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Early Commercial Scale-Up Underway

Amaero Ltd

Amaero Ltd. (ASX:3DA, OTC:AMROF) continued to make steady progress in its transition from infrastructure build-out to early commercial scale-up during the December 2025 quarter. While the timing of near-term revenues was impacted by delays in U.S. government funding processes, underlying demand and operational momentum remained intact.

For 1H FY26, Amaero generated revenue of $7.7 million, up 366% year-on-year. FY26 revenue guidance was updated to $18–20 million, supported by $9.7 million of contracted revenue already secured for 2H FY26, providing solid near-term visibility. Operational performance continued to improve, with rising atomisation output and powder shipments reflecting increasing utilisation. Atomiser #3 remains on track for commissioning by the end of FY26, with Atomiser #4 scheduled for FY27, supporting a scalable production ramp.

Capital efficiency remains a key positive. During the quarter, Amaero secured a dedicated Argon recycling system at approximately 60% below initial cost expectations, alongside the fourth EIGA Premium atomiser. Once commissioned, the system is expected to reduce Argon input costs by around 80%, structurally improving unit economics and enhancing margin potential as volumes scale.

Strategically, Amaero received a Letter of Support from the U.S. Navy, validating PM-HIP as a scalable alternative to traditional casting and forging and strengthening the Company's positioning with U.S. defence primes. Commercially, the conversion of the Titomic partnership into a $4.6 million purchase order provides early evidence that development programs are beginning to translate into contracted supply.

Valuation and Outlook

Amaero ended the quarter with ~$52.6 million of cash and restricted cash and access to a US$22.8 million non-dilutive EXIM Bank facility. Interest payments commence in FY27, with principal repayments deferred until FY31, providing flexibility through the scale-up phase.

Our updated DCF reflects a more measured revenue ramp across FY26–FY31, aligned with company guidance and a production-led utilisation profile. Under unchanged discounting assumptions, we derive a fair value of **$0.67 per share**. The valuation reset primarily reflects timing, partially offset by improved capital efficiency and a supportive funding structure.

With infrastructure in place, funding secured and early commercial traction emerging, Amaero is increasingly positioned to convert operational progress into long-term value as U.S. contracting conditions normalise.

Key Near-Term Catalysts	
U.S. defence contract progression following Navy Letter of Support	Q3 FY26
Initial PM-HIP production revenues (U.S. facility)	Q3 FY26
Conversion of strategic partnerships into initial commercial orders	Q2–Q3 FY26
FY26 Results and FY27 Guidance update	Q1 FY27

Recommendation	Spec Buy
Share Price	$0.37
Fair Valuation	$0.67
TSR	81%

Company Profile	
Market Cap	$352M
Enterprise Value	$339M
Free Float	~66%
Cash	$52.6m
52-Week Range	$0.195 - $0.54

Price Performance

Company Overview

Amaero is a US-based leader in advanced materials and manufacturing, specialising in high-performance, lightweight, and heat-resistant alloys used across aerospace, defence, and industrial markets. Its proprietary production technologies enable the creation of materials with superior strength, density, and thermal resistance while reducing cost and lead times. Operating from its manufacturing headquarters in Tennessee, Amaero focuses on refractory and titanium alloys that are essential for propulsion systems, hypersonic platforms, and next-generation aerospace components. Through its integrated capabilities in powder production and advanced processing, the company supports critical supply chains with scalable, cost-efficient manufacturing solutions that enhance reliability, localisation, and supply security.

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Click here to access Evolution Capital's Initiation Report of Amaero published 16 April 2025.

Investment Summary

From Infrastructure Build-Out to Early Commercial Scale-Up

Amaero Ltd. (ASX:3DA, OTC:AMROF) reached a key execution inflection during the December 2025 quarter, marking the transition from infrastructure build-out to early-stage commercial scale-up. The period was defined by disciplined capital execution, advancing U.S. manufacturing capacity while materially lowering the Company's future cost base. Binding orders for a dedicated Argon recycling plant and a fourth advanced EIGA Premium atomiser strengthen Amaero's industrial platform at a critical point in its scaling roadmap. The Argon system was secured at approximately 60% below earlier cost estimates and is expected to reduce Argon input costs by ~80% once commissioned, structurally improving unit economics as utilisation increases.

Operational momentum continued during the quarter, with rising atomisation output and powder shipments reflecting improved utilisation of existing capacity ahead of additional systems coming online. Together, these developments materially de-risk the production ramp and position Amaero to support higher volumes with a more competitive cost structure as customer programs transition from qualification to supply.

Defence Validation and Early Commercial Conversion De-Risk the Growth Path

Strategically, Amaero received formal validation from the United States Navy through a Letter of Support recognising PM-HIP manufacturing as a mature, scalable alternative to traditional casting and forging supply chains within the maritime and defence industrial base. Following an 18-month development collaboration, this endorsement materially strengthens Amaero's credibility with defence primes and government stakeholders and improves the probability of program-level contract conversion in an environment characterised by long lead times, constrained forging capacity and policy-driven re-shoring initiatives.

Commercially, the Company converted a strategic partnership into contracted revenue, receiving a $4.6 million refractory powder purchase order from Titomic under the parties' five-year exclusive supply and development agreement. While modest in absolute terms, the order represents an important proof point that customer relationships are progressing beyond development into early commercial supply, supporting the thesis of recurring revenues as defence, aerospace and industrial programs advance.

Financially, Amaero updated FY26 revenue guidance to $18–20 million, reflecting timing delays linked to U.S. government funding uncertainty rather than any deterioration in demand or pipeline quality. With $9.7 million of contracted revenue secured for the second half of FY26, approximately $52.6 million of cash and restricted cash at quarter end, and non-dilutive EXIM Bank financing aligned to equipment commissioning milestones, the balance sheet remains well positioned to support the current scale-up phase without additional equity dilution.

Valuation Update

Amaero's valuation has been updated to reflect revised revenue assumptions, updated capital expenditure estimates and changes to the financing profile following recent company announcements. The key driver of the valuation change is a more conservative view on the pace of revenue build-up during the early stages of commercial scale-up, informed by management's updated financial guidance and a production-led assessment of capacity utilisation.

Revenue Assumptions and Commercial Ramp-Up

Revenue assumptions have been revised downward across the early and mid-years of the forecast period to reflect both company guidance and a more realistic view of capacity utilisation. FY26 revenue is now forecast at $18.7 million, aligned with management's guidance range of $18–20 million. This increases to $42.3 million in FY27 and $86.0 million in FY28, before accelerating to $160.0 million in FY29, $275.0 million in FY30 and $308.4 million in FY31 as utilisation improves in the outer years of the model.

The reduction versus the prior model does not reflect weaker demand, but rather a reassessment of how quickly installed production capacity converts into repeatable, high-volume commercial revenue. While near-term visibility has improved through contracted and guided revenues in FY26, visibility beyond this period remains more limited, particularly for defence and aerospace customers with extended qualification and procurement cycles.

The revised revenue profile is underpinned by explicit production and utilisation assumptions. Total powder output is assumed to increase from ~27.5 tonnes in FY26, equivalent to ~7% utilisation, to ~100 tonnes in FY27 (~17%) and ~202 tonnes in FY28 (~25%). With Atomiser #3 operational in FY26 and Atomiser #4 commissioned in FY27, all planned atomisation capacity is available from FY28 onward. Despite this, the model assumes a measured utilisation ramp as programs move from qualification into sustained production.

As customer programs mature and production becomes increasingly standardised, utilisation rises materially in the later years of the forecast. In the model, utilisation still approaches ~91% by FY31, reflecting a largely industrialised operating state without assuming persistent operation above nameplate capacity.

Capital Expenditure Adjustments
Capital expenditure assumptions have been updated to reflect improved capital efficiency, most notably the materially lower cost of the Argon recycling system. The facility has now been secured at an estimated installed cost of ~$6 million, compared with an earlier estimate of ~$15 million, representing a reduction of approximately $9 million (~60%).

This reduction lowers cumulative capital outlay during the scale-up phase and improves project returns without compromising the expected operational benefits. Once operational, the Argon recycling system is expected to reduce Argon consumption costs by ~80% and support margin expansion as production volumes increase. The order and commissioning timeline for the fourth EIGA Premium atomiser remains unchanged and continues to underpin long-term capacity growth.

Financing and Cash Flow Profile
The valuation incorporates the actual drawdowns under the US$22.8 million EXIM Bank facility, with approximately $25.3 million drawn to date. Remaining drawdowns are assumed to be fully utilised during FY27, in line with scheduled equipment delivery and commissioning milestones.

The structure of the facility remains highly supportive of the commercial ramp-up. Interest payments commence from FY27, while principal repayments are deferred until FY31, materially reducing cash flow pressure during the period of lower utilisation and delayed operating leverage. Combined with a quarter-end cash and restricted cash balance of ~$52.6 million, the funding profile provides sufficient liquidity to support operations through the current scaling phase.

The revised valuation reflects lower revenues across FY26–FY31 and a later inflection in operating leverage, partially offset by improved capital efficiency and a favourable, non-dilutive financing structure. Under unchanged discounting assumptions, including a stable WACC, the updated DCF model yields a revised fair value of **$0.67 per share**. The adjustment in valuation is driven primarily by timing effects and a more conservative execution profile, rather than any change to Amaero's long-term strategic positioning or market opportunity.

Key risks

Execution Risk
Amaero is scaling from pilot to full commercial production. Delays or inefficiencies in commissioning Atomisers #3 and #4 could affect revenue timing and margin performance.

Customer Concentration
A small number of large customers account for a majority of expected revenues. Delays in qualification or order conversion could impact near-term cash flow.

Supply Chain & Equipment
Dependence on specialised equipment and critical raw materials exposes Amaero to supply chain delays, cost inflation and component availability risks.

Technology & Certification
The business relies on maintaining its EIGA and PM-HIP technology edge and meeting strict aerospace and defence standards. Any setback in accreditation or quality could slow adoption.

Capital Intensity & Cash Flow Timing
Despite strong funding ($50m equity raise, EXIM facility), the business remains capital-intensive, and timing shifts in large projects may affect working capital and liquidity.

Market Adoption & Pricing
Broader industry adoption of additive manufacturing may progress slower than expected, or increased competition could pressure pricing and margins.

Currency & Regulatory Exposure
USD-denominated revenues and US defence exposure create FX and policy risks. Changes in export controls or procurement priorities could influence demand.

Appendix

Financial Statements

VALUATION DETAILS	
Share Price (A$)	$0.37
Market Cap (A$m)	352.46
Enterprise Value (A$m)	338.60
Fair Value/Share (A$)	$0.67

FINANCIAL STATEMENTS (A$m)	FY25	FY26E	FY27E	FY28E	FY29E
Income Statement					
Revenue	3.81	18.68	42.30	85.95	160.02
EBITDA	-22.04	-21.73	-13.95	1.95	28.09
EBIT	-23.72	-30.39	-25.04	-7.57	19.97
Net Income	-24.68	-31.57	-25.94	-9.69	12.74
Balance Sheet					
Cash & Cash Equivalents	19.22	38.75	8.25	16.96	36.21
Inventory	7.02	6.65	8.11	9.42	21.92
Receivables	1.31	13.30	18.54	16.48	30.69
Other Assets	63.54	81.00	91.65	85.37	80.59
Total Assets	91.08	139.70	126.56	128.24	169.41
Total Debt	5.36	27.86	34.96	34.96	34.96
Other Liabilities	31.49	41.21	46.91	58.27	86.71
Total Liabilities	36.85	69.07	81.87	93.23	121.67
Shareholders' Equity	54.23	70.63	44.69	35.01	47.75
Cash Flow Statement					
Net Income	-24.59	-31.57	-25.94	-9.69	12.74
Add: Depreciation & Amortisation	1.68	8.66	11.10	9.52	8.12
Less: Change in Net Working Capital/Other	5.87	-3.54	-2.17	12.00	1.62
Cash Flow from Operations	-17.03	-26.45	-17.01	11.83	22.48
Cash Flow from Investing	-26.01	-23.67	-19.65	-2.07	-2.14
Equity Raised (net)	47.37	47.97	0.00	0.00	0.00
Net Borrowings/Other	2.78	21.68	6.17	-1.05	-1.09
Cash Flow from Financing	50.14	69.65	6.17	-1.05	-1.09
Unlevered Free Cash Flow	7.09	-48.94	-35.76	11.87	33.03

PER SHARE DATA	FY25	FY26E	FY27E	FY28E	FY29E
Shares Outstanding (m)	690.7	952.2	980.2	981.2	983.2
Normalised EPS (A$)	-0.04	-0.03	-0.03	-0.01	0.01
Dividends per Share (A$)	0.00	0.00	0.00	0.00	0.00
Payout	0%	0%	0%	0%	0%
Franking	0%	0%	0%	0%	0%

RATIOS	FY25	FY26E	FY27E	FY28E	FY29E
Liquidity					
Current Ratio	0.70	0.77	0.86	0.44	0.47
Quick Ratio	0.56	0.75	0.33	0.36	0.55
Solvency					
Debt to Equity	0.68	0.98	1.83	2.66	2.55
Equity to Assets	0.60	0.51	0.35	0.27	0.28
Profitability					
ROA (Return on Assets)	-35.0%	-27.4%	-19.5%	-7.6%	8.6%
ROE (Return on Equity)	-59.0%	-50.6%	-45.0%	-24.3%	30.8%
EBITDA Margin	-622%	-163%	-59%	-9%	12%
NPAT Margin	-647.2%	-169.1%	-61.3%	-11.3%	8.0%
Growth					
Production Growth (t)	N/A	N/A	264%	102%	79%
Revenue	722.0%	389.8%	126.5%	103.2%	86.2%
EBITDA improvement	-5.5m	+0.3m	+7.8m	+15.9m	+26.1m
NPAT improvement	-6.6m	-6.9m	+5.6m	+16.3m	+22.4m
EPS	-3.6%	-3.3%	-2.6%	-1.0%	1.3%
Valuation					
P/E	-18.7	-20.2	-25.3	-67.8	51.6
EV/Sales	18.9	19.9	16.2	7.9	4.1
EV/EBITDA	-3.3	-17.1	-49.2	346.9	23.3
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Leadership Team

Hank J. Holland *Chairman & Chief Executive Officer (CEO)*	Executive Chairman since September 2022 and CEO since October 2022, Hank Holland brings over 30 years of experience in private equity, defence manufacturing, and industrial growth. Under his leadership, Amaero has executed a US strategic pivot, secured major supply agreements, achieved AS9100D accreditation, and raised $98.5 million in equity. Holland's operational and capital markets background, including senior roles at Merrill Lynch and Pegasus Growth Capital, continues to guide the company's transition into a fully funded, US-based defence supplier.
Brett Paduch *CFO (appointed July 2025)*	Brett Paduch brings a strong financial leadership background spanning global audit, FP&A, M&A, and private equity-backed growth. A graduate of The Citadel (Summa Cum Laude), he spent 11 years at PwC, serving as Lead Audit Senior Manager for Ingersoll Rand. Prior to Amaero, he was CFO of a private equity portfolio company with $160 million in revenue and held senior finance roles at a NASDAQ-listed industrial. His appointment strengthens Amaero's strategic finance, capital allocation, and reporting capabilities during its scale-up phase.
Eric Bono *President & CTO*	With over 20 years in additive manufacturing and metallurgy, Eric Bono leads Amaero's R&D and technical execution. His prior roles at Carpenter Additive and ATI were instrumental in qualifying metal powders for aerospace. At Amaero, he aligns product development with the stringent needs of defence, aerospace, and energy markets.
Mick Maher *Chief Strategy & Commercial Officer*	Mick Maher joined Amaero in early 2024 and serves as Chief Strategy & Commercial Officer, bringing more than 25 years of leadership experience in U.S. national security, defence innovation, and advanced manufacturing strategy. His deep understanding of federal acquisition processes, OTA contracting mechanisms, and hypersonic system integration plays a key role in positioning Amaero as a strategic supplier to Tier-1 primes and U.S. government programs.

Evolution Capital Ratings System

Recommendation Structure	• **Buy:** The stock is expected to generate a total return of >10% over a 12-month horizon. For stocks classified as 'Speculative', a total return of >30% is expected. • **Hold:** The stock is expected to generate a total return between -10% and +10% over a 12-month horizon. • **Sell:** The stock is expected to generate a total return of <-10% over a 12-month horizon.
Risk Qualifier	• **Speculative:** This qualifier is applied to stocks that bear significantly above-average risk. These can be pre-cash flow companies with nil or prospective operations, companies with only forecast cash flows, and/or those with a stressed balance sheet. Investments in these stocks may carry a high level of capital risk and the potential for material loss.
Other Ratings:	• **Under Review (UR):** The rating and price target have been temporarily suppressed due to market events or other short-term reasons to allow the analyst to more fully consider their view. • **Suspended (S):** Coverage of the stock has been suspended due to market events or other reasons that make coverage impracticable. The previous rating and price target should no longer be relied upon. • **Not Covered (NC):** Evolution Capital does not cover this company and provides no investment view.

Expected total return represents the upside or downside differential between the current share price and the price target, plus the expected next 12-month dividend yield for the company. Price targets are based on a 12-month time frame.

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