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# AML3D (AL3)

## Pivotal role in US defence industrial base

**Recommendation**
**Buy** (unchanged)

**Price**
**\$0.25**
**Valuation**
**\$0.35** (previously \$0.30)

**Risk**
**Speculative**
**Sector**
**Capital Goods**
**Expected Return**

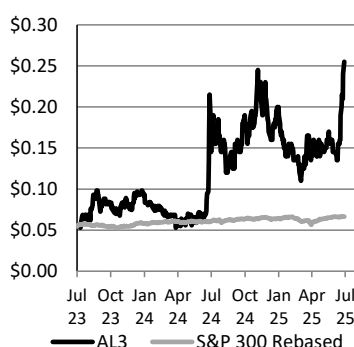
Capital growth	<b>40.7%</b>
Dividend yield	<b>0.0%</b>
Total expected return	<b>40.7%</b>

**Company Data & Ratios**

Enterprise value	<b>\$105.5m</b>
Market cap	<b>\$134.4m</b>
Issued capital	<b>537.7m</b>
Free float	<b>99%</b>
Avg. daily val. (52wk)	<b>\$0.8m</b>
12 month price range	<b>\$0.105 - \$0.285</b>

**Price Performance**

	(1m)	(3m)	(12m)
Price (A\$)	0.16	0.17	0.10
Absolute (%)	59.38	54.55	160.20
Rel market (%)	57.94	46.17	148.98

**Absolute Price**


SOURCE: IRESS

**Receipt of Letter of Intent from US Navy**

AML3D (AL3) has announced the receipt of a Letter of Intent from the US Navy detailing its plan to collaborate with AL3 on several key additive manufacturing initiatives. The key points from the LOI include, 1) AL3's ARCEMY technology identified as 'pivotal' to meeting US Navy forecasts for 100 additive manufacturing system installations, 2) AL3 identified as key to the overall supply of around 400 components in 2026, rising to 1,600 by 2030, to the US Navy Maritime industrial Base, and 3) the US Navy has committed to regularly briefing AL3 on demand forecasts to support its efforts to double its US manufacturing capacity.

**Ohio facility open, Mr Frederick Stefany joins board**

In other developments, AL3 confirmed the opening of its new advanced manufacturing facility in Ohio, USA on 20-Jun-25 and the appointment of Mr. Frederick J. Stefany to the Board of AML3D USA Inc. Mr Stefany previously lead the US Navy and Marine Corp's research, development, acquisition, and sustainment programs across shipbuilding, aviation, weapons and support functions.

**No changes to forecasts**

We have made no changes to our forecasts following this announcement as our estimates already account for a material step up in system sales to the US maritime industrial base. However, the LOI is a strategically significant development for AL3 and de-risks our long-term forecasts. As such, we have reduced the WACC we apply in our DCF valuation to 10.1% and increased our EV/Revenue multiple to 7.5x.

**Investment View: Retain BUY (Spec.), Valuation \$0.35**

We view the receipt of this Letter of Intent from the US Navy as a major development for AL3, with the opportunity for increased sales into the US maritime industrial base a key factor in our investment thesis. Our updated valuation of \$0.35 is a >30% premium to the current share price so we retain our BUY (Spec.) recommendation.

**Earnings Forecast**

Year End 30 Jun	FY24	FY25e	FY26e	FY27e
Revenue (\$m)	7.3	8.1	18.5	32.7
EBITDA (Underlying) (\$m)	-3.3	-5.3	-1.5	4.2
NPAT (Underlying) (\$m)	-4.2	-6.1	-2.5	2.3
NPAT (Reported) (\$m)	-4.2	-6.1	-2.5	2.3
Underlying EPS (cps)	-1.6	-1.3	-0.5	0.4
EPS growth (%)	NM	NM	NM	NM
PE (x)	NM	NM	NM	59.5
EV/EBITDA (x)	NM	NM	NM	24.8
FCF Yield (%)	NM	NM	NM	NM
Dividend (\$ps)	0.0	0.0	0.0	0.0
Yield (%)	0.0%	0.0%	0.0%	0.0%
Franking (%)	NM	NM	NM	NM
ROE(%)	NM	NM	NM	7.3%

SOURCE: BELL POTTER SECURITIES ESTIMATES

# Forecast and Valuation Changes

## No changes to forecasts

We have made no changes to our forecasts following this announcement as our estimates already account for a material step up in system sales to the US maritime industrial base.

However, the visibility provided by the LOI allows for greater confidence in our long-term forecasts.

We continue to forecast FY26e revenue of \$18.5m (+129% YoY), an EBITDA loss of \$(5.3)m and a net loss of \$(6.1)m.

A summary of the changes in our key forecasts is shown below.

**Figure 1 - Changes in key forecasts**

Year end 30 Jun	FY25e	Change	FY26e	Growth	FY27e	Growth
Total revenue (A\$m)	8.1	<i>no change</i>	18.5	<i>no change</i>	32.7	<i>no change</i>
EBITDA	-5.3	<i>no change</i>	-1.5	<i>no change</i>	4.2	<i>no change</i>
NPAT	-6.1	<i>no change</i>	-2.5	<i>no change</i>	2.3	<i>no change</i>
<b>Diluted EPS</b>	<b>-1.3</b>	<i>no change</i>	<b>-0.5</b>	<i>no change</i>	<b>0.4</b>	<i>no change</i>
DPS	0.0	<i>no change</i>	0.0	<i>no change</i>	0.0	<i>no change</i>

SOURCE: BELL POTTER SECURITIES ESTIMATES

## 17% increase in valuation to \$0.35

We have updated each methodology used in the determination of our valuation for the earnings changes as well as market movements and time creep.

The LOI is a strategically significant development for AL3 and de-risks our long-term forecasts. As such, we have reduced the WACC we apply in our DCF valuation to 10.1% and increased our EV/Revenue multiple to 7.5x.

The change in each methodology and the impact on our valuation is shown below.

**Figure 2 - Change methodologies and impact on PT**

	Old (as at 20-May-24)			New (as at 07-Jul-25)		
	Valuation per share	% weighting	Price target	Valuation per share	% weighting	Price target
<b>Methodology</b>						
DCF	\$ 0.35	50%	\$ 0.18	\$ 0.39	50%	\$ 0.20
EV/ Revenue	\$ 0.26	50%	\$ 0.13	\$ 0.31	50%	\$ 0.16
<b>Total</b>			<b>\$ 0.30</b>			<b>\$ 0.35</b>

SOURCE: BELL POTTER SECURITIES ESTIMATES

# AML3D (AL3)

## Introduction to AML3D

AML3D is a welding, metallurgical science, robotics, and software business, which produces automated 3D printing systems that utilise Wire Additive Manufacturing technology (WAM) to produce metal components and structures. WAM is particularly useful for the printing of complex industrial parts for the defence, oil & gas and aerospace industries.

## Investment Thesis

We currently have a BUY (Spec.) recommendation on AL3. Our investment thesis is based on:

- **Valuation:** Our current valuation for AL3 is \$0.35, which represents a >30% premium to the current share price. We believe AL3 is at an inflection point, with accelerating demand from the US defence industrial base driving a material increase in system sales over the next 3-years. AL3's current valuation does not yet reflect the anticipated jump in sales, with the company trading well below the value of comparable AM companies, such as TTT.
- **Disrupting traditional manufacturing methods:** AL3's WAM technology has key advantages compared to traditional casting and forging methods and is highly adaptable to any weldable material, having been tested on over 30 feed stocks, including aluminium, titanium, copper, and nickel alloys as well as steel and stainless steels. Compared to traditional methods, AL3's ARCEMY systems build certifiable metal parts harder, faster, stronger and with a lower carbon footprint.
- **Rapid adoption of AM in US Defence market presents major opportunity:** The US defence industrial base faces major capacity issues and currently lacks the ability to meet its own production targets. In response, the US DoD has identified additive manufacturing as pivotal to boosting capacity by cutting down manufacturing timelines of key parts. AL3 has established strong relationships with the US Navy and BFA, with the receipt of a Letter of Intent from the US Navy identifying AL3 as key contributor to the rapid adoption of AM into the US defence industrial base.

## Key Risks

Key downside risks to our estimates and valuation include (but are not limited to):

- **Market Resistance to New Technology:** AML3D's WAM technology faces the challenge of disrupting established manufacturing practices (machining, casting, forging). Existing investments in traditional methods and the novelty of wire arc additive manufacturing may hinder widespread adoption. Significant effort is needed to educate the market on the technology's benefits.
- **Technical Risk:** Continuous R&D is crucial for staying competitive and scaling the technology, but success is not guaranteed. Failure to overcome technical hurdles, accurately predict costs, or meet development timelines could negatively impact the company.

# AML3D

as at 7 July 2025

Recommendation

Buy, Speculative

Price

\$0.25

Valuation

\$0.35

Table 1 - Financial summary

Profit & Loss (A\$m)	FY23	FY24	FY25e	FY26e	FY27e	Year End 30 Jun					
Year Ending 30 June						Share Price:		\$0.25	Valuation:		\$0.35
Revenue	0.6	7.3	8.1	18.5	32.7	No. of issued shares (m):		537.7	Market cap:		\$134.4m
Change %	-68.5%	1054.6%	10.3%	128.8%	76.7%						
Cost of sales	(0.3)	(2.7)	(2.4)	(5.2)	(8.8)						
Gross Profit	0.3	4.6	5.7	13.3	23.8						
Gross margin %	48.0%	62.6%	70.0%	72.0%	73.0%						
Expenses (excl. D&A, int.)	(4.8)	(7.5)	(10.9)	(14.8)	(19.6)						
EBITDA	(4.8)	(3.3)	(5.3)	(1.5)	4.2						
Depreciation and amortisation	(0.7)	(0.8)	(0.8)	(1.0)	(1.1)						
EBIT	(5.5)	(4.1)	(6.0)	(2.4)	3.2						
Net interest benefit/(expense)	0.0	(0.0)	(0.0)	(0.0)	(0.0)						
Pre-tax profit	(5.4)	(4.2)	(6.1)	(2.5)	3.1						
Income tax benefit/(expense)	-	-	-	-	(0.8)						
Underlying NPAT	(5.4)	(4.2)	(6.1)	(2.5)	2.3						
Abnormals (impairment reversal, etc.)	-	-	-	-	-						
Reported NPAT	(5.4)	(4.2)	(6.1)	(2.5)	2.3						
Cashflow (A\$m)	FY23	FY24	FY25e	FY26e	FY27e						
EBITDA	(4.8)	(3.3)	(5.3)	(1.5)	4.2						
(-) Change in working capital	(0.6)	(1.6)	(0.8)	2.7	10.3						
Gross cash flow	(4.2)	(1.7)	(4.5)	(4.1)	(6.0)						
Income tax refunded/(paid)	-	-	-	-	(0.8)						
Operating cash flow	(3.6)	(1.8)	(4.5)	(4.2)	(6.8)						
Payments for PPE	(0.1)	(0.9)	(2.1)	(2.6)	(1.6)						
Other	-	-	-	-	-						
Investing cash flow	0.0	(0.9)	(2.1)	(2.6)	(1.6)						
Net Proceeds from issue of shares	5.7	6.4	28.0	-	-						
Net proceeds of borrowings	-	-	-	-	-						
Repayment of borrowings	(0.2)	(0.2)	(0.2)	0.0	0.0						
Dividends	-	-	-	-	-						
Other	-	-	-	-	-						
Financing cash flow	5.2	5.9	27.9	-	-						
Net change in cash	1.6	3.3	21.2	(6.8)	(8.5)						
Cash at start of period	2.9	4.5	7.8	29.0	22.3						
Exchange rate impact	-	-	-	-	-						
Cash at end of period	4.5	7.8	29.0	22.3	13.8						
Balance Sheet (A\$m)	FY23	FY24	FY25e	FY26e	FY27e						
Cash and cash equivalents	4.5	7.8	29.0	22.3	13.8						
Trade and other receivables	0.6	2.8	2.0	3.7	9.8						
Inventories	1.0	1.7	1.9	3.7	8.2						
PPE	2.2	2.5	3.8	5.5	6.0						
Intangibles	0.0	0.1	0.1	0.1	0.1						
Right-of-use assets	0.2	1.8	1.8	1.8	1.8						
Other	0.3	0.7	0.7	0.7	0.7						
Total assets	8.8	17.3	39.4	37.7	40.4						
Trade and other payables	0.5	1.3	1.5	2.3	2.6						
Lease liabilities	0.2	2.0	2.0	2.0	2.0						
Borrowings	0.2	0.2	0.1	0.1	0.1						
Other	1.1	3.9	3.9	3.9	3.9						
Total liabilities	1.9	7.4	7.4	8.3	8.6						
Net Assets	6.9	10.0	32.0	29.5	31.8						
Share capital	26.3	33.0	61.0	61.0	61.0						
Other reserves	0.7	1.3	1.3	1.3	1.3						
Accumulated losses	(20.1)	(24.3)	(30.4)	(32.8)	(30.5)						
Total shareholders' equity	6.9	10.0	32.0	29.5	31.8						
						Valuation Ratios					
						FY23	FY24	FY25e	FY26e	FY27e	
						Underlying Basic EPS (cps)	(2.7)	(1.7)	(1.3)	(0.5)	0.4
						Underlying Diluted EPS (cps)	(2.5)	(1.6)	(1.3)	(0.4)	0.4
						EPS growth (%)	NM	NM	NM	NM	NM
						PE(x)	NM	NM	NM	NM	59.5
						EV/Sales (x)	166.2	14.4	13.1	5.7	3.2
						EV/EBITDA (x)	NM	NM	NM	NM	24.8
						EV/EBIT (x)	NM	NM	NM	NM	33.5
						FCF per share	(1.6)	(0.7)	(1.2)	(1.3)	(1.6)
						FCF yield %	NM	NM	NM	NM	NM
						NTA per share (\$ps)	0.03	0.03	0.06	0.05	0.06
						P/NTA (x)	8.5	9.5	4.2	4.6	4.2
						Book value (\$ps)	0.03	0.03	0.06	0.05	0.06
						Price/Book (x)	8.5	9.4	4.2	4.6	4.2
						DPS (cps)	0.0	0.0	0.0	0.0	0.0
						Franking %	NM	NM	NM	NM	NM
						Payout ratio %	0.0%	0.0%	0.0%	0.0%	0.0%
						Dividend Yield %	0.0%	0.0%	0.0%	0.0%	0.0%
						Performance Ratios					
						FY23	FY24	FY25e	FY26e	FY27e	
						EBITDA Margin (%)	NM	NM	NM	NM	13.0%
						EBIT Margin (%)	NM	NM	NM	NM	9.6%
						NPAT Margin (%)	NM	NM	NM	NM	7.1%
						Net debt/(cash)	(4.4)	(7.6)	(29.0)	(22.2)	(13.7)
						ROE (%)	NM	NM	NM	NM	7.3%

SOURCE: BELL POTTER SECURITIES ESTIMATES

**Recommendation structure**

**Buy:** Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

**Hold:** Expect total return between -5% and 15% on a 12 month view

**Sell:** Expect <-5% total return on a 12 month view

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Disclosure: Bell Potter Securities acted as Joint Lead Manager of AL3's \$30m capital raising in December 2024 and received fees for that service.

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