

# Amaero International Ltd

Company update

## Progressing the opportunities in Q3 FY21

Amaero International Ltd (ASX:3DA) creates large format, complex components in metal with laser-based additive manufacturing for the defence, aerospace and automotive sectors. The company, works with several of the world's leading manufacturers of aerospace and defence products, delivering both design & prototype and manufacturing capability. Amaero has reported Q3 FY21 operating cash outflow of \$1.06m, which included \$0.58m in government grants. Cash receipts ticked up to \$0.09m and cash expenditure, including research and development costs were down slightly on Q2, demonstrating good cost containment. The company ended Q3 FY21 with \$12.6m net cash. Key highlights for the quarter include Amaero successfully printing tooling for the Fletcher's Glass application in the production geometry which validates Amaero's patent application and will lead to testing in the production geometry in the production alloy in this quarter; the collaboration with Rio Tinto on the development of supply chain for Amaero's High Operating Temperature Aluminium Alloy, "HOT AI", and purchase orders from Nissan Casting Australia for the supply of tool steel inserts and Raytheon Intelligence and Space for additive manufactured components in new materials. Amaero has also appointed 3D printing industry veteran Mr Tuan TranPham to its industry advisory board. Mr TranPham previously held the positions of Chief Revenue Officer at Desktop Metal (NYSE:DM), National Sales & marketing Director at GE Additive, National Sales Manager for Stratasys and National Sales Manager for 3D Systems.

### Business model

Amaero generates revenue from several sources including the design and prototyping of additive manufacturing solutions on a cost-plus basis; from contract manufacturing and tooling on a price per unit basis; from the sale of proprietary metal 3D printers & equipment and 3D printing metal powders on a cost plus mark-up basis; from post-sales support and maintenance service fees; and from the rights to commercialise patented proprietary alloys developed by Monash University on a price per unit basis. Amaero has the North American commercialisation rights to a range of 3D printing machines, including the world's largest laser powder bed machine, as well as the powder preparation machines and powder handling and recovery devices. The company owns fully accredited manufacturing facilities in Melbourne, Adelaide and El Segundo, California.

### Q3 FY21 result demonstrating progress

Amaero has reported monthly cash burn of \$0.35m, an improvement on Q2 FY21's monthly cash burn of \$0.54m. Q3 was a quarter of operational progress. The successful printed tooling of the Fletcher's Glass application was a major project milestone and has allowed the project to progress towards building and testing the production geometry in the production alloy in this quarter. The collaboration with Rio Tinto on HOT AI has enabled Rio to manufacture a trial batch of the AIMnSc alloy which will be atomised to enable further qualification testing.

### Base case DCF valuation is \$0.93/share

We have made minor adjustments to our forecasts for the timing of revenues coming to account. This has had minimal impact on our DCF valuation which is \$0.93/share on the current share count. As we highlighted in our February 2 initiation report [Delivering efficiencies in 3D printing](#), we have identified considerable upside to our valuation on the range of opportunities Amaero has presently before it.

#### Historical earnings and RaaS forecasts

Y/E	Sales Revenue (A\$m)	Gross Profit (A\$m)	EBITDA (A\$m)	NPAT (A\$m)	EPS (c)	EV/Sales (x)
06/20a	0.1	0.0	(4.2)	(4.8)	(3.4)	nm
06/21e	2.4	1.0	(4.9)	(6.2)	(3.2)	56.1
06/22e	19.9	5.5	(2.0)	(2.9)	(1.4)	6.5
06/23e	55.2	22.0	13.8	12.5	5.3	2.0

Source: Company data for historicals, RaaS estimates for FY21e, FY22e and FY23e

## Additive Manufacturing

27<sup>th</sup> April 2021

### Share details

ASX Code	3DA
Share price (26 April)	\$0.66
Market Capitalisation	\$132.2M
Shares on issue	201.8M
Net cash 31 Mar '21	\$12.6M

### Share performance (12 months)



### Upside Case

- Counts six of the top 10 defence companies as clients
- Partnered with the world's foremost additive manufacturing R&D team at Monash University
- Strong board and advisory board with links into the decisionmakers in US and EMEA defence

### Downside Case

- Competing with multinational 3D printing manufacturers with big balance sheets
- Further capital raises likely, resulting in potential dilution
- Still early stage with no guarantee that strategy will translate into earnings success

### Catalysts

- Australian titanium powder plant proceeds
- Patents over aluminium and titanium alloys granted
- Decision on 3D printing centre in Middle East

### Board of Directors

David Hanna	Non-Executive Chairman
Stuart Douglas	Executive Director
Kathryn Presser	Non-Executive Director

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## Exhibit 1: Financial Summary

Amaero International Ltd						Share price (26 April 2021)						A\$	0.66
Profit and Loss (A\$m)						Interim (A\$m)							
Y/E 30 June	FY19A	FY20A	FY21F	FY22F	FY23F	H120A	H220A	H121F	H221F	H122F	H222F		
Sales Revenue	0.0	0.1	2.4	19.9	55.2	0.0	0.1	0.1	2.3	7.6	12.3		
Total Revenue	0.0	0.4	3.0	20.6	55.2	(1.7)	(2.4)	(1.9)	(3.0)	(1.8)	(0.2)		
Gross Profit	0.0	0.3	1.0	5.5	22.0	(1.9)	(2.8)	(2.5)	(3.3)	(2.2)	(0.8)		
EBITDA Adj	(0.1)	(4.2)	(4.9)	(2.0)	13.8	(1.9)	(2.9)	(3.0)	(3.2)	(2.2)	(0.8)		
Depn	0.0	(0.5)	(0.9)	(1.1)	(1.6)	-	-	-	-	-	-		
Amort	0.0	0.0	0.0	0.0	0.0	(2.8)	(3.0)	(3.2)	(3.2)	(2.2)	(0.8)		
EBIT Adj	(0.1)	(4.7)	(5.8)	(3.1)	12.2	(1.72)	(2.03)	(1.59)	(1.61)	(1.03)	(0.35)		
Interest	0.0	(0.2)	(0.1)	0.1	0.3	(2.50)	(1.69)	(1.59)	(1.60)	(1.00)	(0.33)		
Tax	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-		
Minorities	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-		
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	(1.5)	(2.8)	(2.8)	(2.4)	1.0	2.3		
NPAT pre significant items	(0.1)	(4.8)	(6.2)	(2.9)	12.5	0.7	(1.1)	(2.4)	0.9	4.2	5.6		
Significant items	0.0	(1.0)	0.0	0.0	0.0	Divisions							
NPAT (reported)	(0.1)	(5.8)	(6.2)	(2.9)	12.5	H120A	H220A	H121F	H221F	H122F	H222F		
Cash flow (A\$m)	FY19A	FY20A	FY21F	FY22F	FY23F	Sales and service revenue	0.0	0.1	0.1	2.3	7.6		
Y/E 30 June	FY19A	FY20A	FY21F	FY22F	FY23F	R&D grants	0.2	0.1	0.6	0.0	0.7		
EBITDA	(0.1)	(4.2)	(4.9)	(2.0)	13.8	Total Revenue	0.2	0.2	0.7	2.3	8.3		
Interest	0.0	(0.2)	(0.1)	0.1	0.3	COGS	0.0	0.1	0.1	1.9	6.3		
Tax	0.0	0.0	0.0	0.0	0.0	Gross Profit	0.2	0.1	0.6	0.4	2.0		
Working capital changes	(0.1)	0.1	(0.1)	5.2	8.1	R&D costs	(0.3)	(0.6)	(0.8)	(0.7)	(0.8)		
Operating cash flow	(0.1)	(4.2)	(5.0)	3.3	22.1	Employment	(0.3)	(0.6)	(0.6)	(1.5)	(1.7)		
Mtce capex	0.0	0.0	0.0	0.0	0.0	General & Admin costs	(0.8)	(0.8)	(0.7)	(0.8)	(0.8)		
Free cash flow	(0.1)	(4.2)	(5.0)	3.3	22.1	Other costs	(0.5)	(0.6)	(0.4)	(0.4)	(0.4)		
Growth capex	0.0	(3.9)	(3.6)	(6.5)	(6.5)	EBITDA	(1.7)	(2.4)	(1.9)	(3.0)	(1.8)		
Acquisitions/Disposals	0.1	0.0	0.0	0.0	0.0	Margins, Leverage, Returns							
Other	(0.2)	0.0	(0.1)	0.0	0.0	FY19A	FY20A	FY21F	FY22F	FY23F			
Cash flow pre financing	(0.2)	(8.1)	(8.7)	(3.2)	15.6	EBITDA	nm	nm	nm	(10.1%)	25.0%		
Equity	0.4	13.5	13.8	20.0	0.0	EBIT	nm	nm	nm	(15.4%)	22.1%		
Debt	0.0	(0.2)	0.0	0.0	0.0	NPAT pre significant items	nm	nm	nm	(14.8%)	22.6%		
Dividends paid	0.0	0.0	0.0	0.0	0.0	Net Debt (Cash)		0.1	4.0	8.4	24.2		
Net cash flow for year	0.2	5.2	5.1	16.8	15.6	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a		
Balance sheet (A\$m)	FY19A	FY20A	FY21F	FY22F	FY23F	ND/ND+Equity (%)	(%)	(41.3%)	(96.3%)	(114.0%)	(322.9%)		
Y/E 30 June	FY19A	FY20A	FY21F	FY22F	FY23F	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a		
Cash	0.2	4.0	8.4	24.2	39.8	ROA	nm	(70.2%)	(35.2%)	(8.9%)	19.1%		
Accounts receivable	0.1	0.1	1.8	3.7	9.6	ROE	nm	(134.5%)	(52.3%)	(12.4%)	32.9%		
Inventory	0.1	0.5	0.5	4.9	9.6	ROIC	nm	(222.3%)	(135.5%)	(144.4%)	(832.0%)		
Other current assets	0.1	0.1	0.2	0.5	1.0	NTA (per share)		0.01	0.05	0.07	0.14		
Total current assets	0.4	4.8	10.8	33.2	60.0	Working capital		(0.2)	(0.1)	1.1	(0.2)		
PPE	0.5	7.4	9.2	14.7	19.6	WC/Sales (%)	nm	(121.6%)	45.3%	(0.8%)	(0.1%)		
Intangibles and Goodwill	0.0	0.0	0.0	0.0	0.0	Revenue growth	nm	nm	1960.0%	727.1%	178.0%		
Investments	0.0	0.0	0.1	0.1	0.1	EBIT growth pa	n/a	n/a	n/a	n/a	(498.5%)		
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	Pricing	FY19A	FY20A	FY21F	FY22F	FY23F		
Other non current assets	0.0	0.2	0.2	0.2	0.2	No of shares (y/e)	(m)	75	175	218	233		
Total non current assets	0.5	7.6	9.5	15.0	19.9	Weighted Av Dil Shares	(m)	25	143	145	223		
Total Assets	0.9	12.4	20.4	48.2	79.8	EPS Reported	cps	(0.3)	(4.1)	(3.2)	(1.4)		
Accounts payable	0.4	0.8	1.2	8.7	19.2	EPS Normalised/Diluted	cps	(0.3)	(3.4)	(3.2)	(1.4)		
Short term debt	0.0	0.0	0.0	0.0	0.0	EPS growth (norm/dil)		n/a	n/a	n/a	n/a		
Tax payable	0.0	0.0	0.0	0.0	0.0	DPS	cps	-	-	-	-		
Deferred revenue	0.0	0.4	1.0	5.2	13.8	DPS Growth		n/a	n/a	n/a	n/a		
Total current liabilities	0.5	1.2	2.1	14.0	33.1	Dividend yield		0.0%	0.0%	0.0%	0.0%		
Long term debt	0.0	0.0	0.0	0.0	0.0	Dividend imputation		0	0	0	0		
Other non current liab	0.0	2.9	2.5	2.5	2.5	PE (x)		-	-	-	-		
Total long term liabilities	0.0	2.9	2.5	2.5	2.5	PE market		18.6	18.6	18.6	18.6		
Total Liabilities	0.5	4.1	4.7	16.5	35.6	Premium/(discount)		nm	nm	nm	nm		
Net Assets	0.5	8.2	15.7	31.6	44.2	EV/EBITDA		nm	nm	nm	nm		
Share capital	0.6	14.0	27.3	47.3	47.3	FCF/Share	cps	(0.2)	(2.4)	(2.3)	1		
Accumulated profits/losses	(0.1)	(5.9)	(11.9)	(15.9)	(3.4)	Price/FCF share		(362.8)	(27.1)	(28.4)	46.3		
Reserves	0.0	0.0	0.3	0.2	0.3	Free Cash flow Yield		(0.3%)	(3.7%)	(3.5%)	2.2%		
Minorities	0.0	0.0	0.0	0.0	0.0								
Total Shareholder funds	0.5	8.2	15.7	31.6	44.2								

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: 26<sup>th</sup> November 2018**

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

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  - Securities
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Website: [www.afca.org.au](http://www.afca.org.au); Email: [info@afca.org.au](mailto:info@afca.org.au); Telephone: 1800931678 (free call)

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

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