

Progressing the opportunities in Q3 FY21

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 & prototype and manufacturing capability. Amaero has reported Q3 FY21 operating cash outflow of \$1.06m, which included \$0.58m in government grants. Cash receipts ticked up to \$0.09m and cash expenditure, including research and development costs were down slightly on Q2, demonstrating good cost containment. The company ended Q3 FY21 with \$12.6m net cash. Key highlights for the quarter include Amaero successfully printing tooling for the Fletcher's Glass application in the production geometry which validates Amaero's patent application and will lead to testing in the production geometry in the production alloy in this quarter; the collaboration with Rio Tinto on the development of supply chain for Amaero's High Operating Temperature Aluminium Alloy, "HOT AI", and purchase orders from Nissan Casting Australia for the supply of tool steel inserts and Raytheon Intelligence and Space for additive manufactured components in new materials. Amaero has also appointed 3D printing industry veteran Mr Tuan TranPham to its industry advisory board. Mr TranPham previously held the positions of Chief Revenue Officer at Desktop Metal (NYSE:DM), National Sales & marketing Director at GE Additive, National Sales Manager for Stratasys and National Sales Manager for 3D Systems.

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 & 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.

Q3 FY21 result demonstrating progress

Amaero has reported monthly cash burn of \$0.35m, an improvement on Q2 FY21's monthly cash burn of \$0.54m. Q3 was a quarter of operational progress. The successful printed tooling of the Fletcher's Glass application was a major project milestone and has allowed the project to progress towards building and testing the production geometry in the production alloy in this quarter. The collaboration with Rio Tinto on HOT AI has enabled Rio to manufacture a trial batch of the AIMnSc alloy which will be atomised to enable further qualification testing.

Base case DCF valuation is \$0.93/share

We have made minor adjustments to our forecasts for the timing of revenues coming to account. This has had minimal impact on our DCF valuation which is \$0.93/share on the current share count. As we highlighted in our February 2 initiation report [Delivering efficiencies in 3D printing](#), we have identified considerable upside to our valuation on the range of opportunities Amaero has presently before it.

Historical earnings and RaaS forecasts

Y/E	Sales Revenue (A\$m)	Gross Profit (A\$m)	EBITDA (A\$m)	NPAT (A\$m)	EPS (c)	EV/Sales (x)
06/20a	0.1	0.0	(4.2)	(4.8)	(3.4)	nm
06/21e	2.4	1.0	(4.9)	(6.2)	(3.2)	56.1
06/22e	19.9	5.5	(2.0)	(2.9)	(1.4)	6.5
06/23e	55.2	22.0	13.8	12.5	5.3	2.0

Source: Company data for historicals, RaaS estimates for FY21e, FY22e and FY23e

Additive Manufacturing

27th April 2021

Share details

ASX Code	3DA
Share price (26 April)	\$0.66
Market Capitalisation	\$132.2M
Shares on issue	201.8M
Net cash 31 Mar '21	\$12.6M

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 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 proceeds
- Patents over aluminium and titanium alloys granted
- Decision on 3D printing centre in Middle East

Board of Directors

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

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Exhibit 1: Financial Summary

Amaero International Ltd						Share price (26 April 2021)						A\$	0.66			
Profit and Loss (A\$m)						Interim (A\$m)										
Y/E 30 June	FY19A	FY20A	FY21F	FY22F	FY23F	H120A	H220A	H121F	H221F	H122F	H222F					
Sales Revenue	0.0	0.1	2.4	19.9	55.2	0.0	0.1	0.1	2.3	7.6	12.3					
Total Revenue	0.0	0.4	3.0	20.6	55.2	(1.7)	(2.4)	(1.9)	(3.0)	(1.8)	(0.2)					
Gross Profit	0.0	0.3	1.0	5.5	22.0	(1.9)	(2.8)	(2.5)	(3.3)	(2.2)	(0.8)					
EBITDA Adj	(0.1)	(4.2)	(4.9)	(2.0)	13.8	(1.9)	(2.9)	(3.0)	(3.2)	(2.2)	(0.8)					
Deprn	0.0	(0.5)	(0.9)	(1.1)	(1.6)	-	-	-	-	-	-					
Amort	0.0	0.0	0.0	0.0	0.0	(2.8)	(3.0)	(3.2)	(3.2)	(2.2)	(0.8)					
EBIT Adj	(0.1)	(4.7)	(5.8)	(3.1)	12.2	(1.72)	(2.03)	(1.59)	(1.61)	(1.03)	(0.35)					
Interest	0.0	(0.2)	(0.1)	0.1	0.3	(2.50)	(1.69)	(1.59)	(1.60)	(1.00)	(0.33)					
Tax	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-					
Minorities	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-					
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	(1.5)	(2.8)	(2.8)	(2.4)	1.0	2.3					
NPAT pre significant items	(0.1)	(4.8)	(6.2)	(2.9)	12.5	0.7	(1.1)	(2.4)	0.9	4.2	5.6					
Significant items	0.0	(1.0)	0.0	0.0	0.0	0.0	0.1	0.1	2.3	7.6	12.3					
NPAT (reported)	(0.1)	(5.8)	(6.2)	(2.9)	12.5	0.2	0.2	0.7	2.3	8.3	12.3					
Cash flow (A\$m)							Total Revenue	0.2	0.2	0.7	2.3	8.3	12.3			
Y/E 30 June	FY19A	FY20A	FY21F	FY22F	FY23F	COGS	0.0	0.1	0.1	1.9	6.3	8.7				
EBITDA	(0.1)	(4.2)	(4.9)	(2.0)	13.8	Gross Profit	0.2	0.1	0.6	0.4	2.0	3.6				
Interest	0.0	(0.2)	(0.1)	0.1	0.3	R&D costs	(0.3)	(0.6)	(0.8)	(0.7)	(0.8)	(0.7)				
Tax	0.0	0.0	0.0	0.0	0.0	Employment	(0.3)	(0.6)	(0.6)	(1.5)	(1.7)	(1.9)				
Working capital changes	(0.1)	0.1	(0.1)	5.2	8.1	General & Admin costs	(0.8)	(0.8)	(0.7)	(0.8)	(0.8)	(0.8)				
Operating cash flow	(0.1)	(4.2)	(5.0)	3.3	22.1	Other costs	(0.5)	(0.6)	(0.4)	(0.4)	(0.4)	(0.4)				
Mtce capex	0.0	0.0	0.0	0.0	0.0	EBITDA	(1.7)	(2.4)	(1.9)	(3.0)	(1.8)	(0.2)				
Free cash flow	(0.1)	(4.2)	(5.0)	3.3	22.1	Margins, Leverage, Returns						FY19A	FY20A	FY21F	FY22F	FY23F
Growth capex	0.0	(3.9)	(3.6)	(6.5)	(6.5)	EBITDA		nm	nm	nm	(10.1%)	25.0%				
Acquisitions/Disposals	0.1	0.0	0.0	0.0	0.0	EBIT		nm	nm	nm	(15.4%)	22.1%				
Other	(0.2)	0.0	(0.1)	0.0	0.0	NPAT pre significant items		nm	nm	nm	(14.8%)	22.6%				
Cash flow pre financing	(0.2)	(8.1)	(8.7)	(3.2)	15.6	Net Debt (Cash)		0.1	4.0	8.4	24.2	39.8				
Equity	0.4	13.5	13.8	20.0	0.0	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	2.9				
Debt	0.0	(0.2)	0.0	0.0	0.0	ND/ND+Equity (%)	(%)	(41.3%)	(96.3%)	(114.0%)	(322.9%)	(901.0%)				
Dividends paid	0.0	0.0	0.0	0.0	0.0	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	0.0				
Net cash flow for year	0.2	5.2	5.1	16.8	15.6	ROA		nm	(70.2%)	(35.2%)	(8.9%)	19.1%				
Balance sheet (A\$m)							ROE		nm	(134.5%)	(52.3%)	(12.4%)	32.9%			
Y/E 30 June	FY19A	FY20A	FY21F	FY22F	FY23F	ROIC		nm	(222.3%)	(135.5%)	(144.4%)	(832.0%)				
Cash	0.2	4.0	8.4	24.2	39.8	NTA (per share)			0.01	0.05	0.07	0.14	0.19			
Accounts receivable	0.1	0.1	1.8	3.7	9.6	Working capital			(0.2)	(0.1)	1.1	(0.2)	(0.1)			
Inventory	0.1	0.5	0.5	4.9	9.6	WC/Sales (%)			nm	(121.6%)	45.3%	(0.8%)	(0.1%)			
Other current assets	0.1	0.1	0.2	0.5	1.0	Revenue growth			nm	nm	1960.0%	727.1%	178.0%			
Total current assets	0.4	4.8	10.8	33.2	60.0	EBIT growth pa			n/a	n/a	n/a	n/a	(498.5%)			
PPE	0.5	7.4	9.2	14.7	19.6	Pricing			FY19A	FY20A	FY21F	FY22F	FY23F			
Intangibles and Goodwill	0.0	0.0	0.0	0.0	0.0	No of shares (y/e)	(m)		75	175	218	233	233			
Investments	0.0	0.0	0.1	0.1	0.1	Weighted Av Dil Shares	(m)		25	143	145	223	233			
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	EPS Reported	cps		(0.3)	(4.1)	(3.2)	(1.4)	5.3			
Other non current assets	0.0	0.2	0.2	0.2	0.2	EPS Normalised/Diluted	cps		(0.3)	(3.4)	(3.2)	(1.4)	5.3			
Total non current assets	0.5	7.6	9.5	15.0	19.9	EPS growth (norm/dil)			n/a	n/a	n/a	n/a	(487.6%)			
Total Assets	0.9	12.4	20.4	48.2	79.8	DPS	cps		-	-	-	-	-			
Accounts payable	0.4	0.8	1.2	8.7	19.2	DPS Growth			n/a	n/a	n/a	n/a	n/a			
Short term debt	0.0	0.0	0.0	0.0	0.0	Dividend yield			0.0%	0.0%	0.0%	0.0%	0.0%			
Tax payable	0.0	0.0	0.0	0.0	0.0	Dividend imputation			0	0	0	0	0			
Deferred revenue	0.0	0.4	1.0	5.2	13.8	PE (x)			-	-	-	-	12.2			
Total current liabilities	0.5	1.2	2.1	14.0	33.1	PE market			18.6	18.6	18.6	18.6	18.6			
Long term debt	0.0	0.0	0.0	0.0	0.0	Premium/(discount)			nm	nm	nm	nm	nm			
Other non current liab	0.0	2.9	2.5	2.5	2.5	EV/EBITDA			nm	nm	nm	nm	nm			
Total long term liabilities	0.0	2.9	2.5	2.5	2.5	FCF/Share	cps		(0.2)	(2.4)	(2.3)	1	9			
Total Liabilities	0.5	4.1	4.7	16.5	35.6	Price/FCF share			(362.8)	(27.1)	(28.4)	46.3	6.9			
Net Assets	0.5	8.2	15.7	31.6	44.2	Free Cash flow Yield			(0.3%)	(3.7%)	(3.5%)	2.2%	14.5%			
Share capital	0.6	14.0	27.3	47.3	47.3											
Accumulated profits/losses	(0.1)	(5.9)	(11.9)	(15.9)	(3.4)											
Reserves	0.0	0.0	0.3	0.2	0.3											
Minorities	0.0	0.0	0.0	0.0	0.0											
Total Shareholder funds	0.5	8.2	15.7	31.6	44.2											

Source: RaaS Advisory



FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

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AFSL 456663

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

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