

11 January 2024

Amaero International Ltd

2nd EIGA ordered, tick, corporate financing organised, tick

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 an 800+-tonne a year critical metals alloy powder manufacturing facility in Tennessee, USA, with the initial focus on producing refractory alloy powder, C103, a critical metal powder used in hypersonics weaponry, strategic metals and satellites. The company is moving apace with its planned commercialisation, recently announcing it had secured A\$7.5m in corporate financing and that it had executed a binding purchase order for its second gas atomiser, the next generation Electrode Induction Melting Inert Gas Atomiser (or EIGA premium). The two developments move the project closer to commercialisation and are key milestones for the group. The second EIGA atomiser is capable of producing the highest-quality, spherical powder for C-103, refractory alloys and other specialty alloys with high melting points, with an annual capacity of 200+ tonnes of powder. Build time for the second atomiser is expected to be around 14 months with Amaero slating powder production to commence in the December 2025 quarter. This is in line with our forecasts. Amaero will make the initial payment for the second EIGA in the March quarter with subsequent progress payments through final commissioning. Commissioning of the first atomiser is on track to occur before June 30, with C-103 powder production expected in the September 2024 quarter. We anticipate that Amaero will shortly release the executive summary of the review prepared by Boston-based government, defence, aerospace and aviation experts Fairmont Consulting Group. We expect to refine our forecasts from the outcomes released in the review.

Business model

Amaero is developing a critical metals powder manufacturing facility in Tennessee, USA, with the first EIGA's production focused on C-103, a Niobium alloy with high-performance, heat-resistant properties which are critical to hypersonic and space applications. Our current modelling anticipates 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.

Corporate facility extends the cash runway

In late December, Amaero announced it had secured a US\$5m (A\$7.5m) corporate credit facility with Western Alliance Bank (NYSE:WAL). The facility, which has a net borrowing cost of 3.5%, will be used to supplement cash liquidity for funding working capital and capital expenditure. Amaero has also established its primary banking relationship with Western Alliance Bank for USD deposits and business banking services. In our view, the corporate facility will assist Amaero in extending its cash runway, allowing the deferral of further capital raises until it has the first EIGA installed and additional milestones realised. As Amaero progresses towards commissioning and testing of its first EIGA, we anticipate that it will utilise asset-backed financing and equipment leasing to underpin its capital needs.

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

Our base-case DCF valuation is A\$1.39b or \$1.45/share, fully diluted for future anticipated equity raisings and incorporating the recent raise. On the current share count of 479m shares the valuation is \$2.90/share. Our current expectation is that Amaero will deliver revenue from FY25, profitability from FY26, and achieve "at capacity" earnings in H2 CY28. Our modelling has incorporated only three gas atomisers as per 3DA's commentary, despite having capacity for five. A decision to add additional EIGAs and/or focus entirely on C103 or a mix of C103 and specialty powders could have a significant impact on our forecasts.

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

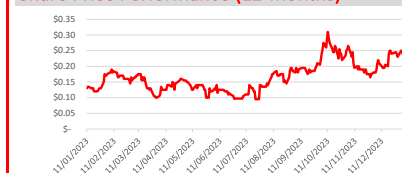
Y/E	Sales revenue	Gross profit	EBITDA	NPAT	EPS (c)	EV/Sales (x)	EV/EBITDA (x)	PER (x)
06/23a	0.8	2.1	(7.9)	(12.5)	(2.8)	n.m.	n.m.	n.m.
06/24f	1.8	(7.8)	(22.2)	(19.9)	(3.1)	n.m.	n.m.	n.m.
06/25f	43.3	(14.2)	(30.9)	(28.9)	(3.9)	4.4	n.m.	n.m.
06/26f	240.1	63.4	41.3	26.3	2.8	0.7	5.5	8.0
06/27f	474.2	175.5	110.5	80.9	8.2	0.2	1.2	2.7

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

Share Details

ASX code	3DA
Share price (10-Jan)	\$0.22
Market capitalisation	\$105.4M
Shares on issue (post raise)	479M
Est. cash at Dec-23	~\$11M
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 15-18 months 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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