

2nd September 2021

Amaero International

Revenue guidance upped for Australian Ti powder plant

Amaero International Ltd (ASX:3DA) is a global specialist in metal additive manufacturing for the defence, aerospace and tooling sectors. Amaero has announced that recent evaluation trials have confirmed that yields of its metal powder products are better than the base case for the investment and therefore the anticipated output from the proposed Australian titanium powder manufacturing facility will be higher than previously expected. Amaero now expects that revenue capacity per annum from the facility, once fully operational, will be US\$30m per annum or A\$40.8m (based on US/AUD exchange of US\$0.74). Previously the company had announced expected annual revenue capacity of A\$30m/annum from the facility (ASX announcement July 5, 2021). We have upgraded our forecasts for this revised announcement. Previously our forecasts incorporated A\$30m in revenues per year from the facility from CY23, the estimated first full year of operation at full capacity. Our earnings upgrade has resulted in FY23 EPS lifting 10% to 5.5cps and our DCF valuation increasing to \$0.98/share from \$0.87/share previously.

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.

Better than expected test results on Ti powder extraction

Amaero now anticipates that it will be able to generate US\$30m a year from its proposed Australian titanium facility as opposed to its previous estimate for A\$30m. We have incorporated this new estimate into our forecast with the effect of a 10% upgrade to our FY23 EPS forecasts to 5.45cps from 4.94cps previously. The upgrade as resulted in our forecasts beyond FY23 to also be lifted.

Base case valuation is \$0.98/share (\$198m) previously \$0.87/share

Our base case DCF valuation has been upgraded as a result of this new guidance on the titanium powder facility to \$0.98/share (previously \$0.87/share). The titanium facility is one of the key drivers to our current valuation along with the existing contracts with Fletchers (but not the global rollout) and a US defence & aerospace manufacturer. Our upside case, which incorporates a substantially larger Ti powder facility, the global rollout of the Fletcher tooling contract, and the go ahead on the Middle East 3D printing plant could take our valuation to \$1.15b or \$5.69/share.

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

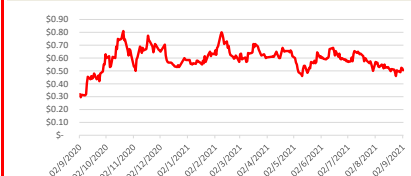
Y/E	Revenue (A\$m)	Gross Profit (A\$m)	EBITDA(A\$m)	NPAT (A\$m)	EPS (c)	EV/Sales (x)
06/20a	0.1	0.0	(4.3)	(4.9)	(3.5)	nm
06/21a	0.5	0.9	(4.8)	(6.2)	(3.3)	nm
06/22e	17.9	5.1	(3.6)	(4.3)	(2.0)	5.7
06/23e	57.5	23.3	13.8	12.7	5.5	1.7

Source: Company data, RaaS Advisory Estimates for FY22e, and FY23e

Share details

ASX Code	3DA
Share Price (intraday)	\$0.525
Market Capitalisation	\$105.9M
Shares on issue	201.8M
Net cash at 30 June	\$11.5M
Free float	~68%

Share price 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 is commissioned
- Fletcher tooling opportunity presents globally
- Middle East 3D printing centre is approved

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FINANCIAL SERVICES GUIDE

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of

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AFSL 456663

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

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