



August 23, 2022

RBC Uranium Watch: Week 34

Uranium prices remain steady

Our view: Uranium spot activity remained limited again this week with UxC reporting only one transaction. While prices were flat, shares were down this week with Cameco falling -9% while SPUT slipped -1% week/week increasing the fund's discount to NAV. Shares were impacted by news that Kazatomprom is planning to increase production in 2024 by ~10Mlbs U3O8 (+18%). Full details can be found in our note [here](#).

Uranium Dashboard & Industry News

	01-Aug	08-Aug	15-Aug	22-Aug	% Change		
U₃O₈ Spot Price (US\$/lb)							
					1 Wk	1 Yr	3 Yr
Ux Price	\$48.50	\$47.75	\$47.75	\$47.75	0%	44%	91%
TradeTech Price	\$48.50	\$47.75	\$47.75	\$47.75	0%	45%	92%
<p>The Ux uranium spot price remained flat again this week holding steady at \$47.75. According to UxC, only one transaction was reported in the spot market: a U.S. utility with a quick turnaround request for 130klbs of U3O8.</p>							
U₃O₈ LT Price (US\$/lb)							
					1 Wk	1 Yr	3 Yr
Ux Price	\$50.00	\$50.00	\$50.00	\$50.00	0%	56%	56%
TradeTech Price	\$53.00	\$53.00	\$53.00	\$53.00	0%	51%	92%
<p>The uranium term market experienced no new demand or transactions again this week. A non-U.S. utility has offers due today for a request of up to 1,000t U3O8 with delivery in 2025-2029.</p>							
Sprott Physical Uranium Trust (SPUT)							
					1 Wk	1 Yr	3 Yr
U.UN share price	\$14.70	\$14.80	\$13.69	\$13.50	-1%	21%	61%
U ₃ O ₈ Held (Mlbs)	57.1	57.4	57.4	57.4	0%	193%	305%
NAV per share	\$15.40	\$15.47	\$15.47	\$15.72	2%	83%	140%
Implied U ₃ O ₈ (US\$/lb)	\$44.24	\$45.88	\$42.40	\$41.15	-3%	15%	71%
Prem./Disc. to NAV	-4.5%	-4.3%	-11.5%	-14.1%	-	-	-
<p>SPUT shares were down -1% on the week. Based on information from Sprott disclosures, the shares have widened their discount to NAV to -14.1% from -11.5%.</p>							
Cameco							
					1 Wk	1 Yr	3 Yr
CCO Share Price	\$32.98	\$33.33	\$32.33	\$29.55	-9%	39%	157%
Implied U ₃ O ₈ (US\$/lb)	\$73.32	\$74.57	\$71.01	\$61.10	-	-	-
<p>Cameco shares decreased -9% week/week. Risk-off sentiment in the markets and reports that Kazatomprom would increase production in 2024 pulled prices down. The implied uranium spot price correspondingly fell to ~\$61.</p>							

Source: UxC, TradeTech, Bloomberg, Company reports, RBC Capital Markets estimates



Companies mentioned

Cameco Corporation (TSX: CCO CN; C\$30.47; Outperform)

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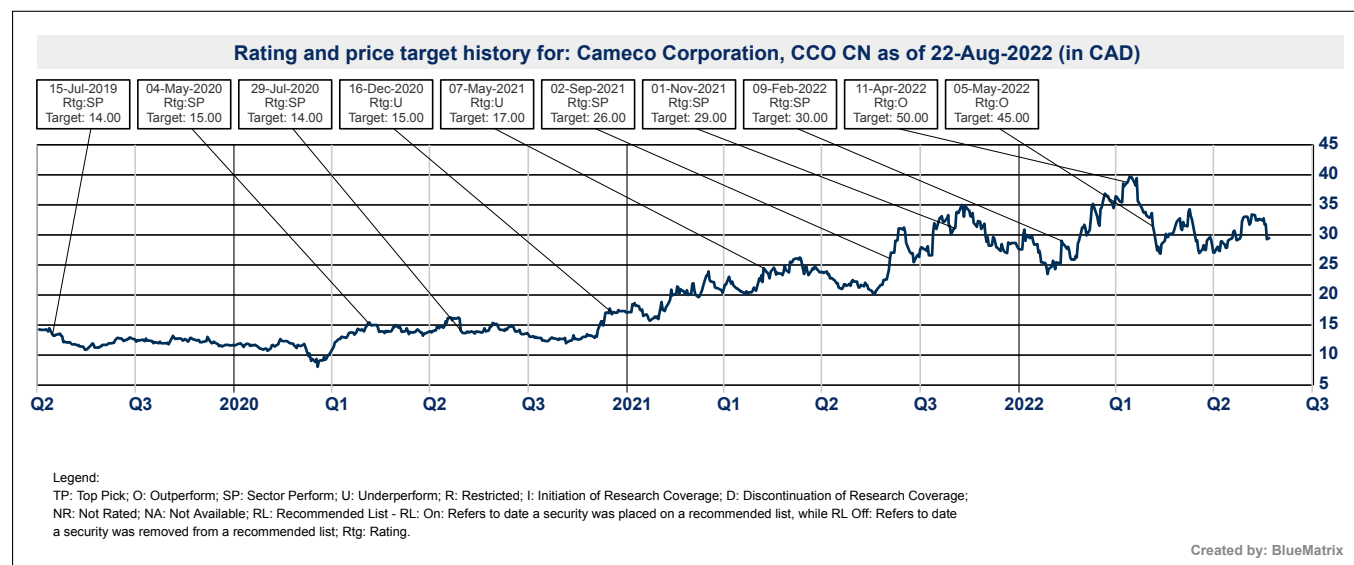
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			Serv./Past 12 Mos.	
			Count	Percent
BUY [Outperform]	851	58.41	290	34.08
HOLD [Sector Perform]	560	38.44	169	30.18
SELL [Underperform]	46	3.16	6	13.04



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Cameco Corporation

Valuation

We value the company by applying a 1.5x P/NAV multiple to our NAV estimate. Our target multiple is above the historical average but in line with multiples during periods of strong investor interest and rising uranium prices. Our DCF uses an 8% discount rate. Our \$45 price target supports our Outperform rating.



Risks to rating and price target

We highlight several key risks and sensitivities that could be potentially material to our thesis on Cameco including: 1) a negative outcome in the ongoing CRA transfer pricing dispute; 2) contract cancellations; 3) potential production disruptions; 4) weaker-than-expected uranium prices; 5) currency volatility, primarily CAD/USD; and 6) a decline in uranium investor sentiment resulting in lower valuation multiples.

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