

4 December 2024

Amaero International Ltd

Locking in supply of US melt and forged titanium bar

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. The company has announced it has signed a three-year supply agreement for US melt and forged titanium bar with The Perryman Company, a privately-owned, fully-integrated manufacturer of titanium products based in Pennsylvania in the United States. For the term of the contract, Amaero says Perryman will be its preferred and primary supplier of high-quality, reliable and scalable US melt and forged titanium alloy bar feedstock for the atomisation of premium spherical powder. Amaero says the agreement provides a baseline price in CY2025 with subsequent years reverting to an agreed percentage increase on the base price including a variable raw material surcharge based on the market price of Ti64. The pricing is based on achieving a minimum annual order threshold of 45 metric tonnes in CY2025 and 100 metric tonnes in CY2026 and CY2027. The contract guarantees that Amaero will have sufficient titanium bars to meet anticipated contractual demand for Ti64 powder in an environment of heightening tariff wars between the US and China, limited sources of supply for critical metals and ongoing demand from the US defence, aerospace and space components sector for full lot traceability of feedstock.

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 and has the first one in commercial production. 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.

A key milestone towards securing a US domestic supply chain

Amaero has announced ([3 December 2024](#)) that it has secured the titanium alloy bar feedstock it needs for producing additive manufacturing powder for titanium end-parts. The agreement is non-binding in terms of minimum annual demand and Amaero has not provided a take or pay guarantee, however the agreed price for the titanium alloy bar feedstock is based on achieving a minimum (with no maximum) annual order threshold of 45 metric tonnes in CY2025 and 100 metric tonnes in CY2026 and CY2027. The contract guarantees that Amaero will have sufficient and fully lot traceable feedstock to meet its anticipated demand for Ti64 powder in an environment of heightening trade tensions and tariff wars between the US and China. Recent developments include [a new ban on exports to the US of critical minerals](#) gallium, germanium and antimony and a new proposal by President-elect Trump [to impose an across the board 60% tariff on all Chinese imports](#). These events underscore the importance of securing supply.

Base-case DCF valuation is \$1.16/share, unchanged

Our base-case DCF valuation is unchanged at \$960m or \$1.16/share fully diluted, which includes our expectation that Amaero will raise another \$20m from the equity markets in H2 FY25 (see our [October 22](#) report for more detail). We estimate that the fully diluted share count will rise to 827m in FY26. On the current share count of 615m shares the valuation is \$1.56/share. A -15%/+15% sensitivity analysis to our base-case revenue and costs delivers a range of \$0.65-\$1.55/share, fully diluted.

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

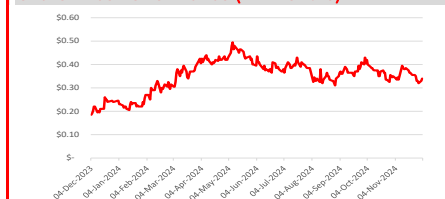
Y/E	Sales revenue	Gross profit	EBITDA	NPAT	EPS (c)	EV/Sales (x)	EV/EBITDA (x)	PER (x)
06/24a	0.5	0.1	(11.9)	(18.8)	(4.0)	n.m.	n.m.	n.m.
06/25f	16.0	(1.1)	(13.3)	(18.8)	(3.1)	17.2	n.m.	n.m.
06/26f	75.8	23.4	0.1	(10.8)	(1.5)	3.9	n.m.	n.m.
06/27f	147.2	40.9	10.6	(2.7)	(0.3)	2.1	28.8	n.m.

Source: Company data, RaaS Research Group estimates for FY25F-FY27f

Share Details

ASX code	3DA
Share price (3-Dec)	\$0.34
Market capitalisation	\$209.1M
Shares on issue	615M
Net cash 30-Sept-2024	\$20.4M
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

- Secures US government grant/subsidised debt
- Secures production contracts for PM-HIP parts
- Secures long-term contracts for powder sales
- Commissions second atomiser
- Orders third atomiser
- Delivers EBITDA break-even in FY26

Company Interview/Webinar

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

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

Company Contacts

Hank J. Holland (Chair/CEO) +61 3 9905 9847
hank.holland@amaero.com.au

RaaS Contact

Finola Burke* +61 414 354 712
finola.burke@raasgroup.com

*The analyst holds shares

FINANCIAL SERVICES GUIDE

RaaS Research Group 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

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Contact Details, BR and RaaS

BR Head Office: Level 1, 160 Edward Street, Brisbane, QLD, 4000 www.brsecuritiesaustralia.com.au

RaaS: c/- Rhodes Docherty & Co Pty Ltd, Suite 1, Level 1, 828 Pacific Highway, Gordon, NSW, 2072.

P: +61 414 354712

E: finola.burke@raasgroup.com

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