EVOLUTION CAPITAL

AL3 | UPDATE REPORT | INDUSTRIALS

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Scaling Into US Navy Demand

AML3D Limited

AML3D (ASX: AL3) closed FY26 with record revenue of **$12.5 million, up 69%**, and **positive EBITDA in the second half**. Fifteen ARCEMY systems are under order into US Defence, $16.8 million of work carried into FY27, and the year ended with $26.7 million of cash and no borrowings.

What FY26 Delivered

Revenue rose 69% to $12.5 million and gross profit 54% to $7.8 million at a 63% margin. The second half produced EBITDA of $608k against a first half loss of $4.8 million, on a cost base that barely moved between the halves.

Eight further ARCEMY systems were signed into the US Navy supply chain, taking total orders supporting the US Defence sector to fifteen. Newport News Shipbuilding moved from two systems to four within two quarters at $9.9 million, a second submarine component order of $2.6 million followed, and the Tennessee Valley Authority and FasTech systems were commissioned, opening US industrial markets outside defence.

The order book stood at $29 million at the end of March and $16.8 million rolled into FY27 against $9.0 million a year earlier, and the pipeline closed at a record $78 million. By destination, $1.2 million of revenue was earned in the United Kingdom and $1.1 million in Australia, so a fifth already comes from outside the US.

What Comes Next

Adelaide and Stow build about 20 systems a year between them, which the Company values at $40 million of revenue. The $12 million Stow expansion doubles the Ohio site, which on our estimate takes the combined figure to about 30, with $2.1 million spent at balance date, and the $5 million European Technology Centre would take it to about 35 on the first UK ARCEMY orders, now in advanced negotiation.

The US Navy letter of intent points to 100 systems and 1,600 components by 2030 across the Maritime Industrial Base, and AML3D holds fifteen system orders against it. Converting the remainder is a question of build rate rather than of demand.

Recurring revenue is the second thing to watch. Licensing, service and support was $281k in FY26 across an installed base of ten systems. As the US Navy fleet moves under sustainment it should scale with the installed base rather than with new sales, at the 80% margin the Company discloses.

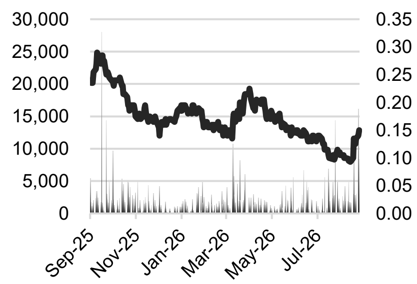
A lower FY26 base and full dilution take our price target to **$0.32** from $0.37. At $0.145 that still leaves 121% upside and we remain Speculative Buy.

Key Near-Term Catalysts	
First UK ARCEMY order, a precondition for the European centre	FY27
Completion of the $12 million Stow capacity doubling	FY27
Updated US Navy demand forecast under the letter of intent	FY27
Second US Navy component order delivered, 10 month run	FY27

Recommendation	**Spec BUY**
Price Target	**$0.32**
Share Price	**$0.145**
TSR (12m)	**121%**

Company Profile	
Market Cap	$82m
Enterprise Value	$57m
EV/EBITDA	n/a
SOI	567m
Free Float	~90%
Cash	$26.7m
ADV (3-month)	$494k
52-Week Range	$0.09-$0.295

Price Performance



Company Overview

AML3D Limited (AL3) is an Australian industrial technology company that designs and manufactures ARCEMY industrial metal 3D printing systems using its proprietary Wire-arc Additive Manufacturing (WAM) process. The Company supplies systems, additively manufactured components and recurring licensing, maintenance and support to the US Navy Maritime Industrial Base, UK and Australian Defence, and industrial manufacturing customers across utilities, oil and gas, marine, aerospace and energy, from technology centres in Adelaide and Stow, Ohio.

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AL3 Coverage

Initiation 5 June 2026 Link

Investment Summary

AML3D sells industrial-scale metal 3D printing systems into a customer requirement that is documented rather than forecast. The US Navy letter of intent names ARCEMY technology as pivotal to meeting a forecast of 100 additive manufacturing systems and 1,600 components by 2030, and the Navy agreed to keep that forecast updated. The Company puts the addressable Maritime Industrial Base at US$100 million to US$250 million. Fifteen systems are under order against it. The question is not whether the demand exists but whether AML3D can build to meet it.

Repeat purchase is now the pattern rather than the exception. Newport News Shipbuilding took two ARCEMY X systems in the second quarter and four more in the third, bringing its fleet to six within six months, and Austal USA operates three at the US Navy's Centre of Excellence in Danville. Installations of that scale rest on class certification from DNV and Lloyd's Register, which the Company states covers close to two thirds of the global market for high value, class certified marine components.

Unit economics became visible in FY26. Cost of goods sold is almost entirely materials, $4.3 million of the $4.7 million charge being inventory expensed, so close to two thirds of every additional dollar of revenue reaches gross profit. The leverage below that line showed in the numbers: revenue rose 69% while operating expenses rose 13%, and the second half produced $608k of EBITDA on a cost base that barely moved.

Geographic breadth is further advanced than the market appears to assume. The segment note attributes $1.2 million of FY26 revenue to the United Kingdom and $1.1 million to Australia against $9.4 million in the United States. BAE Systems contracts are running, Arc Additive is appointed as distributor, and the first European ARCEMY order is in advanced negotiation. This matters because deliveries beyond the 2030 letter of intent target, which the forecast reaches in FY32, must originate outside the US Navy programme.

Funding is not a constraint over the forecast horizon. Cash of $26.7 million, no borrowings and lease liabilities of $1.6 million stand against committed programmes of $14.9 million. Our numbers consume $8.6 million in FY27 and $1.0 million in FY28 before cash generation turns positive in FY29, with a trough balance of $17.0 million and no equity raising assumed.

Valuation

We value AML3D on a discounted cash flow across FY27 to FY38, with the cash flow beyond that capitalised at a 3.0% growth rate. Fair value fully diluted is $0.32 a share, which is our price target, down from $0.37.

Most of the reduction is operating. FY26 sets a lower starting point, we now use the 1,600 component figure carried in the annual report and the June investor presentation rather than the 3,400 quoted in a May announcement, and the delivery path is bounded by build capacity. The balance comes from a fuller treatment of dilution and a higher risk free rate, partly offset by correcting the tax rate to the one the accounts apply.

Our WACC has been updated to 11.4%, reflecting a higher risk free rate of 5.00%. The rest of the build is unchanged.

There are 567.4 million shares on issue and we value the equity across 612.8 million. The difference is the treasury stock method: the 37.1 million options worth exercising at our fair value are included along with the $9.6 million they would raise, the 8.0 million struck at $0.73 are not, and all 8.2 million performance rights are assumed to vest. Of the options included, 18.1 million expire by December 2027 and lapse if the share price does not move before then. The forecast financial statements in the appendix are struck on the 567.4 million actually on issue, so reported earnings per share there sit on a narrower base than the fair value.

Revenue Build

The three revenue streams are still forecast separately. What has moved is each of them.

System deliveries are bounded by what AML3D can build. Adelaide and Stow make about 20 systems a year today. The Company discloses that the funded $12 million programme doubles the Ohio site, which on our estimate takes the combined figure to about 30, and the $5 million European centre to about 35. Our forecast peaks at 28 deliveries in FY34 and FY35 and runs between 50% and 83% of capacity across the period, so the ceiling disciplines the forecast without binding it. Pricing has been raised to $2.3 million for large systems and $1.2 million for portable units, escalating 3.0% a year, following the $2.5 million Newport News paid for each ARCEMY X.

Contract manufacturing is printed on AML3D's own machines. The Company operates eight of them, four in Adelaide and four in Ohio, and puts that fleet at about $16 million of revenue a year. The June presentation still shows eight systems with the Stow programme already under way, so we hold that ceiling flat. FY26 produced $2.7 million from those machines, down 9.6% on FY25 while system sales grew 150%, and utilisation runs from 23% in FY27 to 80% from FY34. The letter of intent forecasts around 400 components in 2026 rising to 1,600 by 2030. We take 280 units in FY27 and 780 in FY30, under half the 2030 figure, rising to 1,280 by FY34, with price settling at $10,000.

Table 1: Revenue Build

ARCEMY® REVENUE BUILD ($m unless stated)	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36	FY37	FY38
Systems delivered in year	10	14	17	20	23	25	27	28	28	27	25	23
Installed base at start of year	16	26	40	57	77	100	125	152	180	208	235	260
Blended price per system ($m)	1.86	1.88	1.96	2.03	2.10	2.16	2.21	2.30	2.37	2.42	2.50	2.59
Service revenue per installed system ($000)	45	62	80	98	115	132	148	165	175	183	190	196
Contract manufacturing revenue	3.64	5.62	7.44	8.97	9.90	10.71	11.50	12.80	12.80	12.80	12.80	12.80
Parts capacity utilised	23%	35%	46%	56%	62%	67%	72%	80%	80%	80%	80%	80%
Cumulative deliveries since FY24, systems	20	34	51	71	94	119	146	174	202	229	254	277
Total revenue	23.67	34.32	44.66	55.91	67.87	78.52	90.41	102.92	111.27	116.82	120.66	124.00

Source: Evolution Capital estimates.

Recurring revenue has been rebased to what FY26 produced. AML3D earned $281,264 of licensing and support across ten installed systems, about $28,000 each, or 1.9% of what a system costs. We take that to 7.2% by FY34, still below the 8% to 15% normal for service contracts on industrial machinery.

Cumulative deliveries reach 71 systems by FY30 against the 100 the US Navy forecast identifies, and pass 100 in FY32.

Costs and Capital Spending

Gross margin is an outcome of the revenue mix rather than an input. The Company reports 80% on licensing and support and 50% to 60% on component manufacturing, so as the 80% stream grows fastest group gross margin rises from 62.5% to 72.8% with no price increase at all.

Capital spending follows the two programmes management set out. AML3D put $1.8 million into plant in FY26 and had spent only $2.1 million of the $12 million Stow programme by year end. We carry $10.0 million in FY27 to complete the US expansion and $5.0 million in FY28 for the UK centre, after which spending falls from about 5% of revenue toward 3% rather than to a maintenance level, because the forecast keeps adding capacity and the machines AML3D uses for its own component work have to be replaced.

Operating costs grow more slowly than revenue, which is what produces the margin. FY26 demonstrated it: the second half earned $608k of EBITDA on a cost base barely changed from the first half. EBITDA margin reaches 34.1% in FY34 and 36.5% by FY38.

Terminal Value
The forecast now runs to FY38. FY26 is what makes that possible: a half-year of EBITDA profit, a $16.8 million order book, quantified build capacity and disclosed margins by revenue stream give the forecast something to sit on well beyond the order horizon that was visible a year ago. A longer explicit period lets the business reach the point where growth has slowed to 3.0% and margin has settled near 36.5%, which is the state the terminal formula assumes. Terminal value now carries 58.8% of the valuation, so less of the answer rests on a single capitalisation.

As a check, valuing FY38 EBITDA at 8.0 times instead of capitalising the final cash flow gives $0.33 a share against our $0.32, and our own method implies a multiple of 7.8 times. Two independent methods landing within a cent of each other is reassuring.

At $0.145 the market pays $57.1 million for the business once $25.2 million of net cash is stripped out. That is 2.4 times next year's revenue, of which $16.8 million is already contracted, for a company whose largest customer has documented what it needs through to 2030. Our fair value of **$0.32 a share implies 121% upside**.

Risks

Customer Concentration Risk
Four customers produced 77% of FY26 revenue. That follows from how the US Navy procures, through its prime contractors, rather than from a narrow commercial base. Orders are large relative to annual revenue, so one delivery slipping across a year end moves two reporting periods rather than one. Our discount rate carries size and illiquidity premia for that reason.

US Navy Programme and Procurement Risk
The demand anchor is a letter of intent, not a contract. It carries no purchase obligation and the Company expects the US Navy to revise its figures in either direction. Orders depend on appropriations, shipbuilding schedules and the pace of additive manufacturing adoption, none of which AML3D controls and none of which respond to how well the technology performs. A delay pushes revenue right with nothing signalling it in advance.

Capacity and Delivery Execution Risk
The forecast assumes the Stow expansion completes and lifts build capacity by half. Only $2.1 million of the $12 million had been spent at balance date, so the schedule rests on execution rather than on money already committed. Capacity is not only capital. It needs qualified welding and robotics staff, requalified processes and acceptance testing on each unit. A year lost early compounds through the whole delivery path.

European Expansion Execution Risk
Medium term growth assumes the UK and Europe develop broadly as the US market did. The European Technology Centre remains contingent on initial UK orders still in negotiation. European defence procurement is more fragmented, runs through multiple national customers, and has no equivalent of the letter of intent to anchor demand. Slower entry leaves the near term intact but removes the base the forecast depends on later.

Capital Structure and Dilution Risk
The Company has 45.1 million options at a weighted average exercise price of $0.34 and 8.2 million performance rights, of which 18.1 million options expire by December 2027, so the dilution outcome depends on where the share price sits at those dates. Equity has funded the Company in each of the last three years. Our forecast requires no raising, but that assumes the capacity programme proceeds as management set out.

Technology and Intellectual Property Risk
The Company states that its products require continuous research and development to remain competitive and that there is no guarantee this will be undertaken successfully. Patents covering the method and apparatus for manufacturing 3D metal parts are granted across nine jurisdictions, but the Company notes they may not be of commercial benefit or afford adequate protection against competing products.

Certification and Accreditation Risk
Class certification from DNV and Lloyd's Register admits AML3D parts into marine applications, AS9100D governs aerospace work, and ITAR compliance is a precondition for restricted US Defence contracts. These take years to obtain, which makes them the practical barrier facing competitors and also the thing most damaging to lose.

Cyber Security and Data Risk
The Company identifies breaches of network, vendor and website security, including intellectual property and data theft, as a risk to customer data and to its own systems, and states that a cyber security system is in place and monitored. Exposure is heightened by the ITAR-regulated defence work the Company performs.

Foreign Exchange Risk
Reporting is in Australian dollars while the large majority of revenue is earned in the United States, and that share rises through the forecast. The Company discloses a policy of hedging half of anticipated foreign currency transactions three months out. The exposure is partly natural, since Stow carries costs in the same currency, but the Australian cost base including research and development and head office is not matched.

Credit and Counterparty Risk
Trade receivables were $2.6 million at 30 June 2026, of which $0.4 million was past due but not impaired and none was impaired, against $40,000 impaired a year earlier. The Company mitigates credit risk by dealing with creditworthy counterparties and taking up-front deposits before commencing work, which is the same mechanism our working capital forecast relies on.

Interest Rate Risk
Cash is placed at floating rates and held in at-call deposits of no more than three months. With $26.7 million on hand, interest income is a meaningful contributor to the reported result in the near term, and a fall in Australian deposit rates would reduce it directly. Our forecast earns 4.0% on opening cash and term deposits.

Financials

VALUATION DETAILS	
Share Price ($)	$0.145
Market Cap ($m)	82.28
Enterprise Value ($m)	57.09
Fair Value/Share ($)	$0.32

FINANCIAL STATEMENTS ($m)	FY26A	FY27E	FY28E	FY29E
Income Statement				
Revenue	12.47	23.67	34.32	44.66
EBITDA	(4.23)	(1.32)	1.75	5.91
EBIT	(5.34)	(3.60)	(0.95)	3.12
Net Income	(4.48)	(2.67)	(0.35)	3.71
Balance Sheet				
Cash & Cash Equivalents	26.67	18.07	17.04	21.98
Trade and other receivables	4.30	4.98	6.55	8.03
Inventories	1.58	2.60	3.52	4.23
Other Assets	6.92	14.67	17.00	17.24
Total Assets	39.48	40.33	44.11	51.47
Total Debt	1.57	1.31	1.08	0.82
Other Liabilities	5.91	8.53	11.62	14.15
Total Liabilities	7.47	9.84	12.70	14.96
Shareholders' Equity	32.00	30.49	31.41	36.51
Cash Flow Statement				
Net Income	(4.48)	(2.67)	(0.35)	3.71
Depreciation & Amortisation	1.10	2.28	2.70	2.79
Change in Working Capital/Other	(1.28)	2.07	1.88	1.73
Cash Flow from Operations	(4.65)	1.68	4.24	8.22
Cash Flow from Investing	8.50	(10.03)	(5.03)	(3.03)
Equity Raised (net)	2.71	-	-	-
Net Borrowings/Other	(0.22)	(0.25)	(0.24)	(0.26)
Cash Flow from Financing	2.49	(0.25)	(0.24)	(0.26)
Unlevered Free Cash Flow	(9.39)	(10.43)	(2.67)	3.22

PER SHARE DATA	FY26A	FY27E	FY28E	FY29E
Shares on Issue (m)	567.4	567.4	567.4	567.4
Fully diluted shares (m)	612.8	612.8	612.8	612.8
Normalised EPS ($)	(0.008)	(0.005)	(0.001)	0.007
Dividends per Share ($)	-	-	-	-
Payout	-	-	-	-
Franking	-	-	-	-

RATIOS				
Liquidity				
Current Ratio	6.00	3.29	2.53	2.59
Quick Ratio	5.73	2.97	2.22	2.28
Solvency				
Debt to Equity	0.05	0.04	0.03	0.02
Debt to Assets	0.04	0.03	0.02	0.02
LT Debt to Assets	0.03	0.03	0.02	0.01
Profitability				
Net Margin	(35.9%)	(11.3%)	(1.0%)	8.3%
EBITDA Margin	(33.9%)	(5.6%)	5.1%	13.2%
ROA	(11.4%)	(6.6%)	(0.8%)	7.2%
ROE	(14.0%)	(8.8%)	(1.1%)	10.2%
Growth				
Revenue	68.8%	89.8%	45.0%	30.1%
EBITDA	n/a	n/a	n/a	238%
NPAT	n/a	n/a	n/a	n/a
Valuation				
P/E	n/a	n/a	n/a	22.19
P/B	2.57	2.70	2.62	2.25
EV/EBITDA	n/a	n/a	37.85	10.33
EV/Sales	4.58	2.76	1.93	1.37

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