

23 November 2023

Amaero International Ltd

Capital raised for Tennessee fit-out and capital equipment

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 with its initial focus on producing refractory alloy powder, C103, a critical metal powder used in hypersonics weaponry. The company has raised A\$10m from new and existing institutional and sophisticated shareholders at \$0.16/share, representing a 15.8% discount to the last traded price prior to the raise. The highly-oversubscribed placement includes a free attaching option for every one share issued, with an exercise price of \$0.24/share and a three-year expiry. Largest shareholder, Pegasus Growth Capital, cornerstoned the placement with a \$4m commitment and there was strong support from US investors, including board members and senior management as well as from Silicon Valley law firm Wilson, Sonsini, Goodrich & Rosati. Funds from the placement will be used for the fitout of the company's Tennessee facility and purchase of capital equipment. Shareholders will be asked to approve the issue of 41.39m shares of the total 62.5m shares to be issued at an EGM on 22 December.

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.

Capital raised to deliver first milestones

Amaero has secured firm commitments to raise \$10m in a two-tranche raise at \$0.16/share. Largest shareholder, Pegasus Growth Capital, has committed to \$4m of the raise which also received strong US investor support, including an investment from tech-focused law firm Wilson, Sonsini, Goodrich & Rosati. The 50%+ oversubscribed placement includes one free attaching option for every share issued, with an exercise price of \$0.24/share and three-year expiry. Shareholders will be asked to vote on the issue of 41.39m of the 62.5m to be issued in December. We have incorporated the issue in our model but note that we had modelled an \$8m strategic capital raise around this time and, as a consequence, the new issue has little impact on our valuation or forecasts. We anticipate that the next significant milestone for the company will be the release of the Fairmont Consulting Group's review of the company's business model early in the New Year.

Base-case DCF valuation is \$1.39b or \$1.45/share fully-diluted

Our base-case DCF valuation is \$1.39b or \$1.45/share, fully diluted for an anticipated strategic raising and incorporating the current raise and options exercise. On the post-raise share count of 493m shares the valuation is \$2.90/share. 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 in its Tennessee facility 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 Advisory 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	1.8	(7.8)	(22.2)	(19.9)	(3.1)	n.m.	n.m.	n.m.
06/25f	43.3	(14.2)	(30.9)	(28.9)	(3.9)	4.4	n.m.	n.m.
06/26f	240.1	63.4	41.3	26.3	2.8	0.7	4.8	6.9
06/27f	474.2	175.5	110.5	80.9	8.2	0.2	0.9	2.4

Source: Company data, RaaS Advisory estimates for FY24f-FY27f

Share Details

ASX code	3DA
Share price (22-Nov)	\$0.195
Market capitalisation	\$81.3M
Shares on issue (post raise)	479M
Est. cash at Nov-23	~\$14M
Free float	~33%

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 two years away

Catalysts

- Release of Fairmont Consulting Group's review
- 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](#)

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FINANCIAL SERVICES GUIDE

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