

# Amaero International Ltd

## Driving efficiencies for defence manufacturers

Amaero International Ltd (ASX:3DA) creates large format, complex components in metal with laser-based additive manufacturing for the defence, aerospace and automotive sectors. The company works with several of the world's leading manufacturers of aerospace and defence products, delivering both design and prototype and manufacturing capability. The company was formed in 2013 out of Monash University and listed on the ASX in December 2019 after raising \$8m at \$0.20/share to give it a market capitalisation at IPO of \$35m. Last week, Amaero returned to the equity markets for the first time since IPO, raising \$9m at \$0.55/share, in an substantially oversubscribed issue with an additional \$3m being made available to existing shareholders through a Share Purchase Plan (SPP). The SPP will be partly underwritten by JV partner PPK Group (ASX:PPK). Significantly the company also secured a purchase order from Boeing for the manufacture of evaluation parts, which potentially will lead to an expanded term engagement for the manufacture of components for Boeing's defence and space divisions. The Boeing order is one of several key contracts Amaero has secured in the past 12 months and underscores the opportunity that the company has to capitalise on the global shift towards additive manufacturing to secure efficiencies in high-value, low run manufacturing processes.

### 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 3D printers 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 and reoccurring royalty basis. Amaero offers a range of 3D printing machines, including the world's largest laser powder bed machine to be commissioned in the first quarter 2021, as well as the powder preparation machines and powder handling and recovery devices. The company owns fully aerospace accredited manufacturing facilities in Melbourne, Adelaide and El Segundo, California, and is partnering with defence primes to develop a 3D printing centre in the Middle East and an Australian titanium powder manufacturing facility.

### Securing support from the world's largest defence companies

The company numbers among its clients six of the 10 largest defence companies including Boeing, Northrop Grumman, Raytheon, Thales and Safran. Some of its completed projects include a 3D-printed Apache Helicopter gearbox for Boeing Phantom Works and a 3-D printed jet engine for Safran in collaboration with the CSIRO and Monash University. Last week Amaero announced that it has received a purchase order for the manufacture of metal evaluation parts for Boeing's defence and space divisions. The order positions Amaero to showcase its capabilities with the opportunity for an expanded manufacturing engagement. The company has also secured in the past 12 months a tooling agreement with Fletcher Insulation and has formed a research joint venture with PPK Group (ASX:PPK) and Deakin University to develop a super strength aluminium alloy utilising specialised nano particles. Amaero has also just announced the appointment of former Australian Federal Minister for Defence, the Hon. Christopher Pyne, to its global advisory board. In his former role, Mr Pyne was responsible for the deployment of more than \$200b in defence capabilities.

### Look to specialist manufacturers, defence exposure for peers

Amaero is an early stage company with a small but growing revenue base. We consider peers to be other Australian companies with exposure to global defence and aerospace budgets including Electro Optic Systems and Veem, as well as specialist product manufacturers such as technical polymer producer Skellerup Holdings, lithium-ion battery materials developer Novonix and kinetic fusion additive manufacturer Titomic. Amaero also considers the recently relisted (raised US\$575m for a US\$2.5b valuation) US additive manufacturer Desktop Metal (NYSE:DM) a peer although its focus is on the automotive sector.

#### Historical earnings and ratios (in A\$m unless otherwise stated)

Year end	Revenue (A\$m)	Gross Profit (A\$m)	EBITDA Adj. (A\$m)	NPAT Adj.* (A\$m)	EPS Adj.*(c)	EPS Rep. (c)
06/19a	n.a	n.a	(0.08)	(0.08)	(0.33)	(0.33)
06/20a	0.12	0.002	(4.16)	(4.85)	(2.77)	(4.05)

Source: Company data \*EBITDA and NPAT adj for one-time, non-cash items

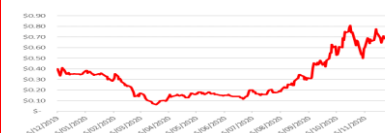
## Additive Manufacturing

7 December 2020

### Share details

ASX Code	3DA
Share price (3 Dec)	\$0.65
Market Capitalisation	\$125.4M
Shares on issue post raise (pre SPP)	196.9M
Free float	58%

### Share 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 decisionmakers in US and EMEA defence

### Downside Case

- Competing with conglomerates with big balance sheets for defence contracts
- Further capital raises likely, resulting in potential dilution
- Still early stage with no guarantee that strategy will translate into earnings success

### Catalysts/upcoming events

Additional manufacturing engagement with Boeing and Raytheon; Patents granted; Decision 3D printing centre in Middle East, estimated at \$100+m

### Comparable companies (Aust/NZ)

Electro Optic Systems (ASX:EOS) Novonix (ASX:NVX); Skellerup Holdings (NZX:SKL); Titomic (ASX:TTT); Veem (ASX:VEE)

### Board of Directors

David Hanna	Non-Executive Chairman
Stuart Douglas	Executive Director
Kathryn Presser	Non-Executive Director

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# FINANCIAL SERVICES GUIDE

**RaaS Advisory Pty Ltd**

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**of**

**BR SECURITIES AUSTRALIA PTY LTD**

**ABN 92 168 734 530**

**AFSL 456663**

**Effective Date: 26<sup>th</sup> November 2018**

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- how we transact with you
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In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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