

FY22 Revenue Up, Strategy Clear

AML3D Ltd (ASX:AL3) was established in 2014 to commercialise the patented WAM (Wire Additive Manufacturing), an additive manufacturing technology for the cost-effective production of large, high-performance metal components and structures. The company reported a positive Q2 result with increasing interest in large-scale 3D printed parts from aerospace and energy companies. AL3 is supplying two machines to universities in FY22 and expects another sale in Singapore. The company has sufficient cash for six more quarters at current burn rates. Interest levels following the issue of the American Petroleum Institute's Additive Manufacturing Standard have continued with improving relationships and order flow from major North American oil and gas engineering clients. AL3 is focused on expanding acceptance of the WAM process for fast, high-quality, on-demand manufacturing and has scheduled a Corporate Update Webinar on 14th April. The company expects to highlight the benefits of the WAM process to customers, including higher strength, lower waste, and smaller manufacturing footprint. AL3 maintains a strong focus on immediate value drivers but the presentation will likely emphasise the strong medium- and long-term prospects for the process and the company.

Business model

AML3D generates revenue from contract manufacturing of components using its WAM process, sales of the patented 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 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.

Confirms FY22 revenue > A\$2m

The quarterly result showed promising trends and rising interest in ALM3D's ARCEMY machines and WAM technology. Management is clear in the presentation pack (released prior to the webinar) that these processes are bearing fruit and that immediate, medium-term and long-term value drivers are real and growing in impact. Nevertheless, as management emphasise, the process of moving from customer enquiry through the steps to full implementation of and integration of the WAM process is taking time. The global challenges of the past two years have clearly impacted the speed of take-up. At this stage we reduce our estimates for FY22 slightly to reflect these timing issues but make no adjustment to FY23 given the strong signs from North American customers.

Base-case DCF valuation of \$64.5m maintained

We've used the discounted cashflow methodology to value AML3D due to the company's early stage of development. We currently expect strong free-cash generation from FY23. Using a WACC of 11.7% (Beta 1.5 vs measured Beta of 0.21, terminal growth rate of 2.2%) we derive an equity value of \$64.6m or \$0.43/share on the current issued capital of 150.4m shares. As we highlighted in our 13 October Initiation Report **Additive Manufacturing Matures**, our base case is 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. Our high valuation is at \$0.75/share and note our downside valuation is \$0.20/share relative to current market price at \$0.096.

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

Year end	Sales revenue	Gross profit	EBITDA	NPAT	EPS (c)	EV/Sales (x)
06/20a	0.3	0.2	(3.2)	(3.2)	n.a.	21.6
06/21a	0.6	0.3	(5.5)	(5.8)	(3.6)	12.1
06/22e	2.9	1.1	(3.7)	(3.9)	(2.3)	3.9
06/23e	7.8	3.1	(1.4)	(1.5)	(0.9)	2.0

Source: Company data; RaaS estimates for FY22e and FY23e

Additive Manufacturing

11th April 2022

Share Details

ASX code	AL3
Share price (8-Apr)	\$0.097
Market capitalisation	\$14.5M
Shares on issue	150.4M
Net cash 31-Dec-2021	\$4.5M
Free float	~54%

Share Performance (12 months)



Upside Case

- Strong customer 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
- Retention rate reverts to COVID levels

Catalysts

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

Board of Directors

Sean Ebert	Interim Chairman
Andrew Sales	Founder/MD/CEO
Leonard Piro	Non-Executive Director

Company Contacts

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

RaaS Advisory Contacts

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

Exhibit 1: Financial Summary

AML3D Ltd (ASX:AL3)						Share price (Date)	8/04/2022						A\$	0.096			
Profit and Loss (A\$m)						Interim (A\$m)											
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	1H20 A	2H20 A	1H21 A	2H21 A	1H22 E	2H22 E						
Sales Revenue	0.2	0.3	0.6	2.9	7.8	Revenue	0.1	0.2	0.1	0.5	0.3	2.7					
Gross Profit	0.2	0.2	0.3	1.1	3.1	EBITDA	(1.8)	(1.3)	(2.1)	(3.3)	(2.5)	(1.2)					
EBITDA	(0.6)	(3.2)	(5.5)	(3.7)	(1.4)	EBIT	(1.8)	(1.3)	(2.3)	(3.5)	(2.7)	(1.6)					
Depn	(0.1)	(0.1)	(0.4)	(0.6)	(0.6)	NPAT (normalised)	(1.8)	(1.3)	(2.2)	(3.5)	(2.7)	(1.1)					
Amort	0.0	0.0	0.0	(0.0)	(0.2)	Minorities	-	-	-	-	-	-					
EBIT	(0.7)	(3.2)	(5.9)	(4.3)	(2.2)	NPAT (reported)	(1.8)	(1.1)	(2.1)	(3.5)	(2.7)	(1.1)					
Interest	0.0	0.0	0.0	(0.0)	(0.0)	EPS (normalised)	(1.24)	(1.10)	(1.47)	(2.17)	(1.66)	(0.68)					
Tax	0.0	0.0	0.0	0.5	0.7	EPS (reported)	(1.39)	(0.85)	(1.43)	(2.30)	(1.82)	(0.75)					
Minorities	0.0	0.0	0.0	0.0	0.0	Dividend (cps)	-	-	-	-	-	-					
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Imputation	30.0	30.0	30.0	30.0	30.0	30.0					
NPAT pre significant item	(0.7)	(3.2)	(5.8)	(3.9)	(1.5)	Operating cash flow	(0.8)	(1.8)	(1.9)	(4.4)	(2.5)	(0.2)					
Significant items	0.0	0.1	0.2	0.0	0.0	Free Cash flow	(0.7)	(1.1)	0.4	(4.1)	(2.3)	0.9					
NPAT (reported)	(0.7)	(3.1)	(5.7)	(3.9)	(1.5)	Divisions						1H20 A	2H20 A	1H21 A	2H21 A	1H22 E	2H22 E
Cash flow (A\$m)						Contract Manufacturing	0.0	0.0	0.0	0.0	0.7	0.8					
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	Machine Sales	0.0	0.0	0.0	0.0	0.0	1.5					
EBITDA	(0.6)	(3.2)	(5.5)	(3.7)	(1.4)	Licence Income	0.0	0.0	0.0	0.0	0.3	0.4					
Interest	0.0	0.0	0.0	(0.0)	(0.0)	COGS	0.0	0.0	0.0	0.0	(0.7)	(1.7)					
Tax	0.0	0.0	0.0	0.0	0.0	Employment	0.0	0.0	0.0	0.0	(1.6)	(1.6)					
Working capital changes	(0.3)	0.6	(0.9)	1.0	(1.0)	Technology, licence fees	0.0	0.0	0.0	0.0	0.0	0.0					
Operating cash flow	(0.9)	(2.6)	(6.3)	(2.7)	(2.4)	Other costs	0.0	0.0	(2.4)	(4.0)	(0.6)	(0.6)					
Mtce capex	(0.2)	(0.8)	(0.3)	(0.2)	(0.4)	EBITDA	(1.8)	(1.3)	(2.1)	(3.3)	(2.5)	(1.2)					
Free cash flow	(1.1)	(3.4)	(6.6)	(2.9)	(2.8)	Margins, Leverage, Returns						FY19A	FY20A	FY21A	FY22F	FY23F	
Growth capex	(0.0)	(0.0)	(2.3)	(1.1)	(1.4)	EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.					
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.					
Other	0.0	(0.0)	0.0	0.0	0.0	NPAT pre significant items	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.					
Cash flow pre financing	(1.2)	(3.5)	(8.9)	(4.0)	(4.2)	Net Debt (Cash)	(0.6)	7.8	6.8	2.9	(1.3)						
Equity	0.1	10.2	7.3	0.0	0.0	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	n/a					
Debt	1.6	(0.1)	(0.1)	(0.1)	0.0	ND/ND+Equity (%)	(%)	125%	(411%)	(141%)	(62%)	17.5%					
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	n/a					
Net cash flow for year	0.5	6.7	(1.7)	(4.0)	(4.2)	ROA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.					
Balance sheet (A\$m)						ROE	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.					
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	ROIC	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.					
Cash	1.2	8.2	7.3	3.2	(1.0)	NTA (per share)	n/a	0.07	0.08	0.04	0.02						
Accounts receivable	0.3	0.7	0.5	0.2	0.6	Working capital	0.2	0.0	1.7	0.5	1.4						
Inventory	0.0	0.1	2.0	0.4	1.2	WC/Sales (%)	105%	17%	259%	15%	18%						
Other current assets	0.0	0.2	0.2	0.2	0.2	Revenue growth	(35%)	45%	121%	360%	163%						
Total current assets	1.5	9.3	10.0	4.0	1.0	EBIT growth pa	n/a	n/a	n/a	n/a	n/a						
PPE	0.3	1.5	3.3	2.6	2.3	Pricing						FY19A	FY20A	FY21A	FY22F	FY23F	
Intangibles and Goodwill	0.0	0.0	0.1	1.3	2.6	No of shares (y/e)	(m)	132	148	150	150	150					
Investments	0.0	0.0	0.0	0.0	0.0	Weighted Av Dil Shares	(m)	132	148	148	165	165					
Deferred tax asset	0.0	0.0	0.0	0.5	1.1	EPS Reported	cps	0.0	0.0	(3.4)	(2.3)	(0.9)					
Other non current assets	0.0	0.0	0.0	0.0	0.0	EPS Normalised/Diluted	cps	0.0	0.0	(3.6)	(2.3)	(0.9)					
Total non current assets	0.4	1.6	3.4	4.4	6.1	EPS growth (norm/dil)	n.a.	n.a.	n.a.	-36%	-60%						
Total Assets	1.8	10.9	13.4	8.4	7.1	DPS	cps	-	-	-	-	-					
Accounts payable	0.1	0.8	0.9	0.2	0.4	DPS Growth	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.					
Short term debt	1.8	0.1	0.2	0.0	0.0	Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%					
Tax payable	0.0	0.0	0.0	0.0	0.0	Dividend imputation	30	30	30	30	30	30					
Other current liabilities	0.1	0.0	0.5	0.3	0.3	PE (x)	n.a.	n.a.	-2.8	-4.1	-10.3						
Total current liabilities	1.9	0.9	1.5	0.4	0.7	PE market	17.8	17.8	17.8	17.8	17.8	17.8					
Long term debt	0.0	0.3	0.3	0.3	0.3	Premium/(discount)	n.a.	n.a.	(116%)	(123%)	(158%)						
Other non current liabs	0.0	0.0	0.0	0.0	0.0	EV/EBITDA	-19.2	-2.0	-1.4	-3.1	-11.1						
Total long term liabilities	0.0	0.3	0.3	0.3	0.3	FCF/Share	cps	-0.6	-1.2	-4.0	-1.7	-1.3					
Total Liabilities	1.9	1.2	1.8	0.7	1.0	Price/FCF share	-17.2	-8.2	-2.4	-5.7	-7.2						
Net Assets	(0.1)	9.7	11.6	7.7	6.1	Free Cash flow Yield	(5.8%)	#####	(41.4%)	(17.5%)	(13.9%)						
Share capital	1.1	14.0	21.3	20.6	20.6												
Accumulated profits/losse	0.0	(4.3)	(9.8)	(13.7)	(15.2)												
Reserves	(1.2)	0.0	0.1	0.7	0.7												
Minorities	0.0	0.0	0.0	0.0	0.0												
Total Shareholder func	(0.1)	9.7	11.6	7.7	6.1												

Source: RaaS Advisory

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 AML3D Ltd and 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.