

18 September 2024

Amaero International Ltd

Oversubscribed and upsized capital raise to fund growth

Amaero International Ltd (ASX:3DA) is a global specialist in advanced materials manufacturing for the defence, aerospace and other industrial sectors, developing a critical metals alloy powder manufacturing facility in Tennessee, USA. Amaero has announced that it has successfully completed an upsized institutional placement to raise \$25.0m at \$0.35/share to fund capital equipment purchases and further fit-out its Tennessee facility. The capital raise was oversubscribed to the tune of \$44m and scaled up from the original \$20m sought. The company says the raise received strong support from existing cornerstone institutional shareholders as well as new Australian and international institutions. Post raise, the company will have a cash balance of approximately \$37.5m. Our base-case DCF valuation is unchanged at \$1.14/share fully diluted, while a +15%/-15% sensitivity analysis derives a valuation range of \$0.65-\$1.53/share.

Business model

Amaero is developing a critical metals powder manufacturing facility in Tennessee, USA, targeting the production of high-value alloy powders for mission-critical defence and space applications. The company has announced plans to install four electrode induction melting gas atomisers (EIGAs) at its facility over the next three years with the first EIGA commissioned on 4 June 2024, three weeks ahead of schedule. Amaero has indicated that at full capacity and based on a 50% yield, it will produce up to 399 tonnes a year of high-end alloy powders for use in powder bed fusion (PBF) 3D printing of hypersonic, space, satellite and strategic missile parts. It has highlighted that 10% of PBF production in C103 niobium powder could contribute ~58% of powder sales revenue and ~50% of total revenue.

Capital raised to transition to commercial sales

Amaero has raised an additional \$25m to make capital equipment purchases (\$12.8m), fit out and improve the Tennessee facility (\$10.8m) and cover offer costs (\$1.3m). The raise was priced at \$0.35/share, a 4% discount to the last close and 9% discount to the five-day volume weighted average price. The raise was not unexpected; we had factored in a \$22.5m raise at \$0.34/share in our modelling before 30 September. We have incorporated the raise into our forecasts with no impact on current numbers. Post raise, the company will have pro-forma cash of approximately \$37.5m to fund the capex programme ahead of ramping up production and transitioning to commercial sales.

Base-case DCF valuation is \$1.14/share

Our base-case DCF valuation is \$943m, or \$1.14/share fully diluted for the raise just completed and an additional forecasted equity raise of \$22.5m in H2 FY25. We also assume that 30% of existing options convert. We estimate that the fully diluted share count will rise to 828m in FY26. On the new, post-raise share count of 614m shares the valuation is \$1.54/share. A-15%/+15% sensitivity analysis on a fully diluted basis (i.e. 828m shares) delivers a range of \$0.65-\$1.53/share. Our base-case forecasts and valuation are predicated on the expectation that Amaero will deliver revenue from FY25, EBITDA break-even at FY26 and secure 'at capacity' earnings in H2 CY28.

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

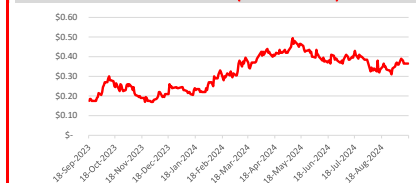
Y/E	Sales revenue	Gross profit	EBITDA	NPAT	EPS (c)	EV/Sales (x)	EV/EBITDA (x)	PER (x)
06/23a	0.1	0.6	(2.8)	(12.5)	(2.7)	n.m.	n.m.	n.m.
06/24a	0.5	0.1	(11.9)	(18.8)	(4.0)	n.m.	n.m.	n.m.
06/25f	21.0	0.9	(13.2)	(18.4)	(3.0)	14.1	n.m.	n.m.
06/26f	95.0	29.7	0.1	(10.4)	(1.4)	3.3	n.m.	n.m.
06/27f	172.8	49.1	10.1	(2.5)	(0.3)	1.8	31.5	n.m.

Source: Company data, RaaS Research Group estimates for FY24F-FY27f

Share Details

ASX code	3DA
Share price (17-Sept)	\$0.365
Market capitalisation (post raise)	\$224M
Shares on issue (post raise)	614M
Estimated net cash (post raise)	~\$37.5M
Free float	~37%

Share Price Performance (12-months)



Upside Case

- Amaero develops a significant presence in the advanced manufacturing supply chain
- Strong tailwinds in US and global demand for US advanced metal powder production
- Highly experienced management team led by Chairman/CEO with proven track record of delivering ahead of schedule

Downside Case

- Further strategic equity raises may result in dilution
- Pre-production with no guarantee that strategy will translate into earnings success
- Cash-flow profit still at least 18 months away

Catalysts

- First commercial sales secured post qualification
- Secures US government grants
- Commissions second atomiser
- Delivers EBITDA break-even in FY26

Company Interview

[Amaero International RaaS Interview 8 April 2024](#)

[Amaero International Investor Webinar 14 August 2024](#)

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FINANCIAL SERVICES GUIDE

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