

19th October 2021

AML3D

Research Framework with Deakin University IFM

AML3D Ltd (ASX:AL3) was established in 2014 to commercialise WAM® (Wire Additive Manufacturing), an additive manufacturing technology for the cost-effective production of large, high-performance metal components and structures. AL3 listed on the ASX in April 2020 at \$0.20/share, raising \$9m, and raised an additional \$7m in October 2020 to hasten the commercialisation programme. The company has established a contract manufacturing facility in Adelaide, is establishing a similar facility in Singapore and is making progress with customers for the proprietary ARCEMY® WAM® modules which are capable of manufacturing items up to 6m long – a significant increase in scale relative to most competing technologies. The company has announced a significant partnership agreement with Deakin University to develop advanced alloys feedstocks for AL3's Wire Additive Manufacturing process. We believe this is a further step in the process of enabling access to 3D printing for large-scale objects in a broader range of applications and industries.

Business model

AML3D generates revenue from contract manufacturing of components using its WAM process; sales of the ARCEMY® WAM® modules; and licencing revenue from these sales after the first year. The company has a manufacturing facility in Adelaide, additional capacity under development in Singapore and a strong level of interest in machine purchases due to the possibilities that large-scale use of the WAM® technology delivers.

Partnership development of alloy feedstocks for WAM

AL3 and Deakin University's Institute for Frontier Materials have signed a framework agreement to partner in the development of new alloys, purpose developed for additive manufacturing. The agreement potentially broadens the addressable market for AL3's large-scale additive manufacturing process (WAM), adding new industries and most importantly enabling the company to effectively address new applications such as maintenance and repair. The new alloys are expected to deliver high-strength wire for printing with limited need for post-processing - further improving the speed and economics of large-scale 3D printing as an alternative manufacturing and repair process. This agreement enables both development of new applications for WAM and likely subsequent supply of specific input materials to customers by AL3. These opportunities enhance the AL3 business case and are included in our current valuation estimates.

Base case DCF valuation of \$71m with upside to \$124m

We use the discounted cashflow methodology to value AML3D due to the company's early stage of development. Negative free cashflow was reported in 2021 and is expected in 2022 and 2023. We expect strong free cash generation thereafter. Using a WACC of 11.1% (Beta 1.5 vs measured Beta of 0.21, terminal growth rate of 2.2%) we derive an equity value of \$71m or \$0.475/share on the current issued capital of 150.4m shares. Our base case is premised on announced agreements and customer interest levels with a conservative conversion rate of customer inquiries to manufacturing and machine sales. We have additionally modelled a better and worse profile of future sales based on estimates of market penetration over time. We feel there is considerable upside possible in this valuation with our high valuation at \$0.829/share. A full discussion of our valuation is available in our recent initiation report [Additive manufacturing matures](#).

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

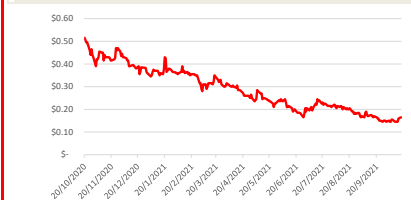
Year end	Total Revenue (A\$m)	Gross Profit (A\$m)	EBITDA (A\$m)	NPAT (A\$m)	EPS (c)	EV/Sales (x)
06/20a	0.3	0.2	(3.2)	(3.2)	n.a.	46.6
06/21a	0.6	0.3	(5.1)	(5.5)	(3.8)	23.6
06/22e	3.7	1.2	(3.2)	(2.8)	(1.7)	5.2
06/23e	7.7	3.1	(1.4)	(1.6)	(1.0)	3.0

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

Share details

ASX code	AL3
Share price (18 Oct)	\$0.165
Market capitalisation	\$24.8M
Shares on issue	150.4M
Net cash at 30 June	\$7.3M
Free float	~54%

Share price performance (12-months)



Upside Case

- Strong consumer interest leads to machine orders
- Current trial product deliveries convert to manufacturing contracts
- First-mover advantage is maintained through R&D

Downside Case

- Slow conversion of customers
- Further delays in expansion due to COVID
- Product trials do not convert to sales

Catalysts

- Announcement of additional machine sales
- Ratification of test parts supplied to potential customers (e.g., Boeing)
- Manufacturing orders following ratification
- AGM 19th November 2021

Company contacts

Andrew Sales (MD) +61 8 8258 2658
 Hamish McEwin (CFO)
 investors@aml3d.com

RaaS Advisory contacts

Scott Maddock +61 418 212 625
 scott.maddock@raasgroup.com
 Finola Burke +61 414 354 712
 finola.burke@raasgroup.com

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

Effective Date: 6th May 2021

About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License (“AFSL”) number 456663. RaaS Advisory Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR.

This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS’s services and includes such things as

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

RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

What Financial Services are we authorised to provide? RaaS is authorised to

- provide general advice to retail and wholesale clients in relation to
 - Securities
- deal on behalf of retail and wholesale clients in relation to
 - Securities

The distribution of this FSG by RaaS is authorized by BR.

Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities

Our dealing service

RaaS can arrange for you to invest in securities issued under a prospectus by firstly sending you the offer document and then assisting you fill out the application form if needed.

How are we paid?

RaaS earns fees for producing research reports. Sometimes these fees are from companies for producing research reports and/or a financial model. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report.

We may also receive a fee for our dealing service, from the company issuing the securities.

Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS’s representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

Complaints

If you have a complaint about our service you should contact your representative and tell them about your complaint. The representative will follow BR’s internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren’t satisfied with an outcome, you may contact AFCA, see below.

BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

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

Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

DISCLAIMERS and DISCLOSURES

This report has been commissioned by AML3D Ltd prepared and issued by RaaS Advisory Pty Ltd. RaaS Advisory has been paid a fee to prepare this report. RaaS Advisory's principals, employees and associates may hold shares in companies that are covered and, if so, this will be clearly stated on the front page of each report. This research is issued in Australia by RaaS Advisory and any access to it should be read in conjunction with the Financial Services Guide on the preceding two pages. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. Opinions contained in this report represent those of the principals of RaaS Advisory at the time of publication. RaaS Advisory provides this financial advice as an honest and reasonable opinion held at a point in time about an investment's risk profile and merit and the information is provided by the RaaS Advisory in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. RaaS Advisory has no obligation to update the opinion unless RaaS Advisory is currently contracted to provide such an updated opinion. RaaS Advisory does not warrant the accuracy of any information it sources from others. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance.

Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than \$50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise.

The science of climate change is common knowledge and its impacts may damage the global economy. Mitigating climate change may also disrupt the global economy. Investors need to make their own assessments and we disclaim any liability for the impact of either climate change or mitigating strategies on any investment we recommend.

Investors are responsible for their own investment decisions, unless a contract stipulates otherwise. RaaS Advisory does not stand behind the capital value or performance of any investment. Subject to any terms implied by law and which cannot be excluded, RaaS Advisory shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information. If any law prohibits the exclusion of such liability, RaaS Advisory limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable. Copyright 2021 RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363). All rights reserved.