

5 June 2024

Amaero International Ltd

Atomiser commissioned ahead of June 30 deadline

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. In its latest update (4 June release) the company announced that the first atomiser has been commissioned at its Tennessee facility more than three weeks ahead of schedule. The commissioning is an important step toward the production of C103 and specialty alloy powder at the facility and allows the company to move to the next step of achieving qualification and, ultimately, commercialisation. The company says with commissioning now complete, the technical and manufacturing team will shift attention to proprietary modifications of the atomisation process and optimising operating parameters. Amaero's announcement underpins our confidence in the production timing we have applied to our estimates. We make no change to our forecasts. Our base-case DCF valuation is \$1.25/share fully diluted while a +15/-15% sensitivity analysis to our base-case valuation provides a valuation range of \$0.67 to \$1.72/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. Amaero has indicated that, 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 revenue.

Next stage is optimising the atomisation process

With commissioning of the first gas atomiser now complete, Amaero says it will commence proprietary modifications of the atomisation process and optimisation of the operating parameters. This is the next stage on the pathway to commercialisation. The company has previously (company release May 20) highlighted that it will initially produce two tonnes of Ti64 followed by collaborative production of initial C103 additive manufacturing powder for its offtake counterparty by mid-August. The early commissioning of the gas atomiser should help underpin this timeline. We have made no changes to our forecasts following the June 4 announcement.

Base-case DCF valuation is \$1.25/share

Our base-case DCF valuation is A\$1.024b or \$1.25/share fully diluted for an anticipated US\$20m strategic raising and options conversion. On the current share count of 542m shares the valuation is \$1.89/share. (See our report of 24 May for full detail on the DCF valuation). A -15%/+15% sensitivity analysis to our base-case revenue and costs delivers a downside case valuation of \$0.67/share and an upside case of \$1.72/share. Our base-case forecasts and valuation are predicated on the expectation that Amaero will deliver revenue from FY25, EBITDA profitability from 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	0.8	2.1	(7.9)	(12.5)	(2.8)	n.m.	n.m.	n.m.
06/24f	3.0	(2.6)	(12.7)	(15.4)	(2.6)	n.m.	n.m.	n.m.
06/25f	21.0	0.9	(13.0)	(14.1)	(2.4)	n.m.	n.m.	n.m.
06/26f	95.0	33.5	5.0	(3.4)	(0.6)	18.3	n.m.	n.m.
06/27f	172.8	54.2	17.1	6.3	0.7	3.9	13.2	23.9

Source: Company data, RaaS Research Group estimates for FY24F-FY27F

Share Details

ASX code	3DA
Share price (4-Jun)	\$0.435
Market capitalisation	\$235.8M
Shares on issue	542M
Estimated net cash	~\$24M
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
- Strong Chairman/CEO with experience and connectivity to key stakeholders in the US

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 15-18 months away

Catalysts

- Project finance secured for Tennessee operation
- Strategic equity commitment secured
- Purchase/installation of additional EIGAs
- Confirmation of first revenue/cash-flow

Company Interview

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

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FINANCIAL SERVICES GUIDE

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