

MGM Wireless: UK Expansion Excites In 2019

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Last year I brought to the attention of ShareCafe readers, MGM Wireless (MWR) that presented a unique opportunity to return multiples on your original investment as the Company embarked on entering a new market category – kid’s smartwatches – with a best of breed product, SPACETALK.

Like any investment, it experiences periods of excitement and times when the share price stagnates on a lull in news, but provided the original thesis is correct, the whole growth trajectory keeps producing results. MWR has been no different and the key is always to take advantage of those lulls and share price dips.

And today I write this as investors should take advantage of one of these lulls. When I first introduced MWR near \$1 the main catalyst for my substantial trading position and strong recommendation to readers was the rollout in Australia and NZ via major bricks and mortar retailers and telecoms. At the time, MWR had to do the heavy lifting of convincing the market that kid’s smartwatches is in fact a new market category that is here to stay and will evolve into a major global billion dollar industry (according to Gartner Research). In the process of obtaining distribution through Leading Edge, JB Hi-Fi and SPARK Telecom in New Zealand, the share price soared from \$1 to \$5 or from a \$10 million market cap to just over \$50 million.

Now the share price sits at \$3.30 and market cap of \$39 million with an even bigger catalyst upcoming – UK expansion (and wider Europe). However, there are a few key differences between this catalyst and the one that drove our excitement last year. Arguably this is bigger. Firstly, the UK is three times the size of the Australian market. Secondly, a wider Europe expansion is just a step away. So many products sold in the UK are sold across Europe and the SPACETALK watch already meets all the new stringent European Union privacy and security laws. Finally, the UK is no stranger to kid’s smartwatches. Cheap inferior Chinese watches have been sold in the UK for a number of years, with

past watches being so unreliable and unsafe that certain retailers like John Lewis pulled them from their shelves.

UK retailers have been clamoring for a reliable safe watch for some time, they understand the market, the potential of the category and SPACETALK ticks all their boxes. We are talking a substantial market as well, multiples of the Australian market. Last year, MWR continued to inform of us in the first half of the year that they were in discussions with major local retailers and expected to sign a deal mid-year. They delivered JB Hi Fi with 193 stores. MWR is informing us now they are in discussion with several UK retailers. Major UK retailers like Carphone Warehouse (a JB Hi Fi equivalent) for example have 1100 stores – a significant step up. This is just one retailer.

MWR also surprised with signing a major telecom in SPARK NZ. I personally believe that MWR would also be in discussions with major telecoms as globally, they all follow what other new products peers introduce. I personally believe UK and European telecoms are aware and considering SPACETALK given the lead SPARK NZ has taken in this category. The biggest telecom conference in the world – Mobile World Conference in Barcelona – begins on the 25th and MWR will be present with SPACETALK.

So 2019 is rolling along the same trajectory and path that 2018 did, with catalysts and potential that dwarf last year's Australasia expansion. The share price has eased back to \$3.30 – levels BEFORE the SPARK NZ deal was released and presents a perfect opportunity to buy. The share price is now consolidating and on each of the past three occasions (due to catalysts) has been able to break higher with indicators such as the MACD giving an early signal one is brewing soon. The MACD is already rising from low levels, identical to each of 2018 big gains and the RSI too beginning to breach trendline resistance. MWR might not be too far away from beginning to reflect all of the above potential and begin its next positive re-rating.

MWR has already informed us of the next catalyst in their last announcement – UK expansion. It excites me to see who the UK retailers will be and what the surprise will be too! Stocks move from hype to lull, this is a lull to take advantage of.

