

Ticker: UEC US

Cash: US\$21m

Project: Christie Lake

Market cap: US\$1.4bn

Price: US\$3.74/sh

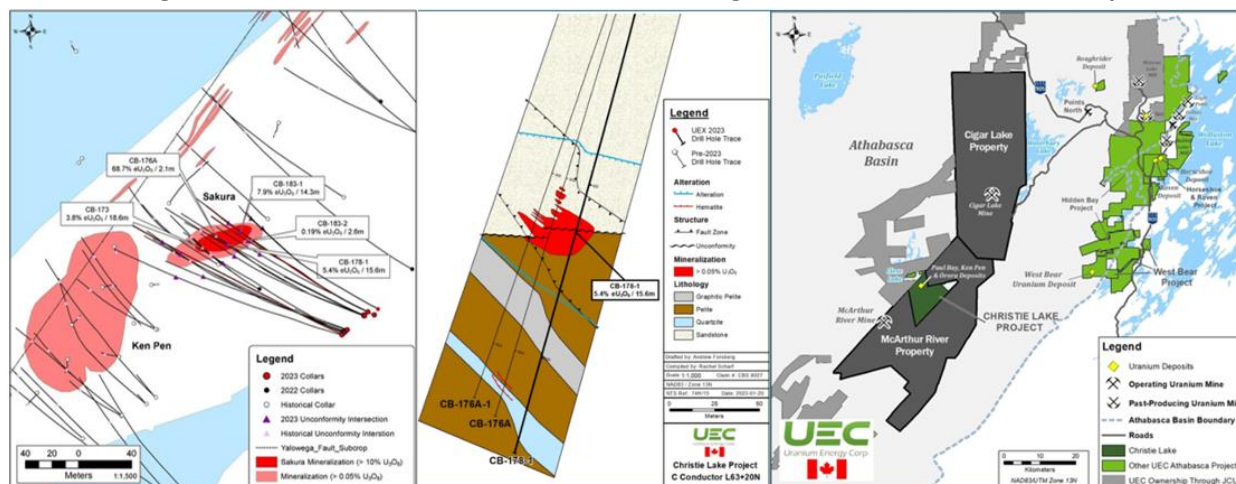
Country: Canada (Saskatchewan)

REC. (unc): BUY

TARGET (unc): US\$7.00/sh

RISK RATING (unc): HIGH

Today's headline hit of **14.9m @ 7.9% U₃O₈** at Christie Lake follows the prior **15.6m @ 5.4% U₃O₈**, including **3.4m @ 23.2%**. Our math on the current ~40x20m strike suggests potential for 5-10Mlbs, a useful addition to the current 20Mlb at 3.2% U₃O₈ existing resource. While not step change yet, results to date support our thesis on UEC and the Athabasca: UEC brings budget and aggressive intent to the basin, while the Athabasca's discovery potential gives UEC the potential to add a game-changing discovery to its portfolio. The 17,000m budget is larger than previous UEX programs and is an exciting show of intent – while it's early days now, we hope to (and expect to see) more aggressive new target generation and drilling programs going forward, which is exciting given the Athabasca's record of discoveries in the last ten years (PLS, Arrow, Phoenix, Hurricane, PLN). **We maintain our BUY rating and US\$7.00/sh price target based on US\$7/lb.** Catalysts for this year are the 17,000m Athabasca exploration program, and potential to restart production in Wyoming for minimal capex depending on price and market conditions.

Figure 1. Plan view of Christie Lake-Sakura drilling, cross section, and license map


Source: UEC

14.3m @ 7.9% U₃O₈ (incl 7.0m @ 15.9%) at Christie Lake continues high grade growth, 17,000m planned

UEC announced assay results of 14.3m @ 7.9% U₃O₈ from 417.1m DH, including 7.0m @ 15.9% U₃O₈, from drill hole CB-183-1 at the Sakura target at the Christie Lake project, located between Cameco's McArthur River and Cigar Lake properties. Vertical depth to the unconformity is estimated to be 400-420m (note previous hits were ~420m to the unconformity). 17,000m is planned for 2023 with 7,500m drilled in the winter program to date.

Why we like UEC

- Best portfolio of production ready US ISR assets plus strong Govt and utility relationships
- Athabasca portfolio offers game changing exploration upside
- Combines mid-tier safety (>US\$45m liquidity and strong management) but at this market cap can still achieve transformational growth

Catalysts

- **2023:** SCPe restart decision (market driven)
- **2023:** Sale of 300klbs to US uranium reserve for US\$59.50/lb
- **2024:** SCPe first production in Wyoming
- **2025:** SCPe first production in Texas
- **2023-2026:** 3.1Mlbs of uranium purchases at average US\$42.25/lb

Research

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Ticker:	UEC US		Price / mkt cap:	US\$3.74/sh, US\$1373m		Market P/NAV:	0.65x		Assets:	Texas / Wyoming ISR					
Author:	J Chan / E Magdzinski / K Korpmpis		Rec / PT:	BUY / US\$7.00		1xNAV FD:	US\$5.77/sh		Country:	USA					
Group-level SOTP valuation			4Q22	1Q23		Resource / Reserve		Mlbs U308	% U308	EV/lb U308					
			US\$m	O/ship	NAVx	US\$/sh		290	0.12%	4.98					
Wyoming ISR assets 7% 1Q23			494	100%	1.20x	1.57		Commodity price		2022	2023	2024	2025	2026	
Texas ISR assets 7% 1Q23			292	100%	1.20x	0.93		U308 spot price (US\$/lb)	51	60	60	60	60	60	
Roughrider @ US\$6/lb on historical MRE			350	100%	1.20x	1.11		U308 term price (US\$/lb)	51	60	60	60	60	60	
Uranium portfolio @ US\$5/lb			799	100%	1.20x	2.54		Share data		Basic shares (m): 367.1		FD + options (m): 377.8		FD/FF	377.8
Exploration			100	100%	1.20x	0.32		Ratio analysis		2022	2023	2024	2025	2026	
Central SG&A & fin costs 1Q23			(39)	-	1.20x	(0.12)		FD shares out (m)	290	367	367	367	367	367	
Cash and securities pro-forma asset sales 4Q22			76	-	1.20x	0.24		EPS (US\$/sh)	0.11	0.12	0.03	0.10	0.10	0.12	
Physical uranium inventories and deliveries			107	-	1.20x	0.34		CFPS before w/c (US\$/sh)	(0.18)	0.20	0.04	0.16	0.16	0.23	
Debt 4Q22			-	-	1.20x	-		FCFPS pre growth (US\$/sh)	(0.06)	(0.07)	(0.01)	0.18	0.06	0.06	
1xNAV7% spot fully diluted, pre-funded			2,179			6.92		FCF/sh (US\$/sh)	(0.06)	(0.06)	(0.15)	0.04	0.06	0.06	
Assumed equity raised			-		1.20x	-		FCF yield pre growth (US\$/sh)	(2%)	(2%)	(0%)	5%	2%	2%	
1xNAV7% spot fully funded			2,179			7.00		FCF yield (%)	(2%)	(2%)	(4%)	1%	2%	2%	
1x fully funded NAVPS sensitivity to NdPr price and discount / NAV multiple															
Valuation (US\$/sh)			\$40/lb	\$50/lb	\$60/lb	\$70/lb	\$80/lb	EBITDA margin (%)	(92%)	29%	14%	40%	48%	48%	
9% discount			3.80	5.20	6.60	7.80	9.00	FCF margin (%)	(73%)	(14%)	(42%)	10%	15%	15%	
8% discount			3.80	5.40	6.80	8.00	9.40	ROA (%)	1%	6%	2%	5%	6%	6%	
7% discount			3.80	5.60	7.00	8.40	9.80	ROE (%)	2%	7%	2%	5%	6%	6%	
6% discount			3.80	5.60	7.20	8.60	10.20	ROCE (%)	1%	7%	2%	5%	6%	6%	
5% discount			3.80	5.80	7.40	9.00	10.80	PER (x)	33x	28x	112x	38x	30x	30x	
Wyoming NPV7% (US\$m)			\$40/lb	\$50/lb	\$60/lb	\$70/lb	\$80/lb	P/CF (x)	(203x)	14x	18x	18x	14x	14x	
9% discount			35	228	421	613	806	Fwd EV/EBITDA (x)	(165x)	22x	54x	16x	12x	12x	
8% discount			40	247	455	663	871	Income statement		2022	2023	2024	2025	2026	
7% discount			45	269	494	719	943	Revenue (US\$m)	23	159	127	151	159	159	
6% discount			50	294	537	780	1,024	COGS (US\$m)	(16)	(93)	(92)	(73)	(69)	(69)	
5% discount			57	321	585	850	1,114	Gross profit (US\$m)	7	66	36	78	89	89	
Texas NPV7% (US\$m)			\$40/lb	\$50/lb	\$60/lb	\$70/lb	\$80/lb	Expenses (US\$m)	--	(15)	(14)	(18)	(30)	(30)	
9% discount			38	145	252	359	466	Impairment & other (US\$m)	25	--	--	--	--	--	
8% discount			42	157	271	385	499	Net finance costs (US\$m)	3	0	1	1	1	1	
7% discount			47	169	292	414	536	Tax (US\$m)	0	(2)	(1)	(2)	(2)	(2)	
6% discount			52	183	314	445	577	Minority interest (US\$m)	--	--	--	--	--	--	
5% discount			58	199	340	480	621	Net income attr. (US\$m)	35	49	22	59	58	58	
Valuation over time			Today	Jul '23	Jul '24	Jul '25	Jul '26	EBITDA (US\$m)	(21)	46	18	60	77	77	
Texas ISR (US\$m)			291.6	299.5	324.4	349.9	351.3	Cash flow	2022	2023	2024	2025	2026		
Wyoming ISR (US\$m)			494.0	474.1	507.3	533.1	542.8	Profit/(loss) after tax (US\$m)	5	44	12	36	45	45	
Other uranium assets			1,049.0	1,049.0	1,049.0	1,049.0	1,049.0	Add non-cash items (US\$m)	(23)	28	45	23	30	30	
Cntrl G&A & fin costs (US\$m)			(38.5)	(50.2)	(30.6)	30.3	41.7	Less wkg cap / other (US\$m)	(35)	--	(43)	1	8	8	
Net cash at 1Q (US\$m)			75.7	32.5	52.3	57.5	84.7	Cash flow ops (US\$m)	(53)	72	14	60	84	84	
1xNAV (US\$m)			1,872	1,805	1,902	2,020	2,069	PP&E (US\$m)	(1)	--	(8)	(33)	(58)	(58)	
P/NAV (x):			0.75x	0.68x	0.72x	0.68x	0.66x	Other (US\$m)	(110)	(80)	--	--	--	--	
1xNAV share px FD (US\$/sh)			4.95	5.50	5.18	5.50	5.64	Cash flow inv. (US\$m)	(111)	(80)	(8)	(33)	(58)	(58)	
ROI to equity holder (% pa)			32%	21%	11%	10%	9%	Debt draw (repayment) (US\$m)	(10)	--	--	--	--	--	
Sources and uses of cash															
			SCPe Texas Capex	US\$15m	SCPe current cash + options	US\$5m		Equity issuance (US\$m)	168	28	--	--	0	0	
			SCPe Wyoming Capex incl Reno Creek	US\$30m	Physical uranium sales	US\$249m		Other (US\$m)	(1)	(0)	--	--	--	--	
			SCPe G&A + working cap pre-positive FCF	US\$55m	Equity Raised	US\$0m		Cash flow fin. (US\$m)	157	28	--	--	0	0	
			Already contracted uranium purchases	US\$103m				Net change post forex (US\$m)	(7)	20	5	27	26	26	
			Total uses	US\$203m	Total proceeds	US\$254m		FCF (US\$m)	(17)	(22)	(54)	15	24	24	
Production (100%)			Jul '24	Jul '25	Jul '26	Jul '27	Jul '28	Balance sheet	2022	2023	2024	2025	2026		
Texas ISR prodn (Mlbs U308)			--	0.6	1.3	1.5	2.5	Cash (US\$m)	40	60	65	92	118		
Texas cash cost (US\$/lb)			--	22.4	21.6	21.0	21.9	Accounts receivable (US\$m)	--	1	31	25	20		
Texas AISC (US\$/lb)			--	34.0	33.2	32.6	34.4	Inventories (US\$m)	--	--	9	12	9		
Wyoming ISR prodn (Mlbs U308)			0.5	1.3	1.3	2.6	3.3	PPE & exploration (US\$m)	241	616	619	629	657		
Wyoming cash cost (US\$/lb)			23.4	21.3	21.3	25.1	24.7	Other (US\$m)	73	46	7	7	7		
Wyoming AISC (US\$/lb)			35.0	32.9	32.9	39.1	38.7	Total assets (US\$m)	354	722	731	764	809		
Total ISR prodn (Mlbs U308)			0.5	1.9	2.6	4.1	5.8	Debt (US\$m)	--	--	--	--	--		
Physical uranium purchases (Mlbs)			0.9	0.6	0.1	--	--	Other liabilities (US\$m)	27	105	101	99	99		
Physical uranium sales			1.6	0.6	0.1	--	--	Shareholders equity (US\$m)	613	895	895	895	895		
Total uranium sales (Mlbs)			2.1	2.5	2.7	4.1	5.8	Retained earnings (US\$m)	(287)	(242)	(230)	(194)	(148)		
Cash cost excl royalties (US\$/lb)			41.7	25.4	21.8	23.8	23.6	Minority int. & other (US\$m)	--	(0)	(0)	(0)	(0)		
Total AISC (US\$/lb)			53.1	43.0	39.8	41.8	41.0	Liabilities+equity (US\$m)	354	758	767	801	846		
Capex (US\$m)			8	33	58	58	65	Net cash (US\$m)	33	52	58	85	111		
								Net debt to NTM EBITDA (x)	(0.7x)	(2.9x)	(1.0x)	(1.1x)	(0.9x)		

Source: SCP estimates; fiscal year ended July 31 unless otherwise noted

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Summary of Recommendations as of March 2023	
BUY:	52
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	1
NOT RATED:	0
TOTAL	55

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