months particularly from the defence sector. These enquiries have now turned into new and potential new projects and as a result our new business pipeline is substantially higher than in 2023. We are therefore in a good overall position and remain focused on developing the opportunities in all three of our diversified but complementary divisions.

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.

H1 was a strong trading period and the trend has continued into Q3, driven by the combination of demand for both military antenna and the Group's 5G backhaul antenna solution. Not surprisingly, defence spending has risen across the world following the outbreak of multiple conflicts. Orders for military antennas, while critical to all defence operations, tend to lag behind orders for other types of military equipment. We have experienced a strong flow of orders and opportunities, which have resulted in a healthy order backlog and pipeline of opportunities for military antennas, which underpins our confidence in trading for the full year for this division.

In H1 there was a good uplift in orders for the 5G backhaul antenna solution. However, it remains hard to predict the timing of future revenue levels for this product. That being said, the substantial prospects for it remain unchanged, as all cellular operators continue to be committed to establishing 5G networks. The pace of installation is the main variable, but at some point in the nearer-term future there will be a step change in order levels consistent with the widespread roll-out of 5G by multiple operators.

The ABS® antenna solution, which ensures the antenna adapts to any small movements caused by different climate conditions, is a relatively new solution responsible for bringing MTI to the attention of multiple new Tier 1 and Tier 2 potential customers. All of whom are conducting tests to prove the solution's viability. It has been an important door opener to a valuable new customer base and increases the likelihood of MTI being able to sell its other 5G backhaul solutions to them as well.

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 an increased number and improved quality of crops cultivated.

Revenues for this division reduced by 11%, primarily due to lower activity levels in Israel and some weakening in the North American and Western European markets. Conversely, profitability from this division rose substantially. This was due to a significantly better gross margin, driven by high margin products, lower marketing costs and a positive impact from currency exchange and the implementation of successful price increases.

The domestic Israeli market has been impacted by the current conflict, with local municipalities understandably prioritizing other areas over water management. The revenue shortfall mainly involved lower margin work and since the half-year we have seen the situation resolve itself, with normal demand levels resuming.

Similarly, while Europe and North America had a slow start, orders for the second half of the year have improved and new opportunities for both markets are positive. This, together with early indications from a new technical solution we are offering, provides us with confidence in this part of the business.

The long-term driver for this division is the continuing global problem of water scarcity. 2.2 billion people still live without access to safely managed drinking water and 3.5 billion lack access to safely managed sanitation*. Using water efficiently is at the heart of Mottech's solution and the problem of water scarcity is no longer restricted to underdeveloped countries located close to the equator, with the issue now being a real threat across parts of Europe where water levels are dangerously low. Technologies, such as those deployed by Mottech, are key to the long-term solution.

*UNESCO report published on behalf of UN Water March 2024

<https://www.un.org/sustainabledevelopment/blog/2024/03/un-world-water-development-report/>

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.

MTI Summit performed well, delivering a 1% increase in revenues notwithstanding lower revenue levels at PSK, which also negatively contributed to a reduction in its profitability. PSK experienced a challenging trading period and was loss making in H1. In response, we have reduced its cost base even though PSK's pipeline of opportunities does contain some significant possibilities, which could accelerate its recovery. Requests to MTI Summit for design solutions have increased, which is creating a good pipeline of potential design wins, some of which are quite material and likely to drive its growth in 2025.

Share buyback programme

The board decided to increase the Company's share buyback programme effective from 22 August 2024 and hold the shares purchased for a longer period of time. The board agreed to increase the funds that can be used under the share buyback programme from £0.7m to £1.0m as it believes strongly in the prospects of the business.

Outlook

Demand for our products is high and enquiry levels for potential future projects is at an all time high, largely relating to the global defence sector. Trading in Q3 has been positive so far and we are hopeful of securing some material contracts in the second half of the year. Overall, the business is well placed with good visibility on potential future contracts which will support the prospects for the business into 2025 and beyond.

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.