RNS Number : 0035P
MTI Wireless Edge Limited
20 May 2024

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MTI Wireless Edge Ltd

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

Q1 2024 financial results

MTI Wireless Edge Ltd (AIM: MWE), the technology group focused on comprehensive communication and radio frequency solutions across multiple sectors, is pleased to announce its financial results for the three-month period ended 31 March 2024.

Financial highlights

- Generated revenues of $11.24m (Q1 2023: $11.28m), a solid start to the year with new business wins expected to drive revenue growth in Q2 and later in the year.
- 20% increase in EBITDA* to $1.68m (Q1 2023: $1.39m).
- Earnings per share increased by 5% to 1.06 US cents (Q1 2023: 1.01 US cents).
- 133% increase in net cash provided by operating activities to $1.25m (Q1 2023: $0.54m), contributing to a continued strong financial position with net cash as at 31 March 2024 of $8.34m (31 December 2023: $8.08m).

Operational highlights

Antennas

- The Antenna division provides 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.
- The division also has a growing focus on providing 5G backhaul antenna solutions to support mobile phone operators as they roll-out their 5G networks.
- The division had a good first quarter with strong revenue growth up 13% versus the same period in the prior year, although the product mix held back profitability which is expected to reverse in Q2 with more profitable product combinations.
- Commercial antenna deliveries drove revenue growth in Q1 with military deliveries below last year. Significant recent orders for military antennas, together with the current order backlog make it likely

this segment of the market will be strong for the Group during the remainder of the year.
- 5G remains a key market with the automatic beam steering ("ABS") antenna solution now moving into trial stages with two Tier 1 mobile phone operators.
- Sales of the division's 5G backhaul solutions are coming through from multiple markets, with India still expected to be the largest opportunity in the nearer term.

Water Control & Management

- This division operates under the Mottech brand and provides wireless control systems to manage irrigation and water distribution for agriculture, municipal authorities and commercial entities.
- Mottech's solutions reduce water and power usage for its customers and allows these customers to generate higher revenues from the higher yields that result from both an increased number and improved quality of crops cultivated.
- Revenues in Q1 2024 softened 16% compared to the same period in 2023, following the scheduled municipal elections in Israel last year, nevertheless, profitability increased strongly reflecting increased revenues in higher margin markets and improved service contract terms.
- Entering Q2, this division is performing well with a lengthy pipeline of new business opportunities combined with a healthy backlog of orders.

Distribution & Professional Consulting Services

- Operates under the MTI Summit Electronics brand and represents approximately 40 international suppliers of radio frequency/microwave components, selling these products to Israeli customers.
- Expert knowledge of both the international suppliers and customers enables MTI to also act as a consultant to all parties and assist with devising complete radio frequency/microwave solutions.
- Delivered 10% growth in revenues for Q1 2024. Whilst sales from PSK were 1% lower, sales from the other parts of this division were up 16% with good growth in profitability.
- PSK projects were slower to complete due to key personnel being called up for military service. This impacted margins in the period resulting in a loss, however, this is expected to reverse and for PSK to move back into profitability in the year.

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

"We expect 2024 to be a successful year for the business. In Q1, we delivered a positive trading performance, but we have not, as yet, felt the full benefit of the backlog of business that we have contracted or indeed the healthy pipeline of opportunities we have ahead of us. MTI is therefore well placed for 2024 and in a strong financial position to respond as opportunities arise.

"The conflict with Hamas is deeply saddening for all concerned. The impact on our business continues to be relatively limited, however, PSK was impacted by some staff shortages in Q1, but overall, the Group's team has been able to address any challenges.

"Our three divisions all sell their expertise in delivering radio frequency solutions, each addressing large and growing markets boosted by positive macro trends. These are the growing global problem of water scarcity, the roll-out of 5G mobile networks across the world and the increase in defence spending by governments worldwide.

"MTI entered Q2 in a good position and has since announced sizeable contract wins which have further enhanced the Board's confidence in our ability to deliver a good performance for the year."

*Earnings before interest, tax, depreciation and amortisation.

For further information please contact:

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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.

MTI WIRELESS EDGE LTD.
(An Israeli Corporation)

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three month period ended March 31,		Year ended December 31,
	2024	**2023**	**2022**
	U.S. $ in thousands (Except per share data)		
	Unaudited		
Revenues	11,240	11,285	45,634
Cost of sales	7,770	7,666	30,963
Gross profit	3,470	3,619	14,671
Research and development expenses	229	293	1,047
Distribution expenses	893	947	3,709
General and administrative expenses	1,231	1,324	5,278
Loss (profit) from sale of property, plant and equipment	(67)	(10)	13
Profit from operations	1,184	1,065	4,650
Finance expenses	238	105	342
Finance income	(198)	(155)	(527)
Profit before income tax	1,144	1,115	4,835
Tax expenses	209	233	759
Profit	935	882	4,076
Other comprehensive income (loss) net of tax:			
Items that will not be reclassified to profit or loss:			
Re-measurement of defined benefit plans	-	-	62
Items that may be reclassified to profit or loss:			
Adjustment arising from translation of financial statements of foreign operations	(112)	(98)	(216)

Total other comprehensive income (loss)	(112)	(98)	(154)
Total comprehensive income	823	784	3,922
Profit attributable to:			
Owners of the parent	932	894	4,045
Non-controlling interests	3	(12)	31
	935	882	4,076
Total comprehensive income attributable to:			
Owners of the parent	820	796	3,891
Non-controlling interests	3	(12)	31
	823	784	3,922
Earnings per share (dollars)			
Basic and Diluted (dollars per share)	0.0106	0.0101	0.0458
Weighted average number of shares outstanding			
Basic and Diluted (dollars per share)	88,123,635	88,510,072	88,283,490

The accompanying notes form an integral part of the financial statements.

MTI WIRELESS EDGE LTD.
(An Israeli Corporation)
INTERIM CONSOLIDATED STATEMENTS OF
CHANGES IN EQUITY

For the three month period ended March 31, 2024 (Unaudited):

	Attributable to owners of the parent				
	Share capital	**Additional paid-in capital**	**Translation differences**	**Retained earnings**	**Total attributal to owners the pare**
				U.S. $ in thousands	
Balance at January 1, 2024	209	23,061	(466)	5,226	28,030
Changes during the three month period ended March 31, 2023:					
Comprehensive income					
Profit for the period	-	-	-	932	932
Other comprehensive income					
Translation differences	-	-	(112)	-	(112)
Total comprehensive income for the period	-	-	(112)	932	820
Acquisition and disposal of treasury shares	-	(300)	-	-	(300)
Dividend	-	-	-	-	-
Balance at March 31, 2024	209	22,761	(578)	6,158	28,550

The accompanying notes form an integral part of the financial statements.

INTERIM CONSOLIDATED STATEMENTS OF
CHANGES IN EQUITY (CONT.)

For the three month period ended March 31, 2023 (Unaudited):

	Attributable to owners of the parent				
	Share capital	**Additional paid-in capital**	**Translation differences**	**Retained earnings**	**Total attributal to owners the pare**
				U.S. $ in thousands	
Balance at January 1, 2023	209	23,078	(250)	3,775	26,812
Changes during the three month period ended March 31, 2023:					
Comprehensive income					
Profit for the period	-	-	-	894	894
Other comprehensive income					
Translation differences	-	-	(98)	-	(98)
Total comprehensive income for the period	-	-	(98)	894	796
Acquisition and disposal of treasury shares	-	80	-	-	80
Dividend	-	-	-	-	-
Balance at March 31, 2023	209	23,158	(348)	4,669	27,688

The accompanying notes form an integral part of the financial statements.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT.)

For the year ended December 31, 2023 :

	Attributable to owners of the pa			
	Share capital	**Additional paid-in capital**	**Translation differences**	**Retaine earnin**
				U.S. $ in tho
Balance as at January 1, 2023	209	23,078	(250)	3,775
Changes during 2023:				
Comprehensive income				
Profit for the year	-	-	-	4,045
Other comprehensive income (loss)				
Re measurements on defined benefit plans	-	-	-	62
Translation differences	-	-	(216)	-
Total comprehensive income (loss) for the year	**-**	**-**	**(**216**)**	4,107
Dividend	**-**	-	-	(2,656)
Acquisition of minority holdings in subsidiary	-	-	-	-

Acquisition and disposal, net of treasury shares	*	(17)	-	-
Balance as at December 31, 2023	209	23,061	(466)	5,226

(*) Less than US$ 1 thousand

The accompanying notes form an integral part of the financial statements.

MTI WIRELESS EDGE LTD.
(An Israeli Corporation)
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	31.03.2024	31.03.2023	31.12.2023
	U.S. $ in thousands		
	Unaudited		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	8,832	8,640	8,454
Trade and other receivables	12,782	10,384	14,284
Unbilled revenue	4,672	3,597	4,190
Current tax receivables	378	467	381
Inventories	7,674	7,502	7,484
	34,338	30,590	34,793
NON-CURRENT ASSETS:			
Long term prepaid expenses	28	32	37
Property, plant and equipment	5,479	5,415	5,398
Deferred tax assets	969	1,140	968
Intangible assets	3,467	3,819	3,507
	9,943	10,406	9,910
Total assets	44,281	40,996	44,703

The accompanying notes form an integral part of the financial statements.

MTI WIRELESS EDGE LTD.
(An Israeli Corporation)

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

31.03.2024	31.03.2023	31.12.2023
U.S. $ In thousands		
Unaudited		

LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Current maturities and short term bank credit and loans	436	76	314
Trade payables	6,941	5,465	7,882
Other accounts payable	4,347	3,638	4,558
Current tax payables	352	433	283
	12,076	9,612	13,037
NON- CURRENT LIABILITIES:			
Contingent consideration	1,117	1,432	1,117
Lease liabilities	518	206	514
Loans from banks, net of current maturities	55	91	64
Employee benefits, net	740	753	719
	2,430	2,482	2,414
Total liabilities	14,506	12,094	15,451
EQUITY			
Equity attributable to owners of the parent			
Share capital	209	209	209
Additional paid-in capital	22,761	23,158	23,061
Translation differences	(578)	(348)	(466)
Retained earnings	6,158	4,669	5,226
	28,550	27,688	28,030
Non-controlling interest	1,225	1,214	1,222
Total equity	29,775	28,902	29,252
Total equity and liabilities	44,281	40,996	44,703

May 19, 2024			
Date of approval of financial statements	Moshe Borovitz Chief Executive Officer	Elhanan Zeira Controller	Zvi Borovitz Non-executive Chairman of the Board

The accompanying notes form an integral part of the financial statements.

MTI WIRELESS EDGE LTD.
(An Israeli Corporation)
INTERIM CONSOLIDATED STATEMENTS OF
CASH FLOWS

	Three month period ended March 31,		Year ended December 31,
	2024	**2023**	**2023**
	U.S. $ in thousands		
	Unaudited		
Cash Flows from Operating Activities:			

Profit for the period		935	882	4,076
Adjustments for:				
Depreciation and amortization		492	326	1,511
Loss (Gain) from sale of property, plant and equipment		(63)	(10)	(13)
Finance (income) expenses, net		(14)	(33)	(5)
Changes in Contingent consideration and Put option liability		-	-	(315)
Tax expenses		209	233	759
Changes in operating assets and liabilities:				
Decrease (increase) in inventories		(234)	247	158
Decrease (increase) in trade receivables		1,343	(181)	(2,477)
Decrease (increase) in other accounts receivables		92	719	(897)
Increase in unbilled revenues		(482)	(1,393)	(1,986)
Increase (decrease) in trade and other accounts payables	4	(1,070)	(140)	3,228
Increase (decrease) in employee benefits, net		21	1	29
Cash from operations		1,229	651	4,068
Interest received		174	19	69
Interest paid		(9)	(10)	(59)
Income tax paid		(140)	(122)	(540)
Net cash provided by operating activities		1,254	538	3,538

The accompanying notes form an integral part of the financial statements.

MTI WIRELESS EDGE LTD.
(An Israeli Corporation)
INTERIM CONSOLIDATED STATEMENTS OF
CASH FLOWS (cont.)

	Three month period ended March 31,		Year ended December 31,
	2024	**2023**	**2023**
	U.S. $ in thousands		
	Unaudited		
Cash Flows From Investing Activities:			
Proceeds from sale of property, plant and equipment	62	11	62
Purchase of property, plant and equipment	(282)	(145)	(426)
Net cash used in investing activities	(220)	(134)	(364)
Cash Flows From Financing Activities:			
Dividend	-	-	(2,656)

Payments of lease liabilities	(485)	(116)	(485)
Treasury shares acquired	(300)	-	(516)
Treasury shares sold	-	80	499
Acquisition of non-controlling interest in subsidiary	-	-	(35)
Receipt of loans from banks	169	-	460
Repayment of long-term loans from banks	(9)	27	(247)
Net cash used in financing activities	(625)	(9)	(2,980)
(Decrease)/Increase in cash and cash equivalents during the period	409	395	194
Cash and cash equivalents at the beginning of the period	8,454	8,279	8,279
Exchange differences on balances of cash and cash equivalents	(31)	(34)	(19)
Cash and cash equivalents at the end of the period	8,832	8,640	8,454

The accompanying notes form an integral part of the financial statements.

MTI WIRELESS EDGE LTD.
(An Israeli Corporation)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL:

Corporate information:

M.T.I Wireless Edge Ltd. (hereafter - the "Company", or collectively with its subsidiaries, the "Group") is an Israeli corporation. The Company was incorporated under the Companies Act in Israel on December 30, 1998 and commenced operations on July 1, 2000. Since March 2006, the Company's shares have been traded on the AIM market of the London Stock Exchange.

The formal address of the Company is 11 Hamelacha Street, Afek industrial Park, Rosh-Ha'Ayin, Israel.

The Company and its subsidiaries are engaged in the following areas:

- Development, design, manufacture and marketing of antennas for the military and civilian sectors.
- A leading provider of remote control solutions for water and irrigation applications based on Motorola's IRRInet state of the art control, monitoring and communication technologies.
- Providing consulting, representation and marketing services to foreign companies in the field of RF (radio frequency) and Microwave, including engineering services in the field of aerostat systems and system engineering services.
- Development, manufacture and integration of communication systems and advanced monitoring and control systems for the Government and defence industry market.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

The interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in International Accounting Standard No. 34 ("Interim Financial Reporting").

The interim consolidated financial information set out above does not constitute full year-end accounts within the meaning of Israeli Companies Law. It has been prepared on the going concern basis in accordance with the recognition and measurement criteria of the International Financial Reporting Standards (IFRS). Statutory financial information for the financial year ended December 31, 2023 was approved by the board on March 10, 2024. The report of the auditors on those financial statements was unqualified.
The interim consolidated financial statements as of March 31, 2024 have not been audited.

The interim consolidated financial information should be read in conjunction with the annual financial statements as of December 31, 2023 and for the year then ended and with the notes thereto. The significant accounting policies applied in the annual financial statements of the Company as of December 31, 2023 are applied consistently in these interim consolidated financial statements.

NOTE 3 - REVENUES:

	Three month period ended March 31,		Year ended December 31,
	2024	2023	2023
	U.S. $ in thousands		
	Unaudited		
Revenues arise from:			
Sale of goods*	8,169	8,284	32,525
Rendering of services**	1,981	1,465	7,178
Projects**	1,090	1,536	5,931
	11,240	11,285	45,634

(*) at the point in time
(**) over time

NOTE 4 - OPERATING SEGMENTS:
The following tables present revenue and profit information regarding the Group's operating segments for the three month period ended March 31, 2024 and 2023 respectively and for the year ended December 31, 2023.

Three month period ended March 31, 2024 (Unaudited):

	Antennas	Water Solutions	Distribution & Consultation Services	Adjustment & Elimination	Total
	U.S. $ in thousands				
Revenues					
External	3,316	3,805	4,119	-	11,240
Internal	-	-	189	(189)	-
Total	3,316	3,805	4,308	(189)	11,240
Segment profit (loss)	112	580	311	181	1,184
Finance expense (income), net					40
Tax expenses					209
Profit					935

March 31, 2024:

	Antennas	Water Solutions	Distribution & Consultation Services	Adjustment & Elimination	Total
	U.S. $ in thousands				
Segment assets	17,187	12,550	12,165	-	4,902

Unallocated assets					2,379
Segment liabilities	5,133	3,961	4,559	-	13,653
Unallocated liabilities					853

NOTE 4 - OPERATING SEGMENTS (CONT.):

Three month period ended March 31, 2023 (Unaudited):

	Antennas	Water Solutions	Distribution & Consultation Services	Adjustment & Elimination	Total
	U.S. $ in thousands				
Revenues					
External	2,945	4,509	3,831	-	11,285
Internal	-	-	88	(88)	-
Total	2,945	4,509	3,919	(88)	11,285
Segment profit (loss)	117	493	336	119	1,065
Finance expense (income), net					(50)
Tax expenses					233
Profit					882

March 31, 2023:

	Antennas	Water Solutions	Distribution & Consultation Services	Adjustment & Elimination	Total
	U.S. $ in thousands				
Segment assets	16,746	10,685	11,090	-	38,521
Unallocated assets					2,475
Segment liabilities	4,417	2,415	4,649	-	11,481
Unallocated liabilities					613

Year ended December 31, 2023

	Antennas	Water Solutions	Distribution & Consultation	Eliminations	Total
	U.S. $ in thousands				
Revenues					
External	12,237	17,164	16,233	-	45,634
Inter-segment	-	-	344	(344)	-
Total	12,237	17,164	16,577	(344)	45,634
Segment profit	841	1,986	1,552	271	4,650
Finance income, net					(185)
Profit before tax					4,835
Tax expenses					759
Profit					4,076

NOTE 4 - OPERATING SEGMENTS (CONT.):

December 31, 2023:

	Antennas	Water Solutions	Distribution & Consultation	Eliminations	Total
	U.S. $ in thousands				
Segment assets	17,124	12,468	12,711	-	42,303
Unallocated assets					2,400
Segment liabilities	4,952	4,326	5,293	-	14,571
Unallocated liabilities					880

NOTE 5 - SIGNIFICANT EVENTS:

A. On 5 January 2024 following approval at an extraordinary shareholders meeting, 600,000 share options were granted to Mr. Moshe (Moni) Borovitz, the Company's Chief Executive Officer and 100,000 share options were granted to Mr. Dov Feiner, the General Manager of the Company's Antenna division as part of the Company's Option Plan.

B. The Board of directors decided to declare a cash dividend of 3.1 US cents per share being approximately $2,745,000. This dividend was paid on 11 April 2024 to shareholders on the register at the close of trading on 22 March 2024.

C. The financial statements for the year ended 31 December 2023 were authorized for issue by the board as a whole following their approval on 10 March 2024.

D. On 24 January 2019, the Company announced a share repurchase program to conduct market purchases of ordinary shares of par value 0.01 Israeli Shekels each ("Ordinary Shares") in the Company up to a maximum value of £150,000 (the "Programme"). Thereafter, the board of directors of the Company and the board of directors of MTI Engineering decided to continue with the Programme for several further periods. On 13 April 2022, the Company announced that it would extend the Programme until 31 March 2023, with the Programme having an increased maximum value of up to £200,000 and with the Programme being managed by Shore Capital Stockbrokers Limited pursuant to the terms as announced. On 10 March 2024 the board of directors of the Company and the board of directors of MTI Engineering decided to extend the Programme effective from 12 March 2024 until 31 March 2025 and to increase the maximum value of the Programme up to £700,000, with the intention to hold the Ordinary Shares purchased for a longer period of time. As at 31 December 2023, 220,000 Ordinary Shares were held in treasury under the Programme, and as at 10 March 2024, 470,000 Ordinary Shares were held in treasury under the Programme.

E. On 20 March 2024 at the Company's extraordinary meeting, Mrs. Hani Lerman was elected as an external non-executive director.

F. On 7 October 2023 Israel was attacked by the Hamas terror organization leading to war in the Gaza region. The war has led to a slowdown in the Israeli economy and if this war continues for a prolonged period, then it may begin to impact the Company. The wide usage of military reserve personnel, adverse foreign currency exchange rates and restrictions on access to certain areas in Israel are risks which may affect the Company if there is a prolonged period of war. As of the date of this report, and to the best of the Company's knowledge, the war has not had a significant effect on the Company. The Company continues to review the effects of the war on its trading as it believes that if the war continues for a long period of time then the overall Israeli economy will be effected, and factors including the lack of available manpower, interest rates and foreign currency exchange rates may have an impact on its trading.

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