
Ticker: NXE CN	Net cash: C\$223m	Project: Rook I (Arrow)
Market cap: C\$2,342m	Price: C\$4.98/sh	Country: Canada (Sask)
<i>RECOMMENDATION (unc): BUY</i>	<i>TARGET (unc): C\$6.20/sh</i>	<i>RISK RATING: HIGH</i>

NexGen's announcement today of signed impact benefits and mutual benefits agreements with two neighbouring First Nations is a major step in the permitting process, signaling that key local stakeholders are in support of Arrow's development. NexGen has gone above and beyond in our view to ensure the project has been designed to minimize its environmental footprint, including underground tailings disposal. The company has also sought to maximize its positive social impact, including sponsorship of local community programs well in advance of the start of mining. Both of these factors give us confidence in the project's local, provincial and federal standing as it advances Arrow through the permitting process. **We maintain our BUY rating and C\$6.20/sh price target based on 0.9x NAV_{8%-\$50/lb}.** Stepping back, given Arrow's size and grade, plus the quality of its completed feasibility study work, we believe the project is substantially derisked from a design perspective. The next major step in re-rating is permitting and we believe the strengths of the company, project, and host jurisdiction mean that there remains significant risk adjusted upside potential for investors, especially noting NXE's valuation discount vs permitted US ISR projects. NexGen remains one of our top picks in the uranium space and for a generalist/large cap audience, our recommended core uranium position.

Impact agreements signed with local First Nations is key local endorsement for Arrow

NexGen announced it has signed an Impact Benefit Agreement with the Buffalo River Dene Nation and a Mutual Benefit Agreement with the Birch Narrows Dene Nation covering all phases of the Rook I project which hosts Arrow. The agreements confirm the consent and support of both Nations for the project through its life cycle, including reclamation. In their statements, leaders from the Nations referenced economic opportunities, environmental protection and respectful engagement and trust building as influencing their support of the project.

Why we like NexGen Energy

1. Best undeveloped uranium asset – largest and lowest cost
2. Most advanced permitting process of the Athabasca developers
3. Still undervalued relative to world class development projects in other commodities
4. Permitting catalysts including EIS submission in H2 and potential EA approval in SCPe next 12-18 months provide upside beyond leverage to the uranium price

Catalysts

1. H2-2021: EIS submission
2. H2 2021 Licensing Submission
3. SCPe 2021-2022: Potential EA approval

Research

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Ticker: NXE CN J Chan / E Magdzinski	Price / mkt cap: C\$4.98/sh, C\$2,342m Rec / PT: BUY / C\$6.20	Market P/NAV: 0.76x 1xNAV₂₀₂₀ FD: C\$6.58/sh	Assets: Arrow Country: Canada (Saskj)
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Group-level SOTP valuation					Share data				
	1Q21E	2Q21							
	C\$m	O/ship	NAVx	C\$/sh	Basic shares (m):	FD + options (m):	516.0	FD + FF	545.5
Arrow NPV 2Q21	2,787.3	100%	1.0x	5.40	Commodity price	CY23E	CY24E	CY25E	CY26E
Central SG&A & fin costs 2Q21	(78.4)	--	1.0x	(0.15)	Uranium price (US\$/lb)	50.0	50.0	50.0	50.0
Lbs outside mine plan (\$2.00/lb)	260.3	100%	1.0x	0.50	Ratio analysis	CY23E	CY24E	CY25E	CY26E
IsoEnergy 50.6% stake	120.0			0.23	FD shares out (m)	516.0	523.2	536.4	545.5
Cash and restr. cash 1Q21E	226.8	--	1.0x	0.44	EPS (C\$/sh)	(0.077)	(0.124)	(0.174)	1.354
Debt 1Q21E	(3.8)	--	1.0x	(0.01)	CFPS before w/c (C\$/sh)	(0.00)	0.00	(0.01)	1.93
ITM options	85.7	--	1.0x	0.17	FCFPS pre growth (C\$/sh)	(0.08)	(0.12)	(0.17)	1.44

1xNAV8% US\$50/lb	3,398			6.58	FCF/sh (C\$/sh)	(0.44)	(1.22)	(1.18)	1.44
Assumed build equity issuance	339.0			0.62	FCF yield - pre growth (%)	(2%)	(2%)	(4%)	29%
1xNAV fully funded8% US\$50/lb	3,737			6.85	FCF yield (%)	(9%)	(25%)	(24%)	29%
P/NAV (x):				0.73x	EBITDA margin (%)	--	--	--	72%

Target multiples	Multiple	C\$/sh
Target P/NAV Multiple	0.90x	6.20
Target price		6.20

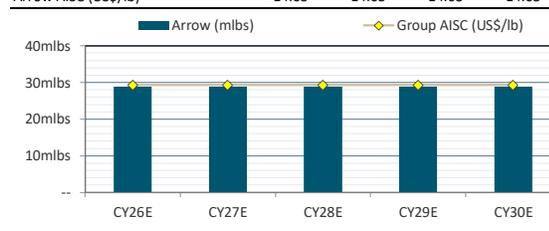
Sources	Uses
PFS capex C\$1247m	SCPe 3Q20 cash + ITM options C\$137m
SCPe contingency C\$125m	Mine debt @ 60% gearing C\$1019m
SCPe G&A + fin. cost to first Au C\$277m	Build Equity C\$339m
SCPe working capital C\$139m	Offtake C\$340m
Total uses C\$1788m	Total proceeds C\$1835m

1xNAV sensitivity to gold price and discount / NAV multiple					
1xNAV Arrow (C\$m)	\$30/lb	\$40/lb	\$50/lb	\$60/lb	\$70/lb
10% discount	883	1,579	2,275	2,971	3,667
9% discount	1,002	1,760	2,518	3,275	4,033
8% discount	1,135	1,961	2,787	3,613	4,440
7% discount	1,284	2,186	3,088	3,990	4,892
6% discount	1,452	2,438	3,424	4,410	5,396
5% discount	1,639	2,719	3,799	4,880	5,960
Valuation (C\$/sh)	\$30/lb	\$40/lb	\$50/lb	\$60/lb	\$70/lb
0.50xNAV	1.70	2.60	3.40	4.30	5.20
0.70xNAV	2.40	3.60	4.80	6.00	7.20
0.90xNAV	3.00	4.60	6.20	7.70	9.30
1.00xNAV	3.40	5.10	6.90	8.60	10.40
1.20xNAV	4.00	6.10	8.20	10.30	12.40

Valuation over time	1Q21E	1Q22E	1Q23E	1Q24E	1Q25E
Mines NPV (C\$m)	3,032	3,296	3,581	4,068	5,013
Cntrl G&A & fin costs (C\$m)	(88)	(70)	(52)	(13)	55
Net cash at 1Q (C\$m)	218	718	512	(111)	(722)
Other Assets + Options	206	206	206	206	206
1xNAV (C\$m)	3,368	4,149	4,247	4,149	4,552
P/NAV (x):	0.8x	0.6x	0.6x	0.6x	0.6x
1xNAV share px FD (C\$/sh)	6.53	8.04	8.23	7.93	8.49
ROI to equity holder (% pa)	31%	27%	18%	12%	11%

Resource / Reserve	kt	% U3O8	Mlbs	EV/lb U3O8
Measured, ind. & inf. - Arrow	8,152	1.88%	338.4	5.05
Reserves (2P)	4,576	2.37%	239.5	7.13
SCPe Mine inventory - Arrow	4,576	2.37%	239.5	7.13

Production (100%)	CY26E	CY27E	CY28E	CY29E	CY30E
Arrow (000mlbs U3O8)	28.8	28.8	28.8	28.8	28.8
Arrow cash cost (US\$/lb)	4.36	4.36	4.36	4.36	4.36
Arrow AISC (US\$/lb)	14.63	14.63	14.63	14.63	14.63



Income statement	CY23E	CY24E	CY25E	CY26E	CY27E
Revenue (C\$m)	--	--	--	1,885	1,885
COGS (C\$m)	--	--	--	(512)	(512)
Gross profit (C\$m)	--	--	--	1,374	1,374
G&A & central	(10)	(10)	(10)	(10)	(10)
Depreciation	--	--	--	(221)	(221)
Impairment & other (C\$m)	--	--	--	--	--
Net finance costs (C\$m)	(30)	(55)	(83)	(93)	(36)
Tax (C\$m)	--	--	--	(311)	(311)
Minority interest (C\$m)	--	--	--	--	--
Net income attr. (C\$m)	(40)	(65)	(93)	739	796
EBITDA	(10)	(10)	(10)	1,364	1,364
Cash flow	CY23E	CY24E	CY25E	CY26E	CY27E
Profit/(loss) after tax (C\$m)	(40)	(65)	(93)	739	796
Add non-cash items (C\$m)	40	65	90	317	265
Less wkg cap / other (C\$m)	--	--	--	(139)	0
Cash flow ops (C\$m)	(0)	0	(3)	916	1,062
PP&E (C\$m)	(185)	(573)	(541)	(33)	(33)
Other (C\$m)	--	--	--	--	--
Cash flow inv. (C\$m)	(185)	(573)	(541)	(33)	(33)
Debt draw (repayment) (C\$m)	255	255	255	(127)	(895)
Equity issuance (C\$m)	19	15	24	--	--
Other (C\$m)	(40)	(65)	(90)	(133)	(82)
Cash flow fin. (C\$m)	235	205	189	(260)	(977)
Net change post forex (C\$m)	49	(369)	(356)	623	51
FCF (C\$m)	(225)	(638)	(635)	788	984
Balance sheet	CY23E	CY24E	CY25E	CY26E	CY27E
Cash (C\$m)	1,025	657	301	924	975
Accounts receivable (C\$m)	--	--	--	72	72
Inventories (C\$m)	--	--	--	128	128
PPE & exploration (C\$m)	508	1,081	1,622	1,435	1,247
Other (C\$m)	1	1	1	1	1
Total assets (C\$m)	1,534	1,738	1,924	2,559	2,423
Debt (C\$m)	513	768	1,023	895	--
Other liabilities (C\$m)	360	360	341	364	327
Shareholders equity (C\$m)	880	895	939	939	939
Retained earnings (C\$m)	(245)	(310)	(404)	335	1,131
Minority int. & other (C\$m)	25	25	25	25	25
Liabilities+equity (C\$m)	1,534	1,738	1,924	2,559	2,422
Net Cash	512	(111)	(722)	29	975
Net Debt to NTM EBITDA (x)	nmf	nmf	0.5x	(0.0)	(0.7)

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NOT RATED ((N/R): The stock is not currently rated

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Summary of recommendations as of July 2021	
BUY:	44
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	44

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