

18<sup>th</sup> October 2021

## Amaero International

### Three-year deal with Gilmour Space adds \$0.57m to ARR

Amaero International Ltd (ASX:3DA) is a global specialist in metal additive manufacturing for the defence, aerospace and tooling sectors. Amaero has announced that it has signed a Heads of Agreement with Gilmour Space Technologies for the long-term supply and manufacture of rocket components. The agreement is for three years for a total contract value of \$1.7m or \$0.57m per year. Production of the components will commence this calendar year (CY2021). The agreement follows the supply of a series of prototype rocket motor components to Gilmour Space that were manufactured by Amaero under small purchase orders over the past 12 months. The revenue gains from this contract are captured in our current forecasts which allowed for additional modest contract wins (\$1.75m in FY22) over and above announced deals.

### Business model

Amaero generates revenue from several sources including: the design and prototyping of additive manufacturing solutions on a cost-plus basis; from contract manufacturing and tooling on a price per unit basis; from the sale of proprietary metal 3D printers and equipment and 3D printing metal powders on a cost-plus mark-up basis; from post-sales support and maintenance service fees; and from the rights to commercialise patented proprietary alloys developed by Monash University on a price per unit basis. Amaero has the North American commercialisation rights to a range of 3D printing machines, including the world's largest laser powder bed machine, as well as the powder preparation machines and powder handling and recovery devices. The company owns fully accredited manufacturing facilities in Melbourne, Adelaide and El Segundo, California.

### Prototypes translating into longer-term deals

Amaero's three-year contract with Gilmour Space is a very good example of how additive manufacturing is coming into its own. Having delivered prototype rocket motor components to Gilmour Space in small purchase orders over the past 12 months, Amaero has proven the cost and time benefits and quality of product that 3D printed components can deliver. Gilmour Space will use these components in launches of its Eris orbital rocket from CY2022 and, according to Gilmour, will help achieve its goal of more affordable, reliable and dedicated rocket launches into low Earth orbits. Under the terms of the agreement, any additional IP developed by Amaero will remain with the company and be available for patent rights. We had allowed for additional contract wins of \$1.75m in our FY22 forecasts over and above announced deals and feel this win has been captured in our numbers.

### Base case valuation is \$0.98/share (\$198m)

Our base case DCF valuation is \$0.98/share (WACC 13.9%, beta 1.8, terminal growth rate 2.2%) and predicated on the execution of existing contracts with Fletcher Building and Boeing, modest new contract wins and the rollout of the 120t titanium powder manufacturing facility. Our upside case, which incorporates a substantially larger Ti powder facility, the global rollout of the Fletcher tooling contract, and the go-ahead on the Middle East 3D printing plant, could see our valuation at \$1.15b or \$5.69/share.

### Historical earnings and RaaS Advisory estimates (in A\$m)

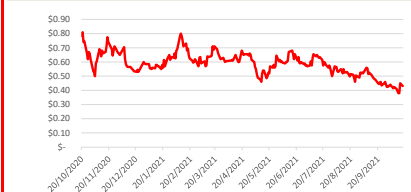
Y/E	Revenue (A\$m)	Gross Profit (A\$m)	EBITDA (A\$m)	NPAT (A\$m)	EPS (c)	EV/Sales (x)
06/20a	0.1	0.0	(4.3)	(4.9)	(3.5)	nm
06/21a	0.5	0.9	(4.8)	(6.2)	(3.3)	nm
06/22e	17.9	5.1	(3.6)	(4.3)	(2.0)	4.6
06/23e	57.5	23.3	13.8	12.7	5.5	1.3

Source: Company data, RaaS Advisory estimates for FY22e and FY23e

### Share details

ASX code	3DA
Share price (intraday)	\$0.445
Market capitalisation	\$89.8M
Shares on issue	201.8M
Net cash at 30 June	\$11.5M
Free float	~68%

### Share price performance (12-months)



### Upside Case

- Counts six of the top-10 defence companies as clients
- Partnered with the world's foremost additive manufacturing R&D team at Monash University
- Strong board and advisory board with links into the decision makers in US and EMEA defence

### Downside Case

- Competing with multinational 3D printing manufacturers with big balance sheets
- Further capital raises likely, resulting in potential dilution
- Still early stage with no guarantee that strategy will translate into earnings success

### Catalysts

- Australian titanium powder plant is commissioned
- Fletcher tooling opportunity presents globally
- Middle East 3D printing centre is approved

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## FINANCIAL SERVICES GUIDE

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- our services
- how we transact with you
- how we are paid, and
- complaint processes

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In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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