

29th November 2021

Amaero International Ltd

Key near-term projects progressing on track

Amaero International Ltd (ASX:3DA) is a global specialist in metal additive manufacturing for the defence, aerospace and tooling sectors. At its annual general meeting on Friday, the company noted that four key near-term projects are progressing on track with key developments expected in this quarter. Its 150tpa titanium alloy plant has secured a lease for the facility, select component testing completed and machines are being constructed with first alloy on track to be delivered in Q1 FY23. The company expects the heads of agreement (HoA) with Fletcher Insulation to be signed this quarter and the first batch of Amaero H.O.T. Al in its JV with Rio Tinto is being atomised into powder and testing will commence in the current quarter. The company also anticipates that the HoA for the Middle East project could also be signed this quarter or early in Q3 FY22 and it expects a number of key agreements with aerospace and defence firms to be signed over the next six months.

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.

Near-term deals laying the groundwork for expanded growth plans

Amaero highlighted its near-term projects – the manufacture and sale of metal powders (titanium alloy and H.O.T. Al), assisting countries to establish independent additive manufacturing facilities (Middle East Project), the development and sale of 3D printing machines and turnkey packages, the manufacture of components for aviation, defence and space (Gilmour Space deal, Boeing and Raytheon), and development of additional alloy powders (PPK JV) were all key to the company's medium to longer term growth strategy. Longer term, Amaero has ambitions to expand the capacity of its titanium powder plant by 5-10x, develop its US facilities to accommodate customer demand, and expand the manufacture of components, tooling and services to global customers (such as the broader market for Pink Batts® beyond Fletcher Insulation). These broader opportunities underpin our upside valuation case of \$5.76/share.

Base-case valuation is \$0.92/share (\$186m)

Our base-case DCF valuation of \$0.92/share includes forecasts for the 150tpa titanium powder facility as well as existing contracts with Fletchers (but not the global rollout) and a US defence and aerospace manufacturer. Successful commercialisation of these projects delivers considerable upside to our valuation.

Historical earnings and RaaS Advisory estimates (in A\$m unless otherwise stated)

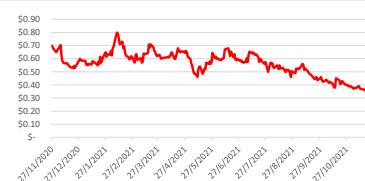
Y/E	Revenue	Gross Profit	EBITDA	NPAT	EPS (c)	EV/Sales (x)
06/20a	0.1	0.0	(4.3)	(4.9)	(3.5)	nm
06/21a	0.5	0.9	(4.8)	(6.2)	(3.3)	nm
06/22e	14.8	4.3	(5.1)	(5.8)	(2.7)	4.4
06/23e	57.0	22.9	12.5	11.3	4.8	1.1

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

Share Details

ASX code	3DA
Share price (26-Nov)	\$0.33
Market capitalisation	\$66.6M
Shares on issue	201.8M
Net cash at 30-Sept	\$8.0M
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

Company Contacts

Barrie Fynn (CEO)/ +61 3 9905 9847
Stuart Douglas (ED)

info@amaero.com.au

RaaS Contact

Finola Burke* +61 414 354 712
finola.burke@raasgroup.com

*The analyst holds shares

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

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- complaint processes

Contact Details, BR and RaaS

BR Head Office: Suite 5GB, Level 5, 33 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

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

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