

Analyst

Daniel Laing 612 8224 2886

Authorisation

Thomas Wakim 612 8224 2815

AML3D (AL3)

Acceleration in contract wins expected

Recommendation
Buy (unchanged)

Price
\$0.285
Valuation
\$0.40 (previously \$0.35)

Risk
Speculative
Sector
Capital Goods
Expected Return

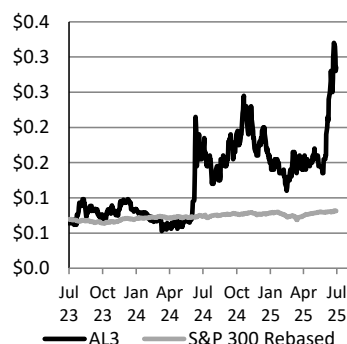
Capital growth	41.7%
Dividend yield	0.0%
Total expected return	41.7%

Company Data & Ratios

Enterprise value	\$124.2m
Market cap	\$154.5m
Issued capital	542.1m
Free float	99%
Avg. daily val. (52wk)	\$0.7m
12 month price range	\$0.11 - \$0.34

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	0.16	0.15	0.16
Absolute (%)	83.87	96.55	83.87
Rel market (%)	81.31	85.02	74.50

Absolute Price


SOURCE: IRESS

Cash result ahead of expectations

AL3 delivered a better-than-expected cash flow result in Q4 and for the full-year based on increased customer receipts (Q4 \$2.9m, +77% vs pc). The company recorded an operating cash outflow of -\$2.9m (vs BPe -\$4.5m), investing cash outflow of -\$2.1m (vs BPe -\$2.1m) and financing cash inflow of \$27.7m (vs BPe \$27.9m). The company has a cash balance of \$30.3m (vs BPe \$29.0m) at 30-Jun-25 and is well funded to execute its growth plans, including doubling its manufacturing capacity in the US, expanding into Europe and investing further in R&D.

Operational highlights

Key operational highlights during the quarter include the official opening of US manufacturing and technology centre in Ohio, Frederick Stefany joining the US Board, the commissioning of the custom ARCEMY System at Austal USA and entry into the UK defence sector with alloy test contract with MoD prime supplier BAE systems.

Acceleration in contract wins expected

AL3 expects an "acceleration in US Defence contract wins in the second half of calendar 2025" based on the LOI from the US Navy outlining a \$150 - \$200 million opportunity to support the Marine Industrial Base and the passing of the Trump administrations 'Big Beautiful Bill,' which is expected to expedite US Government funding for the US Navy MIB.

Investment View: Retain BUY (Spec.), Valuation \$0.40

We have updated our cash flows and working capital forecasts in-line with the result but we have made no major changes to our key estimates in FY26 and beyond. The highlight of the update was the anticipated acceleration in US Defence contract wins in the second half of calendar 2025. In response to the expected uplift in sales and strong cash position, we have reduced our WACC to 9.5% and increased the multiple in our EV/revenue valuation to 9.0x. Our updated valuation of \$0.40 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	67.9
EV/EBITDA (x)	NM	NM	NM	29.3
FCF Yield (%)	NM	NM	NM	NM
Dividend (p)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 major changes to forecasts

We have updated our cash flows and working capital forecasts in-line with the result but we have made no major changes to our key estimates in FY26 and beyond.

We continue to forecast FY25 revenue of \$8.1m, an EBITDA loss of \$(5.3)m and a net loss of \$(6.1)m.

In-line with management expectations of an "acceleration in US Defence contract wins in the second half of calendar 2025" we forecast significant revenue growth in both FY26 (+129%) and FY27 (+77%).

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>
Diluted EPS	-1.3	<i>no change</i>	-0.5	<i>no change</i>	0.4	<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

14% increase in valuation to \$0.40

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

In response to the expected uplift in sales and strong cash position, we have reduced our WACC to 9.5% and increased the multiple in our EV/revenue valuation to 9.0x.

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

Figure 2 - Change in methodologies and impact on valuation

Methodology	Old (as at 07-July-25)			New (as at 24-Jul-25)		
	Valuation per share	% weighting	Price target	Valuation per share	% weighting	Price target
DCF	\$ 0.39	50%	\$ 0.20	\$ 0.44	50%	\$ 0.22
EV/ Revenue	\$ 0.31	50%	\$ 0.16	\$ 0.37	50%	\$ 0.18
Total			\$ 0.35			\$ 0.40

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 \$0.40, 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 24 July 2025

Recommendation

Buy, Speculative

Price

\$0.285

Valuation

\$0.40

Table 1 - Financial summary

Profit & Loss (A\$m)	FY23	FY24	FY25e	FY26e	FY27e	Year End 30 Jun					
Year Ending 30 June						AML3D Limited					
Revenue	0.6	7.3	8.1	18.5	32.7	Share Price:	\$0.285	Valuation:	\$0.40		
Change %	-68.5%	1054.6%	10.3%	128.8%	76.7%	No. of issued shares (m):	542.1	Market cap:	\$154.5m		
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	Valuation Ratios					
EBITDA	(4.8)	(3.3)	(5.3)	(1.5)	4.2	Underlying Basic EPS (cps)	(2.7)	(1.7)	(1.3)	(0.5)	0.4
(-) Change in working capital	(0.6)	(1.6)	(2.1)	4.0	10.3	Underlying Diluted EPS (cps)	(2.5)	(1.6)	(1.3)	(0.4)	0.4
Gross cash flow	(4.2)	(1.7)	(3.2)	(5.4)	(6.0)	EPS growth (%)	NM	NM	NM	NM	NM
Income tax refunded/(paid)	-	-	-	-	(0.8)	PE(x)	NM	NM	NM	NM	67.9
Operating cash flow	(3.6)	(1.8)	(3.2)	(5.5)	(6.8)	EV/Sales (x)	195.8	17.0	15.4	6.7	3.8
Payments for PPE	(0.1)	(0.9)	(2.1)	(2.6)	(1.6)	EV/EBITDA (x)	NM	NM	NM	NM	29.3
Other	-	-	-	-	-	EV/EBIT (x)	NM	NM	NM	NM	39.4
Investing cash flow	0.0	(0.9)	(2.1)	(2.6)	(1.6)	FCF per share	(1.6)	(0.7)	(1.0)	(1.5)	(1.6)
Net Proceeds from issue of shares	5.7	6.4	28.0	-	-	FCF yield %	NM	NM	NM	NM	NM
Net proceeds of borrowings	-	-	-	-	-	NTA per share (\$ps)	0.03	0.03	0.06	0.05	0.06
Repayment of borrowings	(0.2)	(0.2)	(0.2)	0.0	0.0	P/NTA (x)	9.7	10.8	4.8	5.2	4.8
Dividends	-	-	-	-	-	Book value (\$ps)	0.03	0.03	0.06	0.05	0.06
Other	-	-	-	-	-	Price/Book (x)	9.7	10.8	4.8	5.2	4.8
Financing cash flow	5.2	5.9	27.9	-	-	DPS (cps)	0.0	0.0	0.0	0.0	0.0
Net change in cash	1.6	3.3	22.5	(8.1)	(8.5)	Franking %	NM	NM	NM	NM	NM
Cash at start of period	2.9	4.5	7.8	30.3	22.3	Payout ratio %	0.0%	0.0%	0.0%	0.0%	0.0%
Exchange rate impact	-	-	-	-	-	Dividend Yield %	0.0%	0.0%	0.0%	0.0%	0.0%
Cash at end of period	4.5	7.8	30.3	22.3	13.8						
Balance Sheet (A\$m)	FY23	FY24	FY25e	FY26e	FY27e	Performance Ratios					
Cash and cash equivalents	4.5	7.8	30.3	22.3	13.8	EBITDA Margin (%)	NM	NM	NM	NM	13.0%
Trade and other receivables	0.6	2.8	1.6	3.7	9.8	EBIT Margin (%)	NM	NM	NM	NM	9.6%
Inventories	1.0	1.7	1.5	3.7	8.2	NPAT Margin (%)	NM	NM	NM	NM	7.1%
PPE	2.2	2.5	3.8	5.5	6.0	Net debt/(cash)	(4.4)	(7.6)	(30.3)	(22.2)	(13.7)
Intangibles	0.0	0.1	0.1	0.1	0.1	ROE (%)	NM	NM	NM	NM	7.3%
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	39.8	37.7	40.4						
Trade and other payables	0.5	1.3	1.9	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	7.9	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						

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

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

Research Team

Staff Member	Title/Sector	Phone	@bellpotter.com.au
Chris Savage	Head of Research/Industrials	612 8224 2835	csavage
Rob Crookston	Head of Strategy	612 8224 2813	rcrookston
Paul Basha	Strategy	612 8224 2862	pbasha
Kion Sapountzis	Strategy	613 9235 1824	ksapountzis
Analysts			
John Hester	Healthcare	612 8224 2871	jhester
Martyn Jacobs	Healthcare	613 9235 1683	mjacobs
Thomas Wakim	Healthcare	612 8224 2815	twakim
Michael Ardrey	Industrials	613 9256 8782	mardrey
Leo Armati	Industrials	612 8224 2846	larmati
Marcus Barnard	Industrials	618 9326 7673	mbarnard
Joseph House	Industrials	613 9325 1624	jhouse
Baxter Kirk	Industrials	613 9235 1625	bkirk
Daniel Laing	Industrials	612 8224 2886	dlaing
Hayden Nicholson	Industrials	613 9235 1757	hnicholson
Chami Ratnapala	Industrials	612 8224 2845	cratnapala
Jonathan Snape	Industrials	613 9235 1601	jsnape
Ritesh Varma	Industrials	613 9235 1658	rvarma
Connor Eldridge	Real Estate	612 8224 2893	celdridge
Andy MacFarlane	Real Estate	612 8224 2843	amacfarlane
Regan Burrows	Resources	618 9236 7677	rburrows
David Coates	Resources	612 8224 2887	dcoates
Stuart Howe	Resources	613 9325 1856	showe
Todd Lewis	Resources	618 9326 7672	tlewis
James Williamson	Resources	613 9235 1692	jwilliamson
Associates			
Brenton Anderson	Associate Analyst	613 9235 1807	banderson
Andrew Ho	Associate Analyst	613 9235 1953	aho
Evelyn Murdoch	Associate Analyst	612 8224 2849	emurdoch

Research Coverage & Policies

For Bell Potter Securities' Research Coverage Decision Making Process and Research Independence Policy please refer to our company website: <https://bellpotter.com.au/research-independence-policy/>.

Authoring Research Analyst's Certification

The Authoring Research Analyst is responsible for the content of this Research Report, and, certifies that with respect to each security that the Analyst covered in this Report (1) all the views expressed accurately reflect the Analyst's personal views about those securities and were prepared in an independent manner and (2) no part of the Analyst's compensation was, is or will be, directly or indirectly, related to specific recommendations or views expressed by that Research Analyst in the Research Report.

Research Analyst's Compensation

Research Analyst's compensation is determined by Bell Potter Securities Research Management and Bell Potter Securities' Senior Management and is based upon activities and services intended to benefit the investor clients of Bell Potter Securities Ltd. Compensation is not linked to specific transactions or recommendations. Like all Company employees Research Analysts receive compensation that is impacted by overall Company profitability.

Prices

The Price appearing in the Recommendation panel on page 1 of the Research Report is the Closing Price on the Date of the Research Report (appearing in the top right hand corner of page 1 of the Research Report), unless a before midday (am) time appears below the Date of the Research Report in which case the Price appearing in the Recommendation panel will be the Closing Price on the business day prior to the Date of the Research Report.

Availability

The completion and first dissemination of a Recommendation made within a Research Report are shortly after the close of the Market on the Date of the Research Report, unless a before midday (am) time appears below the Date of the Research Report in which case the Research Report will be completed and first disseminated shortly after that am time.

Dissemination

Bell Potter generally disseminates its Research to the Company's Institutional and Private Clients via both proprietary and non-proprietary electronic distribution platforms. Certain Research may be disseminated only via the Company's proprietary distribution platforms; however such Research will not contain changes to earnings forecasts, target price, investment or risk rating or investment thesis or be otherwise inconsistent with the Author's previously published Research. Certain Research is made available only to institutional investors to satisfy regulatory requirements. Individual Bell Potter Research Analysts may also opt to circulate published Research to one or more Clients by email; such email distribution is discretionary and is done only after the Research has been disseminated. The level and types of service

provided by Bell Potter Research Analysts to Clients may vary depending on various factors such as the Client's individual preferences as to frequency and manner of receiving communications from Analysts, the Client's risk profile and investment focus and perspective (e.g. market-wide, sector specific long term and short term etc.) the size and scope of the overall Client relationship with the Company and legal and regulatory constraints.

Disclaimers

This Research Report is a private communication to Clients and is not intended for public circulation or for the use of any third party, without the prior written approval of Bell Potter Securities Limited.

The Research Report is for informational purposes only and is not intended as an offer or solicitation for the purpose of sale of a security. Any decision to purchase securities mentioned in the Report must take into account existing public information on such security or any registered prospectus.

This is general investment advice only and does not constitute personal advice to any person. Because this Research Report has been prepared without consideration of any specific client's financial situation, particular needs and investment objectives ('relevant personal circumstances'), a Bell Potter Securities Limited Broker (or the financial services licensee, or the representative of such licensee, who has provided you with this report by arrangement with Bell Potter Securities Limited) should be made aware of your relevant personal circumstances and consulted before any investment decision is made on the basis of this Research Report.

While this Research Report is based on information from sources which are considered reliable, Bell Potter Securities Limited has not verified independently the information contained in this document and Bell Potter Securities Limited and its directors, employees and consultants do not represent, warrant or guarantee expressly or impliedly, that the information contained in this Research Report is complete or accurate.

Nor does Bell Potter Securities Limited accept any responsibility for updating any advice, views, opinions or recommendations contained in this Research Report or for correcting any error or omission which may have become apparent after the Research Report has been issued.

Bell Potter Securities Research Department has received assistance from the Company referred to in this Research Report including but not limited to discussions with management of the Company. Bell Potter Securities Policy prohibits Research Analysts sending draft Recommendations, Valuations and Price Targets to subject companies. However, it should be presumed that the Author of the Research Report has had discussions with the subject Company to ensure factual accuracy prior to publication.

All opinions, projections and estimates constitute the judgement of the Author as of the Date of the Research Report and these, plus any other information contained in the Research Report, are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice.

Notwithstanding other departments within Bell Potter Securities Limited advising the subject Company, information obtained in such role is not used in the preparation of the Research Report.

Although Bell Potter Research does not set a predetermined frequency for publication, if the Research Report is a fundamental equity research report it is the intention of Bell Potter Research to provide research coverage of the covered issuers, including in response to news affecting the issuer. For non-fundamental Research Reports, Bell Potter Research may not provide regular updates to the views, recommendations and facts included in the reports.

Notwithstanding that Bell Potter maintains coverage on, makes recommendations concerning or discusses issuers, Bell Potter Research may be periodically restricted from referencing certain Issuers due to legal or policy reasons. Where the component of a published trade idea is subject to a restriction, the trade idea will be removed from any list of open trade ideas included in the Research Report. Upon lifting of the restriction, the trade idea will either be re-instated in the open trade ideas list if the Analyst continues to support it or it will be officially closed.

Bell Potter Research may provide different research products and services to different classes of clients (for example based upon long-term or short term investment horizons) that may lead to differing conclusions or recommendations that could impact the price of a security contrary to the recommendations in the alternative Research Report, provided each is consistent with the rating system for each respective Research Report.

Except in so far as liability under any statute cannot be excluded, Bell Potter Securities Limited and its directors, employees and consultants do not accept any liability (whether arising in contract, in tort or negligence or otherwise) for any error or omission in the document or for any resulting loss or damage (whether direct, indirect, consequential or otherwise) suffered by the recipient of the document or any other person.

In the USA and the UK this Research Report is only for institutional investors. It is not for release, publication or distribution in whole or in part in the two specified countries. In Hong Kong this Research Report is being distributed by Bell Potter Securities (HK) Limited which is licensed and regulated by the Securities and Futures Commission, Hong Kong. In the United States this Research Report is being distributed by Bell Potter Securities (US) LLC which is a registered broker-dealer and member of FINRA. Any person receiving this Research Report from Bell Potter Securities (US) LLC and wishing to transact in any security described herein should do so with Bell Potter Securities (US) LLC.

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

Bell Potter Securities Limited
ABN 25 006 390 772
Level 29, 101 Collins Street
Melbourne, Victoria, 3000
Telephone +61 3 9256 8700
www.bellpotter.com.au

Bell Potter Securities (HK) Limited
Room 1601, 16/F
Prosperity Tower, 39 Queens
Road Central, Hong Kong, 0000
Telephone +852 3750 8400

Bell Potter Securities (US) LLC
Floor 39
444 Madison Avenue, New York
NY 10022, U.S.A
Telephone +1 917 819 1410

Bell Potter Securities (UK) Limited
16 Berkeley Street London, England
W1J 8DZ, United Kingdom
Telephone +44 7734 2929