

Amaero International Ltd

AGM confirms firming timeline for production and revenue

Amaero International Ltd (ASX:3DA) is a global specialist in advanced materials manufacturing for the defence, aerospace, and other industrial sectors. The company is developing a 1,000+-tonne a year critical metals alloy powder manufacturing facility in Tennessee, USA, and provided confirmation at its Annual General Meeting last week that it anticipated that on just one eight-hour shift a day the first EIGA gas atomiser, dedicated to the refractory alloy powder, C103 (niobium 89%,-hafnium 10%,-titanium 1%), should be able to generate north of A\$100m a year in revenue. The Chairman and CEO Hank Holland also noted that as demand for C-103 ramps, Amaero will utilise excess production capacity to produce high-value, specialty alloy powders for next-generation defence systems. Executive Director and Chief Technical Officer Eric Bono provided a list of milestones that investors could expect to see through to the end of CY2024 across the facility, operations, and commercial arrangements. These milestones confirm our forecasts for first production in Q4 CY24 (H1 FY25), with profitable operations achieved in FY26 and two shifts out of a possible three in CY26. The company has engaged Boston-based government, defense, aerospace and aviation experts Fairmont Consulting Group to review and refine its business model and expects to share findings with investors early in the new year. We will wait for this outcome to refine our estimates. Our base-case valuation remains unchanged at \$1.39b or \$1.50/share on a fully-diluted basis or \$3.34/share on the current share count.

Business model

Amaero is developing a critical metals powder manufacturing facility in Tennessee, USA, with the first EIGA gas atomiser's production focused on C-103, a Niobium alloy with high-performance, heat-resistant properties which are critical to hypersonic and space applications. We anticipate that the second gas atomiser will be used to produce specialty alloys on short-term assignments with the third deployed to Ti64 production for use in defence and aerospace applications.

Milestones set the path to commercial production

Amaero has highlighted several milestones it expects to pass in its pathway to commercial production, with an eye to finalising many of these before the end of calendar 2024. The company plans to finalise the Tennessee facility floor plan shortly, place an order for the second atomiser, fitout and install and fully commission the first gas atomiser along with all ancillary powder equipment and processing equipment. Feedstock supply is being sourced and staffing for the first of three daily shifts will be commissioned shortly. CTO Eric Bono is also focused on securing the first offtake agreement for C-103 powder and collaborative R&D agreements with government-funded labs for high-value, specialty alloy production, and for HIP NNS manufacturing. In response to questions from investors regarding funding, Chairman and CEO Hank Holland outlined that he anticipated that financing of equipment and working capital could be funded from a mix of equity and debt, likely in stages to mitigate against equity dilution. He anticipates that Amaero will require no more than A\$60m in total capital to reach profitability.

Base-case DCF valuation is \$1.39b or \$1.50/share fully-diluted

Our base-case DCF valuation is \$1.50/share, fully diluted for anticipated strategic raisings, or A\$1.39b. On the current share count of 417m shares the valuation is \$3.34/share. There is risk in the long lead times to profitability and we have sought to reflect this in our forecasts and valuation. Our expectation is that Amaero will deliver revenue from FY25, profitability from FY26, and achieve "at capacity" earnings in H2 CY28. Our forecasts anticipate Amaero will opt to produce a range of powders, first C103, followed by specialty alloy and Ti64 titanium powder. Our modelling has incorporated only three gas atomisers as per 3DA's commentary, despite having capacity for five. A decision to add additional gas atomisers and/or to focus entirely on C103 or a mix of C103 and specialty powders would have a significant impact on our forecasts.

Historical earnings and RaaS forecasts (in \$A 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)	nm	nm	nm
06/24f	1.8	(7.8)	(22.2)	(19.9)	(3.1)	nm	nm	nm
06/25f	43.3	(14.2)	(30.9)	(28.9)	(4.0)	5.1	nm	nm
06/26f	240.1	63.4	41.3	26.3	2.9	0.8	5.2	8.0
06/27f	474.2	175.5	110.5	80.9	8.7	0.3	1.2	2.6

Source: Company data for historicals; RaaS estimates for FY24f-FY27f

Critical Metals Manufacturing

8 November 2023

Share details

ASX code	3DA
Share price (7-Nov)	\$0.23
Market capitalisation	\$95.9M
Shares on issue	417.0M
Cash at 30-Sept-2023	\$5.4M
Free float	33%

Share 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 two years away

Catalysts

- Project finance secured for Tennessee operation
- Strategic equity commitment secured
- Completion of fitout at Tennessee facility
- Successful commissioning of first EIGA atomiser
- Offtake agreements for C103 production
- Purchase/installation of additional EIGAs
- Confirmation of first revenue/cash-flow

Company Interview

[Amaero post AGM interview 8 November 2023](#)

Board of Directors & Management

Hank J. Holland	Chairman and CEO
Eric Bono	Executive Director/CTO
Lucy Robb Vujcic	Non-Executive Director
Omar Granit	Non-Executive Director
Robert (Bob) Latta	Non-Executive Director
Erik Levy	Non-Executive Director
Jamie Levy	Non-Executive Director

Company Contacts

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*The analyst holds shares

Exhibit 1: Financial Summary

Amaero International Ltd						Share price (7 November 2023)						A\$	0.23	
Profit and Loss (A\$m)						Interim (A\$m)								
Y/E 30 June	FY23A	FY24F	FY25F	FY26F	FY27F		H123A	H223A	H124F	H224F	H125F	H225F		
Sales Revenue	0.8	1.8	43.3	240.1	474.2	Sales Revenue	0.5	0.3	0.0	1.8	3.6	39.7		
Total Revenue	2.8	1.8	43.3	240.1	474.2	EBITDA Adj	(3.1)	(4.7)	(10.5)	(11.6)	(14.5)	(16.3)		
Gross Profit	2.1	(7.8)	(14.2)	63.4	175.5	EBIT Adj	(3.7)	(5.7)	(12.1)	(13.3)	(17.1)	(19.8)		
EBITDA Adj	(7.9)	(22.2)	(30.9)	41.3	110.5	NPAT (Adj)	(3.8)	(5.8)	(9.5)	(10.4)	(13.4)	(15.6)		
Depn	(1.5)	(3.3)	(6.1)	(8.2)	(8.6)	Minorities	-	-	-	-	-	-		0.2
Amort	0.0	0.0	0.0	0.0	0.0	NPAT (reported)	(6.6)	(5.9)	(9.5)	(10.4)	(13.4)	(15.6)		
EBIT Adj	(9.4)	(25.4)	(36.9)	33.1	101.9	EPS (Adj)	(1.05)	(1.76)	(2.17)	(1.91)	(1.93)	(2.06)		
Interest	(0.2)	0.2	0.3	0.1	0.5	EPS (reported)	(2.39)	(1.23)	(2.06)	(1.65)	(1.77)	(1.94)		
Tax	0.0	5.3	7.7	(7.0)	(21.5)	Dividend (cps)	-	-	-	-	-	-		
Minorities	(0.2)	0.0	0.0	0.0	0.0	Imputation	-	-	-	-	-	-		
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Operating cash flow	(6.2)	(4.6)	(12.0)	(17.9)	(37.5)	(33.6)		
NPAT pre significant items	(9.7)	(19.9)	(28.9)	26.3	80.9	Free Cash flow	(6.2)	(4.6)	(12.0)	(17.9)	(37.5)	(33.6)		
Significant items	(2.8)	0.0	0.0	0.0	0.0	Divisions								
NPAT (reported)	(12.5)	(19.9)	(28.9)	26.3	80.9	Sales and service revenue	0.5	0.3	0.0	1.8	3.6	39.7		
						R&D grants	1.4	0.6	0.0	0.0	0.0	0.0		
Cash flow (A\$m)						Total Revenue	1.9	0.9	0.0	1.8	3.6	39.7		
Y/E 30 June	FY23A	FY24F	FY25F	FY26F	FY27F	COGS	0.5	0.2	3.0	6.6	10.3	47.2		
EBITDA	(7.9)	(22.2)	(30.9)	41.3	110.5	Gross Profit	1.4	0.7	(3.0)	(4.8)	(6.7)	(7.5)		
Interest	(0.2)	0.2	0.3	0.1	0.5	R&D costs	(1.6)	(1.7)	0.0	0.0	0.0	0.0		
Tax	0.0	0.0	0.0	(7.5)	(21.5)	Employment	(1.2)	(1.0)	(1.0)	(1.3)	(1.7)	(2.1)		
Working capital changes	(2.7)	(7.9)	(40.6)	(53.9)	(15.9)	General & Admin costs	(1.2)	(1.6)	(5.7)	(4.6)	(5.1)	(5.6)		
Operating cash flow	(10.8)	(29.8)	(71.1)	(19.9)	73.6	Other costs	(0.5)	(1.1)	(0.8)	(1.0)	(1.1)	(1.2)		
Mtce capex	0.0	0.0	0.0	0.0	0.0	EBITDA	(3.1)	(4.7)	(10.5)	(11.6)	(14.5)	(16.3)		
Free cash flow	(10.8)	(29.8)	(71.1)	(19.9)	73.6	Margins, Leverage, Returns								
Growth capex	(1.6)	(29.9)	(20.9)	(17.5)	(5.0)	FY23A	FY24F	FY25F	FY26F	FY27F				
Acquisitions/Disposals	0.8	0.0	0.0	0.0	0.0	EBITDA	nm	nm	nm	17.2%	23.3%			
Other	(0.0)	0.0	0.0	0.0	0.0	EBIT	nm	nm	nm	13.8%	21.5%			
Cash flow pre financing	(11.6)	(59.8)	(92.1)	(37.3)	68.6	NPAT pre significant items	nm	nm	nm	10.9%	17.1%			
Equity	10.6	58.2	75.0	68.9	0.0	Net Debt (Cash)		8.8	4.4	(16.4)	11.7	80.3		
Debt	(0.3)	29.9	0.0	(2.8)	0.0	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	0.3	0.7		
Dividends paid	0.0	0.0	0.0	0.0	0.0	ND/ND+Equity (%)	(%)	(141.9%)	(9.5%)	15.0%	(6.8%)	(43.4%)		
Net cash flow for year	(1.3)	28.4	(17.1)	28.8	68.6	EBIT interest cover (x)	(x)	n/a	n/a	n/a	(0.0)	(0.0)		
Balance sheet (A\$m)						ROA		(46.8%)	(46.2%)	(29.6%)	14.8%	28.2%		
Y/E 30 June	FY23A	FY24F	FY25F	FY26F	FY27F	ROE		(84.3%)	(60.8%)	(40.3%)	18.9%	36.0%		
Cash	8.8	34.3	13.5	38.8	107.4	ROIC		(58.6%)	(141.5%)	(55.4%)	38.4%	100.8%		
Accounts receivable	0.2	0.2	5.8	32.0	63.3	NTA (per share)		0.04	0.07	0.10	0.20	0.29		
Inventory	1.0	6.1	32.2	96.7	165.9	Working capital		0.4	(2.8)	5.6	52.9	90.4		
Other current assets	0.1	0.1	0.1	0.1	0.1	WC/Sales (%)		45.1%	nm	12.9%	22.0%	19.1%		
Total current assets	10.1	40.7	51.6	167.7	336.7	Revenue growth		nm	nm	nm	454.6%	97.5%		
PPE	7.7	34.3	49.2	58.4	54.8	EBIT growth pa		n/a	n/a	n/a	(189.6%)	207.9%		
Intangibles and Goodwill	0.0	0.0	0.0	0.0	0.0	Pricing								
Investments	0.2	11.2	43.4	50.0	28.4	No of shares (y/e)	(m)	417	754	887	927	927		
Deferred tax asset	0.0	5.3	13.0	13.5	13.5	Weighted Av Dil Shares	(m)	346	545	754	836	927		
Other non current assets	0.2	0.2	0.2	0.2	0.2	EPS Reported	cps	(3.6)	(3.1)	(4.0)	2.9	8.7		
Total non current assets	8.1	51.1	105.8	122.1	96.9	EPS Normalised/Diluted	cps	(2.8)	(3.7)	(4.0)	2.9	8.7		
Total Assets	18.2	91.8	157.4	289.8	433.6	EPS growth (norm/dil)		n/a	n/a	n/a	-172%	203%		
Accounts payable	0.8	9.1	32.4	75.9	138.8	DPS	cps	-	-	-	-	-		
Short term debt	0.0	0.0	0.0	0.0	0.0	DPS Growth		n/a	n/a	n/a	n/a	n/a		
Tax payable	0.0	0.0	0.0	0.0	0.0	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%		
Other current liabilities	1.4	1.4	1.4	1.4	1.4	Dividend imputation		0	0	0	0	0		
Total current liabilities	2.2	10.6	33.8	77.3	140.2	PE (x)		-	-	-	8.0	2.6		
Long term debt	0.0	29.9	29.9	27.1	27.1	PE market		15.6	15.6	15.6	15.6	15.6		
Other non current liabs	1.0	1.0	1.0	1.0	1.0	Premium/(discount)		nm	nm	nm	nm	nm		
Total long term liabilities	1.0	30.9	30.9	28.1	28.1	EV/EBITDA		nm	nm	nm	nm	nm		
Total Liabilities	3.2	41.4	64.7	105.3	168.2	FCF/Share	cps	(2.60)	(3.96)	(8.02)	(2.14)	7.94		
Net Assets	15.1	50.5	92.8	184.5	265.3	Price/FCF share		(8.9)	(5.81)	(2.87)	(10.73)	2.90		
Share capital	48.3	106.5	181.5	250.4	250.4	Free Cash flow Yield		(11.3%)	(17.2%)	(34.9%)	(9.3%)	34.5%		
Accumulated profits/losses	(33.4)	(56.1)	(88.8)	(66.1)	14.9									
Reserves	0.2	0.2	0.2	0.2	0.1									
Minorities	0.0	0.0	0.0	0.0	0.0									
Total Shareholder funds	15.1	50.5	92.8	184.5	265.3									

Source: Company data for historicals, RaaS estimates





FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

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