

March 25, 2021
Uranium Energy Corp. (UEC)
Rating: Buy

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Financing Closed to Support Physical Uranium Purchase Initiative; Developing Burke Hollow; Reiterate Buy; PT Higher

Stock Data		03/24/2021
Price		\$2.65
Exchange		NYSE American
Price Target		\$5.00
52-Week High		\$3.67
52-Week Low		\$0.50
Enterprise Value (M)		\$545
Market Cap (M)		\$597
Public Market Float (M)		136.4
Shares Outstanding (M)		225.3
3 Month Avg Volume		6,197,787
Short Interest (M)		17.23

Shares Outstanding (M): pro forma for 10.0M shares issued under the \$30.5M financing.

Balance Sheet Metrics		
Cash (M)		\$61.5
Total Debt (M)		\$9.9
Total Cash/Share		\$0.27

Cash (M): pro forma for \$30.5M financing, \$28.2M received from ATM program, \$2.0M from exercised stock options and warrants, and the \$8.0M voluntary debt payment.

Total Debt (M): pro forma for \$8.0 voluntary debt payment.

EPS (\$) Diluted			
Full Year - Jul	2020A	2021E	2022E
FY	(0.08)	(0.08)	0.02
Revenue (\$M)			
Full Year - Jul	2020A	2021E	2022E
FY	0.0	0.0	23.1



Financing to support physical uranium purchases. On March 22, Uranium Energy Corp. (UEC) announced that it had closed an offering for total gross proceeds of \$30.5M after issuing 10.0M common shares at a price of \$3.05 per share. These funds are expected to be used for additional uranium purchases, as well as general corporate and working capital requirements. Following this financing, UEC maintains about \$61.0M in cash plus a variety of equity holdings. We highlight that UEC's physical uranium initiative, which we discuss in more detail below, is fully funded with its current cash position, and now includes 1.4M pounds (lbs) of U.S. warehoused uranium. We note that 1.0Mlbs are expected to be delivered in May 2021, with the remaining 0.4Mlbs to be delivered in March 2022.

Establishing physical uranium purchases. While the company remains focused on developing its low-cost, in-situ recovery (ISR) mining capabilities, management has identified a unique opportunity to purchase drummed uranium at spot prices well below global industry mining costs. As a result, UEC is establishing a physical uranium inventory initiative based on an initial agreement with ConverDyn in Illinois to acquire 0.4Mlbs of U.S. warehoused uranium for a total cost of \$10.9M. We note that ConverDyn is a general partnership between Honeywell (HON; not rated) and General Atomics (private). Management anticipates that this initiative can improve its balance sheet through uranium price appreciation and support future marketing efforts with utilities to accelerate cash flows. Looking ahead, this move should also increase the availability of Texas and Wyoming production capacity for emerging U.S. specific opportunities such as the U.S. Uranium Reserve (UR).

Restart of wellfield development and definition drilling at Burke Hollow. On January 26, UEC announced that the company had commenced production area development at its Burke Hollow ISR project in Texas. We note that advancing and expanding resources is a critical step to supporting the company's plan to participate in supplying the U.S. UR. The UR includes purchases of newly mined domestic uranium over a 10-year period for an aggregate value of \$1.5B. Additionally, the FY21 bipartisan omnibus spending bill currently includes \$75M for domestically produced uranium. We highlight that the U.S. Department of Energy is currently developing a plan to implement this program, which UEC expects to be a competitive bid process focused on existing fully permitted and low-cost projects.

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On March 15, UEC reported its 2Q21 results. UEC recorded a net loss of \$3.5M, or (\$0.02) per share, which compares to a net loss of \$1.9M, or (\$0.01) per share, in 2Q20, as the company did not generate revenue in either period. The wider net loss was mostly due to income from equity-accounted investments falling to \$0.6M from \$2.7M in 2Q20, as well as mineral property expenses declining to \$1.0M from \$1.3M. These losses were partially offset by a gain on loan extinguishment of \$0.3M in 2Q21 compared to nil in 2Q20. In our opinion, these results are largely irrelevant given UEC's non-producing nature, and we instead focus on the bright outlook for the firm and domestically sourced uranium in general.

We are reiterating our Buy rating on UEC shares while raising our PT to \$5.00 from \$3.60. Our higher price target is mostly based on an increased per lb valuation for UEC's resources outside of Texas, which we have raised to \$7.00/lb from \$3.50/lb, based on current industry trends. In short, this step has raised our valuation for these assets to \$610.4M from \$305.2M. Our valuation remains based on a DCF of future operations for the firm utilizing a recently revised 7.5% discount rate. We then add an *in situ* value of \$75.0M (prior: \$50.0M) for UEC's Reno Creek assets, \$41.5M for Alto Parana's resources, and an additional \$40.0M for Paraguay and UEC's other exploration stage assets. In short, we believe that these figures remain inline with similar projects throughout our coverage universe to which we assign equal geopolitical risk factors.

Near-term catalysts. Going forward, we maintain our longer-term expectation that current global developments should drive higher future uranium prices that could eventually support favorable production decisions at one or more properties in UEC's portfolio of assets. This is particularly pertinent given the recent announcement concerning a restart of wellfield development amid definition drilling to support a meaningful production ramp-up at Burke Hollow. We highlight that Burke Hollow already maintains all four major permits for uranium extraction. Finally, we now expect the new physical uranium purchasing initiative to add incremental value through the potential for higher future uranium prices, while also freeing up production capacity at its operations to support the U.S. UR.

Risks. (1) Uranium price risk; (2) operating and technical risk; (3) political risk; and (4) financial risk.

Uranium Energy Corp.

All figures in USD\$ unless otherwise noted

			2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Uranium price per lb			\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50
Palangana Production	(<i>'000s pounds</i>)		-	350	340	200	50	-	-	-	-	-
Total Revenue ('000s)			\$ -	\$ 17,500	\$ 17,000	\$ 10,000	\$ 2,500	\$ -	\$ -	\$ -	\$ -	\$ -
Goliad Production	(<i>'000s pounds</i>)		-	150	600	600	600	600	600	600	600	600
Total Revenue ('000s)			\$ -	\$ 7,500	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
Burke Hollow Production	(<i>'000s pounds</i>)		-	-	450	1,200	1,550	1,550	1,550	1,550	1,550	1,550
Total Revenue ('000s)			\$ -	\$ -	\$ 22,500	\$ 60,000	\$ 77,500	\$ 77,500	\$ 77,500	\$ 77,500	\$ 77,500	\$ 77,500
Gross Revenue			\$ -	\$ 25,000	\$ 69,500	\$ 100,000	\$ 110,000	\$ 107,500	\$ 107,500	\$ 107,500	\$ 107,500	\$ 107,500
10% Royalty Palangana ('000s)			\$ -	\$ 1,250	\$ 1,700	\$ 1,000	\$ 250	\$ -	\$ -	\$ -	\$ -	\$ -
8.25% Royalty Goliad ('000s)			\$ -	\$ 619	\$ 2,475	\$ 2,475	\$ 2,475	\$ 2,475	\$ 2,475	\$ 2,475	\$ 2,475	\$ 2,475
Net Sales ('000s)			\$ -	\$ 23,131	\$ 65,325	\$ 96,525	\$ 107,275	\$ 105,025	\$ 105,025	\$ 105,025	\$ 105,025	\$ 105,025
Operating cost per lb			\$ -	\$ 18	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16
Total Operating Costs ('000s)			\$ -	\$ 9,000	\$ 22,240	\$ 32,000	\$ 35,200	\$ 34,400	\$ 34,400	\$ 34,400	\$ 34,400	\$ 34,400
Operating Income ('000s)			\$ -	\$ 14,131	\$ 43,085	\$ 64,525	\$ 72,075	\$ 70,625	\$ 70,625	\$ 70,625	\$ 70,625	\$ 70,625
CapEx ('000s)			\$ (500)	\$ (5,000)	\$ (3,000)	\$ (1,000)	\$ (1,000)	\$ (1,000)	\$ (1,000)	\$ (1,000)	\$ (1,000)	\$ (1,000)
Taxes ('000s)	35%		\$ -	\$ -	\$ -	\$ -	\$ (12,438)	\$ (24,369)	\$ (24,369)	\$ (24,369)	\$ (24,369)	\$ (24,369)
Total Operating Cash Flow			\$ (500)	\$ 9,131	\$ 40,085	\$ 63,525	\$ 58,637	\$ 45,256	\$ 45,256	\$ 45,256	\$ 45,256	\$ 45,256
Discount Rate	7.5%											
PV of Operating Cash Flows ('000s)			\$ (500)	\$ 8,494	\$ 34,687	\$ 51,135	\$ 43,907	\$ 31,524	\$ 29,324	\$ 27,278	\$ 25,375	\$ 23,605
NPV	\$	274,830	\$	1.22	per share							
Plus Non-Texas Projects	\$	610,400	\$	2.72	per share							
Plus Paraguay Assets	\$	40,000	\$	0.18	per share							
Plus Cash	\$	61,469	\$	0.27	per share							
Plus Reno Creek/North Reno Creek	\$	75,000	\$	0.33	per share							
Plus Alto Parana Resources	\$	41,500	\$	0.18	per share							
Plus Uranium Royalty Corp. (URC.V; Buy)	\$	33,501	\$	0.15	per share							
Minus Debt		(9,906)		(0.04)	per share							
Total Current Value	\$	1,126,794										
Common Shares Outstanding		224,443										
Project NAV Per Share	\$	5.02										
NPV/Share (Rounded to \$0.10/share)	\$	5.00										
UEC Stock Price	\$	2.65										
Source: HC Wainwright & Co. estimates.												

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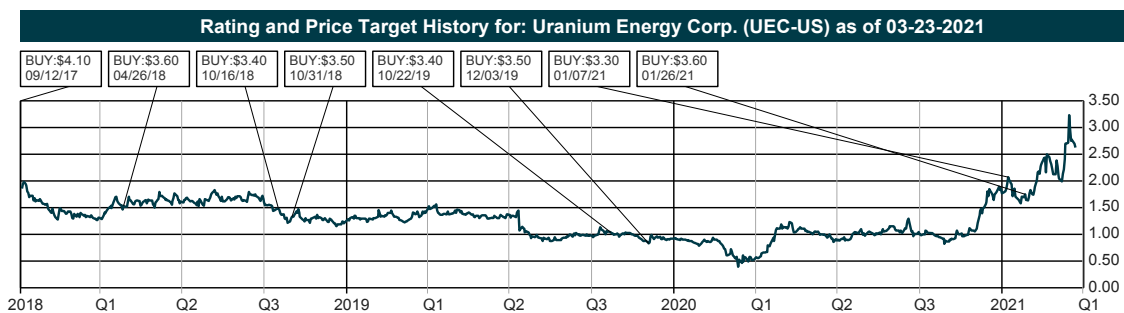
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Distribution of Ratings Table as of March 23, 2021					
Ratings	Count	Percent	IB Service/Past 12 Months		
			Count	Percent	
Buy	453	90.60%	193	42.60%	
Neutral	45	9.00%	12	26.67%	
Sell	0	0.00%	0	0.00%	
Under Review	2	0.40%	1	50.00%	

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