

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)

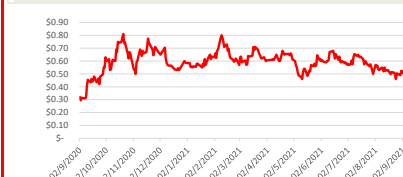
Y/E	Revenue (A\$m)	Gross Profit (A\$m)	EBITDA(A\$m)	NPAT (A\$m)	EPS (c)	EV/Sales (x)
06/20a	0.1	0.0	(4.3)	(4.9)	(3.5)	nm
06/21a	0.5	0.9	(4.8)	(6.2)	(3.3)	nm
06/22e	17.9	5.1	(3.6)	(4.3)	(2.0)	5.7
06/23e	57.5	23.3	13.8	12.7	5.5	1.7

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

Company contact

Barrie Finnin (CEO) +61 3 9905 9847
Stuart Douglas (EC)

info@amaero.com.au

RaaS Advisory contact

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

*The analyst holds shares

FINANCIAL SERVICES GUIDE

RaaS Advisory 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

Effective Date: 6th May 2021

About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License (“AFSL”) number 456663. RaaS Advisory Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR.

This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS’s services and includes such things as

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

Contact Details, BR and RaaS

BR Head Office: Suite 5GB, Level 5, 33 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

What Financial Services are we authorised to provide? RaaS is authorised to

- provide general advice to retail and wholesale clients in relation to
 - Securities
- deal on behalf of retail and wholesale clients in relation to
 - Securities

The distribution of this FSG by RaaS is authorized by BR.

Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities

Our dealing service

RaaS can arrange for you to invest in securities issued under a prospectus by firstly sending you the offer document and then assisting you fill out the application form if needed.

How are we paid?

RaaS earns fees for producing research reports. Sometimes these fees are from companies for producing research reports and/or a financial model. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report.

We may also receive a fee for our dealing service, from the company issuing the securities.

Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS’s representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

Complaints

If you have a complaint about our service you should contact your representative and tell them about your complaint. The representative will follow BR’s internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren’t satisfied with an outcome, you may contact AFCA, see below.

BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

DISCLAIMERS and DISCLOSURES

This report has been commissioned by Amaero International Ltd prepared and issued by RaaS Advisory Pty Ltd. RaaS Advisory has been paid a fee to prepare this report. RaaS Advisory's principals, employees and associates may hold shares in companies that are covered and, if so, this will be clearly stated on the front page of each report. This research is issued in Australia by RaaS Advisory and any access to it should be read in conjunction with the Financial Services Guide on the preceding two pages. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. Opinions contained in this report represent those of the principals of RaaS Advisory at the time of publication. RaaS Advisory provides this financial advice as an honest and reasonable opinion held at a point in time about an investment's risk profile and merit and the information is provided by the RaaS Advisory in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. RaaS Advisory has no obligation to update the opinion unless RaaS Advisory is currently contracted to provide such an updated opinion. RaaS Advisory does not warrant the accuracy of any information it sources from others. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance.

Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than \$50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise.

The science of climate change is common knowledge and its impacts may damage the global economy. Mitigating climate change may also disrupt the global economy. Investors need to make their own assessments and we disclaim any liability for the impact of either climate change or mitigating strategies on any investment we recommend.

Investors are responsible for their own investment decisions, unless a contract stipulates otherwise. RaaS Advisory does not stand behind the capital value or performance of any investment. Subject to any terms implied by law and which cannot be excluded, RaaS Advisory shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information. If any law prohibits the exclusion of such liability, RaaS Advisory limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable. Copyright 2021 RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363). All rights reserved.