

9th June 2022

AML3D

Updates – Delivering and developing

AML3D Ltd (ASX:AL3) was established in 2014 to commercialise the patented WAM (Wire Additive Manufacturing) process, an additive manufacturing technology for the cost-effective production of large, high-performance metal components and structures. The company has reported a positive outlook with Q3 results and forecasts a strong revenue and cashflow quarter in Q4. AL3 is currently building three machines for delivery in FY22 and expects another sale in Singapore. The company has orders for two more machines to be delivered before December. AL3 is focused on expanding acceptance of the WAM process for fast, high-quality, on-demand manufacturing. AL3 continues to invest in R&D to increase machine capacity, speed and strength. Similarly, partnerships with Deakin University in advanced materials will likely allow lighter, stronger products to be manufactured using AL3's patented WAM process and likely provide additional commercial opportunities in supply of welding materials. AL3's recent business update announcement confirms delivery of recent contracts and significant steps towards additional high-profile supply agreements for contract manufacturing.

Business model

AML3D generates revenues from contract manufacturing of components using its WAM process, sales of the patented ARCEMY WAM modules and licensing 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 large scale possible using the WAM technology. AL3 is developing three revenue streams: contract manufacturing in Adelaide, machine manufacturing and sales globally, and potentially supply of high-tech welding media for additive manufacturing and other uses.

Negotiating with Boeing, contract manufacturing growth

AL3 has confirmed delivery of ARCEMY modules ordered by RMIT and University of Queensland at \$400k each and a third module installed in the BAE Systems/Flinders University 'Factory of the Future'. The company delivered the first part for AGL's power plant programme and additional pressure equipment parts for ThyssenKrupp. Most significantly, discussions with Boeing are expanding following trial production of manufacturing tooling for the company. These are all significant milestones and highlight the increased recognition that the AML3D WAM process produces high-strength components, on-demand, with short lead times, and enhances supply chain strength accordingly.

Base-case DCF valuation of \$65m

We use the discounted cashflow methodology to value AML3D due to the company's early stage of development. Our base case remains premised on announced agreements and customer interest levels with a conservative conversion rate of customer enquiries 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 still at \$0.75/share. This valuation will be adjusted as risk-free rates rise

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

Year end	Total revenue	Gross profit	EBITDA	NPAT	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	2.0	0.8	(4.0)	(4.1)	(2.5)	4.1
06/23e	4.6	1.4	(3.1)	(2.7)	(1.6)	3.0

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

Share Details

ASX code	AL3
Share price (8-Jun)	\$0.079
Market capitalisation	\$11.9M
Shares on issue	150.4M
Net cash at 31-Mar-2022	\$3.1M
Free float	~54%

Share Price Performance (12-months)



Upside Case

- Strong consumer interest leads to machine orders
- Manufacturing contracts ramp up from latest agreements
- First-mover advantage is maintained through R&D

Downside Case

- Slow conversion of customers
- Further delays in expansion due to COVID
- Manufacturing orders slow to arrive

Catalysts

- Sales of ARCEMY modules
- Contract wins with Boeing and other clients
- Ongoing evidence of operational momentum
- Commercialisation of wire research

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FINANCIAL SERVICES GUIDE

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

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