

# Action Note

Equity Research

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September 13, 2023

Metals & Minerals

## Uranium Energy Corp.

(UEC-N) US\$4.88

### Entering the Execution Phase of UEC's Long-term Strategy

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#### Event

We are initiating coverage of Uranium Energy Corp. (NYSEAM:UEC) with a SPECULATIVE BUY recommendation and \$6.00 target price. Our full initiation report will be published later today.

**Well-positioned for the turnaround in uranium market** — UEC is a production-ready uranium company with principal assets in the U.S. and Canada. Over the last several years, the company has transformed itself through a series of strategic acquisitions to build-out its pipeline of development and production-ready assets in anticipation of a recovery in nuclear energy and uranium prices. That recovery is well-underway, in our view, with spot uranium prices close to their highest levels in 12 years as governments from around the globe are once again beginning to embrace nuclear energy as a means to provide safe, reliable, carbon-free energy.

**UEC has seven fully permitted in-situ-recovery (ISR) projects in Wyoming and Texas.** Of critical strategic importance are the company's two uranium processing facilities—the Hobson and Irigaray plants in Texas and Wyoming, respectively. These two facilities will serve as the processing hubs of the company's planned ISR hub-and-spoke operations in the two states.

**Optionality in the Athabasca Basin** — In addition to its pipeline of ISR assets in the U.S., the company now has a diversified pipeline of high-quality assets in Canada concentrated in the Athabasca Basin. These assets include a 100% interest in the Roughrider project, along with equity interests in Shea Creek, Christie Lake, Millennium, and Wheeler River.

**TD modelling assumptions** — Our estimates for UEC assume a restart of its Wyoming hub-and-spoke operations in FY2025, beginning with Christensen Ranch, followed by Irigaray and Reno Creek. We expect the company to restart operations in Texas with Burke Hollow in FY2027, followed by Palangana, and model the company's production rising to approximately 4Mlbs per year by the end of this decade at all-in costs in the \$36-\$40/lb range. Our estimates are based on a long-term uranium price of \$65/lb starting in calendar 2026.

#### TD Investment Conclusion

We are initiating coverage of UEC with a SPECULATIVE BUY recommendation. Our \$6.00 target price is based on a 1.2x multiple to our mining 8%NAV and 1.0x corporate adjustments.

<b>Recommendation:</b>	<b>SPEC BUY</b>
<b>Risk:</b>	<b>SPECULATIVE</b>
<b>12-Month Target Price:</b>	<b>US\$6.00</b>
<b>12-Month Dividend (Est.):</b>	<b>US\$0.00</b>
<b>12-Month Total Return:</b>	<b>23.0%</b>

#### Market Data (US\$)

Current Price	US\$4.88
52-Week Range	\$2.30 - \$4.99
Mkt Cap (f.d.) (\$mm)	\$1,906.1
Mkt Cap (basic) (\$mm)	\$1,837.3
EV (\$mm)	\$1,825.0
Current Dividend	\$0.00
Dividend Yield	0.0%
Avg. Daily Trading Vol.	5,604,202

#### Financial Data (US\$)

Fiscal Y-E	July
Shares O/S (f.d)(mm)	390.6
Float Shares (mm)	370.6
Net Debt (\$mm)	\$(17.5)
Cash (\$mm)	\$17.5
NAVPS	\$4.97
Working Cap (\$mm)	\$38.7

#### Supplemental Data

Year	2022A	2023E	2024E	2025E	2026E
U3O8 (US\$/lb)	46	51	57	60	64
U3O8 Prod. Mlb	0.0	0.0	0.0	0.5	1.1

All figures in US\$, unless otherwise specified



#### Company Profile

UEC is a pure-play uranium company focused on development of a portfolio of assets including several permitted and past producing assets in the U.S., along with projects in the Athabasca Basin in Saskatchewan, Canada.



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## Details

UEC owns a wide range of exploration, development, and production-ready uranium assets across the U.S., Canada, and Paraguay.

The company is making plans to resume operations starting in Wyoming at the past-producing Christensen Ranch operation, subject to uranium prices exceeding \$60/lb on a sustainable basis (minimum of three months). In the interim, the company has resumed exploration activities in both Texas and Wyoming, and is working on a PEA for its Roughrider project targeted for later this year.

### Exhibit 1. UEC Texas and Wyoming Hub and Spoke Operation

## Texas & Wyoming Hub & Spoke Platform Fully Permitted



### Wyoming Hub & Spoke ISR Portfolio

#### Irigaray Processing Plant

Licensed Production Capacity of 2.5 M lbs./yr  
(Plans to increase to 4 M lbs./year licensed capacity)

**7 satellite projects**  
(4 Permitted)

**66.2 M lbs. M&I**  
**15.1 M lbs. Inferred**  
U<sub>3</sub>O<sub>8</sub> resources

The largest S-K 1300 uranium resource summary completed and filed to date in the U.S.



### Texas Hub & Spoke ISR Portfolio

#### Hobson Processing Plant

Licensed Production Capacity of 4 M lbs./yr

**5 satellite projects**  
(3 Permitted)

**9.1 M lbs. M&I**  
**9.9 M lbs. Inferred**  
U<sub>3</sub>O<sub>8</sub> resources

Burke Hollow ISR Project - the newest & largest ISR wellfield being developed in the U.S.

Source: Company

### Exhibit 2. Forecast Asset Restart Timeline in Texas and Wyoming

Asset Restart	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
Christensen Ranch	■	■	■	■	■	■
Irigaray			■	■	■	■
Reno Creek						■
Ludeman (FY2033)						■
Burke Hollow			■	■	■	■
Palangana				■	■	■

■ Wyoming  
■ Texas

Source: TD Securities Inc.

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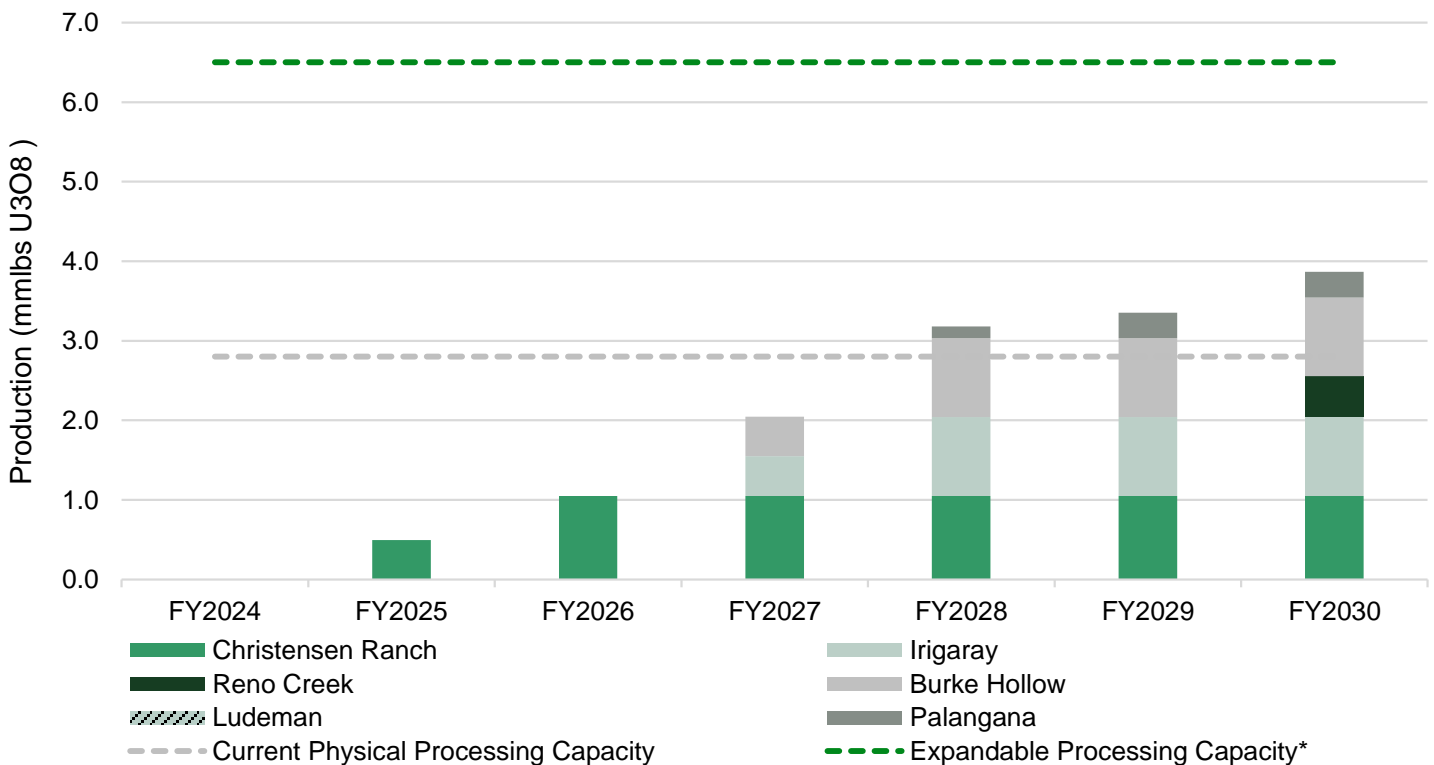
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We model a phased restart across UEC’s Wyoming and Texas operations over the rest of the decade, with Christensen Ranch first attaining commercial production in FY2025. We estimate that the restart at Christensen Ranch and processing facilities at Irigaray will require minimal capex, given their past operational status. However, in the long term, additional capital will be required to increase the Irigaray production capacity to 4Mlbs per annum from 2.5Mlbs, and build-out the satellite operations at Reno Creek and other projects in the state.

In Texas, we assume that Burke Hollow will be the first project to come online starting in FY2027, followed by the past-producing Palangana project in FY2028. Hobson is currently licensed for 4Mlbs per annum with an operating capacity of 1.5Mlbs, which meets our anticipated production profile. Total capital to restart the Hobson CPP and build the Burke Hollow satellite plant is estimated at \$15mm-\$20mm.

### Exhibit 3. Forecast Production Profile



\*Irigaray CPP Expandable to 2.5Mlbs under current licensing, Hobson CPP expandable to 4.0Mlbs

Source: Company, TD Securities Inc.

**Strong balance sheet** – As at the end of April 30, the company had working capital of \$39mm including cash of \$17.5mm and \$26.6mm in physical uranium inventories. In addition, the company has commitments to purchase 1.795Mlbs of uranium at an average price of \$42/lb, which is well below the current spot price of ~\$62/lb. We expect the company to monetize its physical uranium holdings and commitments over the next two years to help fund its development plans including the restart of production in Wyoming.

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## Exhibit 4. Operating and Financial Forecast Summary

Fiscal Year-End: Jul 31st	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Uranium Price, U3O8, \$/lb</b>	\$30	\$46	\$51	\$57	\$60	\$64	\$65	\$65	\$65	\$65
Total Uranium Production (klbs, U3O8)	0	0	0	0	497	1,049	2,044	3,179	3,866	5,402
C1 Cash Costs, \$/lb U3O8	\$ 0	\$ 0	\$ 0	\$ 0	\$ 32	\$ 21	\$ 25	\$ 22	\$ 23	\$ 23
AISC, \$/lb U3O8	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44	\$ 33	\$ 37	\$ 33	\$ 35	\$ 35
All-in Costs, \$/lb (incl. royalties/reclamation)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 47	\$ 36	\$ 41	\$ 37	\$ 40	\$ 40
<b>Income Statement (US\$ mm)</b>										
Total Revenues	\$0	\$23	\$142	\$57	\$66	\$73	\$133	\$207	\$251	\$351
Total Cost of Sales	\$0	\$16	\$100	\$46	\$41	\$29	\$59	\$82	\$105	\$147
Gross Profit	\$0	\$7	\$42	\$11	\$26	\$44	\$74	\$125	\$146	\$204
Adjusted Net Earnings	(\$9)	(\$18)	(\$1)	(\$19)	(\$9)	\$7	\$23	\$53	\$72	\$103
EPS (Adjusted) (US\$/sh.)	(\$0.05)	(\$0.06)	(\$0.00)	(\$0.05)	(\$0.02)	\$0.02	\$0.06	\$0.14	\$0.19	\$0.27
Wt. Avg. S/O (mm)	210	280	365	377	377	377	377	377	377	377
EBITDA	(\$14)	\$7	(\$4)	(\$21)	(\$5)	\$18	\$48	\$99	\$130	\$188
CF From Operating Activities	(\$41)	(\$53)	\$57	(\$6)	\$12	\$24	\$47	\$90	\$116	\$166
Capex	(\$0)	(\$1)	(\$0)	\$0	(\$22)	(\$28)	(\$36)	(\$50)	(\$50)	(\$68)
CF From Investing Activities	(\$4)	(\$111)	(\$123)	\$0	(\$22)	(\$28)	(\$36)	(\$50)	(\$50)	(\$68)
CF From Financing Activities	\$84	\$157	\$65	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operating CFPS bf. ch. in WC	(\$0.06)	(\$0.06)	\$0.03	(\$0.05)	(\$0.00)	\$0.06	\$0.12	\$0.24	\$0.31	\$0.44
Free Cash Flow	(\$42)	(\$54)	\$56	(\$6)	(\$11)	(\$3)	\$10	\$40	\$67	\$98
<b>Balance Sheet (US\$ mm)</b>										
Cash	\$44	\$33	\$30	\$24	\$14	\$10	\$21	\$61	\$127	\$225
Current Assets	\$75	\$102	\$48	\$31	\$18	\$14	\$25	\$65	\$131	\$229
Current Liabilities	\$13	\$8	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10
Working Capital	\$62	\$94	\$38	\$21	\$8	\$5	\$15	\$55	\$122	\$219
Long Term Debt	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Debt	(\$34)	(\$33)	(\$30)	(\$24)	(\$14)	(\$10)	(\$21)	(\$61)	(\$127)	(\$225)

Source: Company, TD Securities Inc.

### Potential Catalysts and Key Milestones:

- PEA for Roughrider by calendar 2023 year-end
- Resource update for Burke Hollow by year-end
- Resource update for Christensen Ranch
- Potential to monetize non-core assets (FY2024)

### Valuation

Our 8%NAVPS of \$4.97 is based on a DCF valuation for the company's permitted U.S. ISR operations using an 8% discount rate. We use a 10% discount rate for both Roughrider and its 5% equity interest in the Wheeler River project to reflect the higher degree of forecasting risk for Roughrider and the unpermitted status for Wheeler River. We ascribe a resource credit for the company's other non-core assets based on an in-situ value ranging between \$2.50/lb and \$6.50/lb.

The company has commitments to acquire 1.795Mlbs of uranium at ~\$42/lb, which we value at \$40mm based on our forward uranium price forecasts, net of the purchase costs.

UEC is an initial shareholder and strategic partner in Uranium Royalty Corp. (UROY-NASDAQ), providing ongoing technical and operational support. UEC holds 15mm shares of URC (15% of outstanding).

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**Exhibit 5. NAV Summary**

Estimated Shares Used in DCF			390,613,423			
			8%		10%	
	Ownership	Location	Value (US\$000's)	Per Share	Value (US\$000's)	Per Share
<b>MINING ASSETS</b>						
Reno Creek	100%	Wyoming	\$ 154,664	\$0.40	\$ 127,344	\$ 0.33
Christensen Ranch	100%	Wyoming	\$ 109,708	\$0.28	\$ 98,620	\$ 0.25
Irigaray	100%	Wyoming	\$ 47,594	\$0.12	\$ 41,938	\$ 0.11
Ludeman	100%	Wyoming	\$ 34,483	\$0.09	\$ 26,220	\$ 0.07
Burke Hollow	100%	Texas	\$ 63,475	\$0.16	\$ 54,989	\$ 0.14
Palangana	100%	Texas	\$ 4,420	\$0.01	\$ 3,794	\$ 0.01
Wheeler River (10% discount)	5%	Saskatchewan	\$ 44,849	\$0.11	\$ 44,849	\$ 0.11
Roughrider (10% discount)	100%	Saskatchewan	\$ 275,413	\$0.71	\$ 275,413	\$ 0.71
<b>Project NAV (DCF Basis)</b>			<b>\$ 734,604</b>	<b>\$1.88</b>	<b>\$ 673,166</b>	<b>\$1.72</b>
Resource Credit	Various	Various	\$ 1,078,000	\$2.76	\$ 1,078,000	\$ 2.76
<b>Total Mining NAV</b>			<b>\$ 1,812,604</b>	<b>\$4.64</b>	<b>\$ 1,751,166</b>	<b>\$4.48</b>
<b>OTHER ASSETS</b>						
Value of Committed Uranium Purchases			\$ 39,978	\$0.10	\$ 39,978	\$ 0.10
<b>TOTAL OTHER ASSETS</b>			<b>\$39,978</b>	<b>\$0.10</b>	<b>\$39,978</b>	<b>\$0.10</b>
<b>CORPORATE ADJUSTMENTS</b>						
			<b>Q3/23A</b>			
Working Capital			\$38,686	\$0.10	\$ 38,686	\$ 0.10
Long Term Debt			\$0	\$0.00	\$ 0	\$ 0.00
Uranium Royalty Corp. Interest			\$36,000	\$0.09	\$ 36,000	\$ 0.09
Anfield Energy Interest			\$4,000	\$0.01	\$ 4,000	\$ 0.01
Reclamation			-\$18,265	-\$0.05	-\$ 18,265	-\$0.05
ITM Options & Warrants / Financing			\$ 30,099	\$0.08	\$ 30,099	\$ 0.08
<b>Total Corporate Adjustments</b>			<b>\$ 90,520</b>	<b>\$0.23</b>	<b>\$ 90,520</b>	<b>\$ 0.23</b>
<b>TOTAL NAV (US\$)</b>			<b>\$ 1,943,102</b>	<b>\$4.97</b>	<b>\$ 1,881,664</b>	<b>\$4.82</b>
PREMIUM (DISCOUNT) to NAV				-2%	1%	
P/NAV				0.98	1.01	

Source: TD Securities Inc.

**Exhibit 6. NAV Sensitivity Analysis**

<b>NAVPS Sensitivity to Uranium Pricing &amp; Discount Rates</b>								
		<b>U<sub>3</sub>O<sub>8</sub> Price (US\$/lb.)*</b>						
		<b>\$35</b>	<b>\$45</b>	<b>\$55</b>	<b>\$65</b>	<b>\$75</b>	<b>\$85</b>	<b>\$95</b>
<b>Discount</b>	<b>5%</b>	\$2.64	\$3.54	\$4.42	\$5.31	\$6.19	\$7.07	\$7.95
	<b>8.0%</b>	\$2.70	\$3.49	\$4.24	\$5.01	\$5.77	\$6.52	\$7.28
	<b>10%</b>	\$2.73	\$3.45	\$4.15	\$4.85	\$5.55	\$6.24	\$6.94

\*Price assumed from FY2024 onwards

Source: TD Securities Inc.

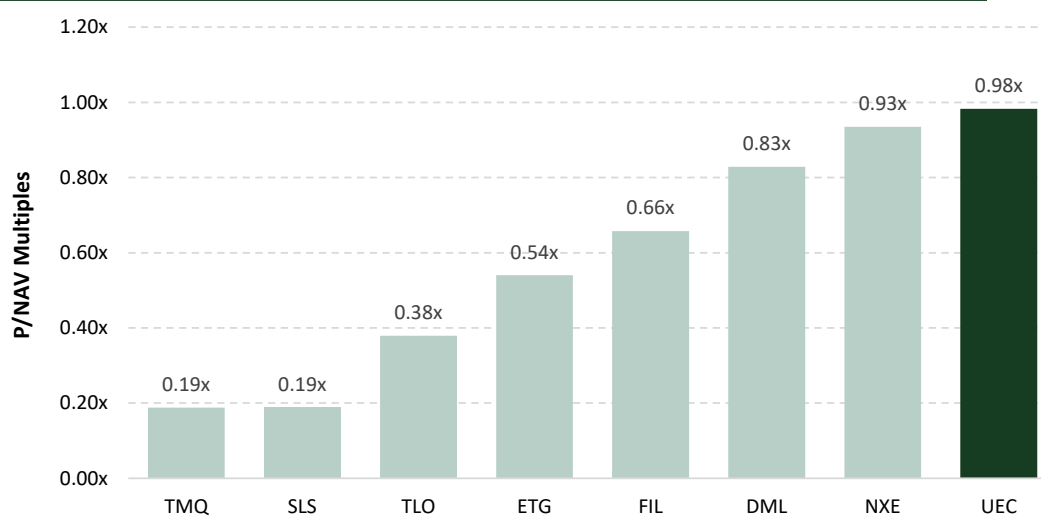
UEC shares are trading at 0.98x our base-case 8%NAVPS estimate of \$4.97/share. and an 1% premium to our 10%NAVPS estimate of \$4.82/share. UEC's closest peers in our coverage universe are Denison Mines and Nexgen Energy, which are trading at 0.83x and 0.93x P/NAV, respectively. Cameco, which is the only large-scale publicly traded, uranium producer in North America, is currently trading at 1.39x NAV.

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## Exhibit 7. TD Base Metal Developer Coverage Universe



Source: TD Securities Inc.

## Justification of Target Price

Our \$6.00 target price is based on a 1.2x multiple to our mining 8%NAV and 1.0x corporate adjustments.

## Exhibit 8. Target Price Calculation

UEC Criteria	Criteria Value	Multiple		Implied Target	Weight	Target Contribution
		Current	Target			
Mining NAV	\$4.64	1.01	<b>1.20</b>	\$5.57	100%	\$5.57
Corporate Adjustments and Physical Uranium	\$0.33		<b>1.00</b>	\$0.33	100%	\$0.33
						\$5.90
Target Price						<b>US\$6.00</b>
Current Price						\$4.88
Potential Upside to Target						23.0%

Source: TD Securities Inc.

## Key Risks to Target Price

Our target price is subject to political, technical, forecast, and financial risks. These risks include, but are not limited to, risks related to uranium prices and future demand for nuclear energy; the governing fiscal and legislative regimes; the timing of key developments; market conditions; capital and operating costs; foreign exchange rates; resources; operating parameters; permitting; environmental concerns; indigenous people; and staffing and retention of key personnel. A higher than normal proportion of our NAVPS is based on credit for resources, which further elevates forecasting risk.

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### TD Securities Equity Research Disclosures

Company	Ticker	Disclosures
Uranium Energy Corp.	UEC-N	1, 2, 4

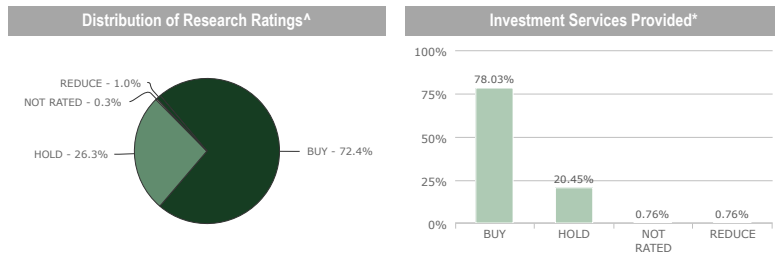
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### Additional Important Disclosures

On October 5-6, 2022, we visited Uranium Energy Corp.'s Irigaray, Reno Creek, and Christensen Ranch mines in Wyoming. The mines account for approximately 20% of our NAV estimate. The company provided local transportation from Casper, Wyoming and meals during this tour.

### Price Graphs

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Current as of: September 13, 2023

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# Action Note

## Equity Research

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