

UR-Energy Inc.

(URE-T: C\$0.87)

January 15, 2019

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BUY

Target: C\$1.50 (from C\$1.55)

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Buy Low, Sell High: Another Year of Uranium Purchases to Meet Contractual Obligations at Near 50% Margins

URE-T	New	Last
Rating	--	Buy
Target (C\$)	\$1.50 ▼	\$1.55
Projected Return	72% ▼	78%
Target/NAV multiple	--	1.00x
Corporate DCF	\$1.10 ▲	1.09
Cash & Investments	\$0.03 ▼	0.13
Debt	(0.06) ▲	(0.14)
Exploration & Unmodelled Resources	--	0.10
Total NAV	1.17 ▼	1.18
P/NAV	0.74x ▼	0.75x

Company Data		
Last Price		C\$ 0.87
52-week Range	C\$ 0.74 -	C\$ 1.19
Market Cap (\$MM)		C\$ 143
Enterprise Value (\$MM)		\$124
Shares Outstanding - Basic (MM)		159.1
Shares Outstanding - FD (MM)		174.4
Avg Volume - 100d (000 shares/day)		821.2
Cash (\$MM)		\$9.17
Debt (\$MM)		\$28.23
Working Capital (\$MM)		\$7.87

Forecast	2015A	2016A	2017A	LT
Spot (US\$/lb)	36.8	26.4	23.2	60.0
Term (US\$/lb)	46.6	40.1	32.0	60.0
Realized Prices (US\$/lb)	50.3	38.7	53.6	
Revenue (\$MM)	41.9	28.0	38.8	
EPS	(\$0.01)	(\$0.02)	\$0.08	
P/E	n/a	n/a	10.9x	
EBITDA (\$MM)	(2)	(1)	21	
EV/EBITDA	n/a	n/a	4.5x	
OP CF (\$MM)	5	(2)	13	
CF/share	\$0.03	\$0.00	\$0.09	
Capex (\$MM)	(0)	(0)	0	
FCF (\$MM)	5	(2)	13	
FCF Yield	4%	n/a	9%	

All Figures in US\$ Unless Otherwise Noted
 Source: FactSet, Company Reports, Eight Capital

URE-T: Price/Volume Chart



Source: Factset

Company Description

UR-Energy is an In Situ Recovery (ISR) uranium company focused on projects in Wyoming, USA. Its flagship Lost Creek Mine production has been scaled back during this period of low uranium prices, but plans are to deliver 500,000 lbs U3O8 worth of long term contracts at \$49/lb during 2019.

We reiterate our BUY recommendation for Ur-Energy and trim our target by five cents to C\$1.50/sh based on our 10% DCF model. Our production estimates for 2019 are in line, but drop our sales forecast by ~0.1 MM lbs to 0.5 MM lbs to match guidance. We push Shirley Basin production into 2020, but any CF impact is negated as we roll our DCF model forward one year.

Ur-Energy purchased low priced uranium in the spot market to deliver into its higher priced contracts in 2018 with plans to repeat in 2019. Gross profit at roughly 50% margins is more than ample to cover corporate costs. We expect grades and flow rates to continue to decline, although we don't really care about these temporary measures at this time, preferring that uranium stays in the ground until higher uranium prices make resource depletion worthwhile. That said, dwindling ISR production should see uranium inventory levels rise enough to cover 2020 production. Production guidance is due on 1-Mar-19, but reading between the lines, we expect production below Q4/18 annualized production of 215,000 lbs. Management states that any production will be added to its current 375,000 lb inventory (worth \$11.79 MM at current spot), and that should cover future contracted sales obligations of 415,000 lbs.

2018 gross margins of 50% as purchased uranium sold into contracts. Gross profit was \$11.7 MM (from contracts). A total of 480,000 lbs were sold at \$48.86/lb for \$23.5 MM revenue. Of this, 470,000 lbs were purchased at \$24.24/lb and sold at \$49.40/lb. One spot sale of 10,000 lbs was completed (for tax purposes) from Lost Creek production (costs not yet provided).

Production trimmed to meet contract requirements only. F2018 production was 286.4k lbs U3O8 (dried and drummed) and sales were 470k lbs. Q4/18 uranium captured of 48.4k lbs is down 40% QoQ. Q4/18 production (dried and drummed) of 53.7k lbs is down 32% QoQ. Q4 sales were nil.

Production waning in response to reduced wellfield development. Lower grades and flow rates suggest that wellfield capital expenses are being kept in check. We presume this will continue as purchased uranium is used to cover sales contracts in 2019, and inventory to cover contracts in 2020. An average flow rate of 2019 gpm is down 10% QoQ and 12% below 2018 average. Average head grades of 23 ppm is down 32% QoQ and 26% below the 2018 average.

Declining production not a reflection on Lost Creek ISR Mine. Reduced production levels began in 2016 due only to a weak uranium market. The low cost mine actually demonstrates high recoveries. ISR mining is unique in that recovery rates can only be reconciled after mining is complete. MU1 production represents 91% recovery of its original resources. Typically, this ranges from 70-80% (80% in PEA). MU2 production has already recovered 65% of original resources despite the majority of the wells being operational for less than a year.

Similar 2019 guidance dictated by market. Sales contracts total 500,000 lbs at \$49/lb for \$24.5 MM. This uranium has already been contracted for purchase at \$26/lb, suggesting 47% gross margins and \$11.5 MM gross profit. Q1/19 sales guidance is 97,500 lbs and spot sales are not expected.

Ready to turn on the taps at will. Lost Creek ISR Mine has a permitted capacity of 1 MM lbs U3O8 pa. Mine Unit 2 (MU2) development of \$14 MM has been postponed until the market turns. Management suggests it could increase production in as little as six months, simply by resulting MU2 development.

UR-Energy Inc. (URE-T)					
Rating	BUY	C\$ Target	\$1.50	Shares O/S (MM)	159.1
		C\$ Close	\$0.87	Fully Diluted Shares (MM)	174.4
David A. Talbot, Director, Mining Research		12-month return	72%	Basic Mkt. Capitalization (\$MM)	C\$ 143.23
dtalbot@viiicapital.com				Enterprise Value (\$MM)	C\$ 124.1

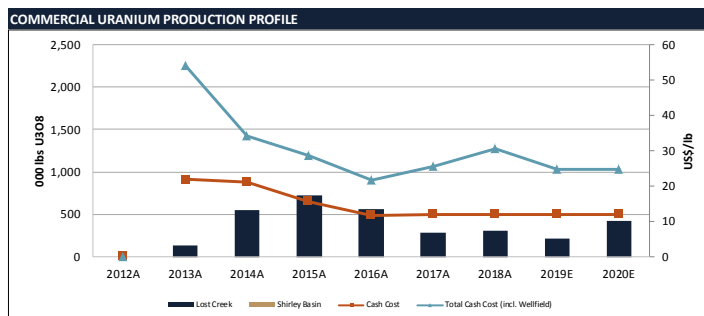
PRODUCTION ESTIMATES (000 lbs)					
Year-end December	2015A	2016A	2017A	2018E	2019E
Lost Creek	727	561	280	302	215
Shirley Basin	0	0	0	0	0
TOTAL	727	561	280	302	215

TOTAL CASH COST ESTIMATES (excl. non-cash, incl. wellfield expenditures) (US\$/lb)					
Year-end December	2015A	2016A	2017A	2018E	2019E
Lost Creek	28.7	21.6	25.6	30.5	24.8
Shirley Basin	0.0	0.0	0.0	0.0	0.0
Wt. Avg. Total Cash Costs	0.0	54.1	34.2	28.7	21.6

URANIUM RESERVES & RESOURCES					
	Ownership	Tonnes MM t	Grade % U3O8	Cont U3O8 (MM lbs) 100% Basis	URE Share
Proven and Probable Reserves					
Lost Creek	100%	--	--	--	--
Lost Soldier	100%	--	--	--	--
Total Reserves		0.00	0.00%	0.00	0.00
Measured and Indicated Resources					
Lost Creek	100%	14.26	0.05%	13.25	13.25
Lost Soldier	100%	8.53	0.07%	12.20	12.20
Shirley Basin	100%	1.92	0.23%	8.82	8.82
Total Measured and Indicated Resources		24.70	0.07%	34.27	34.27
Inferred Resources					
Lost Creek	100%	7.37	0.04%	6.44	6.44
Lost Soldier	100%	1.45	0.06%	1.80	1.80
Total Inferred Resources		8.82	0.05%	8.24	8.24
TOTAL RESOURCES		33.52	0.06%	42.51	42.51
Current Per Pound Metrics					
	URE	Prod. Peers	Prem./Disc.		
EV/lb (US\$)	\$2.39	1.80	33%		
Mkt Cap/lb (US\$)	\$1.85	1.38	34%		

NET ASSET VALUE (US\$) - 10%			
Assets:	NAV (\$ MM)	US\$/Share	% NAV
Lost Creek (100%)	84.5	0.60	51%
Shirley Basin (100%)	62.8	0.44	38%
Un-mined Resources	14.3	0.10	9%
Balance Sheet & Other Items:			
Cash & Investments	4.6	0.03	3%
Debt	(8.3)	(0.06)	-5%
Exploration, G&A, and Other	8.6	0.06	5%
Total	167	1.17	100%
Eight Capital DCF Target Multiple		1.0x	
Share Price Target	C\$	1.50	

Long Term Uranium Price Assumption (US\$/lb)					
CDN (C\$/share)	40	50	60	70	80
0% Discount	1.18	2.13	3.06	3.96	4.85
5% Discount	1.02	1.71	2.39	3.04	3.69
10% Discount	0.57	1.08	1.59	2.08	2.57
15% Discount	0.40	0.80	1.20	1.57	1.95



BALANCE SHEET (US\$ MM)				
Year-end December	2015A	2016A	2017A	Q1/18A
Assets:				
Cash & ST Investments	1.44	9.11	18.73	9.17
Other Current Assets	4.27	4.95	4.95	8.03
Current Assets	5.71	14.06	23.68	17.20
Mineral Properties	81.40	75.88	75.14	44.26
Other non-current Assets	8.64	7.61	7.61	26.54
Total Assets	95.76	97.55	106.43	87.99
Liabilities:				
Current Liabilities	13.23	8.21	8.54	9.33
Long-term Debt	23.94	19.44	15.13	13.42
Other non-current Liabilities	26.09	33.67	33.09	27.16
Total Liabilities	63.26	61.32	56.76	49.91
Capital Stock	191.08	197.82	199.15	181.23
Retained Earnings	(158.57)	(161.58)	(149.48)	-135.69
Total Shareholder Equity	32.50	36.23	49.67	45.54

INCOME STATEMENT (US\$ MM)				
Year-end December	2015A	2016A	2017A	2018E
Total Revenue:	41.9	28.0	38.8	24.9
% Uranium	111%	100%	99%	99%
% Other	(11%)	0%	1%	1%
Operating Costs	29.3	15.8	6.0	3.8
G&A	5.7	4.7	5.1	5.2
Exploration	2.9	3.0	2.6	3.3
Depreciation	(0.0)	0.3	0.7	0.8
Other	5.6	5.3	4.5	12.4
EBITDA	(1.6)	(0.8)	20.6	0.2
EBIT	(1.6)	(1.1)	19.9	(0.6)
Interest Expense	(2.6)	(2.0)	(1.3)	(1.0)
EBT	(4.9)	(3.9)	18.6	(2.9)
Taxes	3.3	(0.0)	(6.5)	0.0
Equity Earnings	0.0	0.0	0.0	0.0
Other	0	0	0	0
Net Income (Reported)	(0.8)	(3.1)	12.1	(1.7)
Net Income (Adjusted)	(0.8)	(3.1)	12.1	(1.7)
EPS (Reported) \$/sh	(0.01)	(0.02)	0.08	(0.01)
EPS (Adjusted) \$/sh	(0.01)	(0.02)	0.08	(0.01)
Average Shares (MM)	130.1	141.8	144.1	144.1

CASH FLOW STATEMENT (US\$ MM)				
Year-end December	2015A	2016A	2017A	2018E
Net Income (Reported)	(0.8)	(3.1)	12.1	(1.7)
Depreciation	0.0	(0.3)	(0.7)	(0.8)
Working Capital Changes	1.9	(1.7)	0.0	0.0
Other	4.3	3.4	1.5	1.6
Operating Cash Flow	5.4	(1.6)	12.8	(0.8)
Operating Cash Flow/sh (\$/sh)	0.03	0.00	0.09	(0.01)
Capital Expenditures	(0.0)	(0.3)	0.0	0.0
Acquisitions	0.0	0.0	0.0	0.0
Other	(0.0)	0.1	0.0	0.0
Investing Cash Flow	(0.1)	(0.2)	0.0	0.0
Common Share Dividends	0.0	0.0	0.0	0.0
Equity Financing	0.0	6.6	1.3	0.0
Debt Issue	0.0	0.0	0.0	0.0
Debt Repayment	(7.4)	(8.7)	(4.6)	(4.8)
Other	0.4	(0.9)	0.0	0.0
Financing Cash Flow	(7.0)	(3.0)	(3.2)	(4.8)
Net Change in Cash	(1.7)	(4.8)	9.6	(5.7)
Cash Balance	1.4	9.1	18.7	13.1
Free Cash Flow	5.3	(1.9)	12.8	(0.8)

VALUATION DATA				
Year-end December	2015A	2016A	2017A	2018E
P/E	--	--	8.20x	--
P/CF	21.86x	#DIV/0!	7.29x	--
EV/EBITDA	--	--	4.53x	562.63x
FCF Yield	3.72%	--	8.97%	--

INPUT PRICES				
	2015A	2016A	2017A	2018E
Eight Capital Spot Uranium (US\$/l)	36.8	26.4	23.2	29.0
Uranium Realized Price (US\$/lb)	50.3	38.7	53.6	30.2
Exchange (US\$/C\$)	0.78	0.76	0.77	0.80

Source: Company Reports, FactSet, Eight Capital

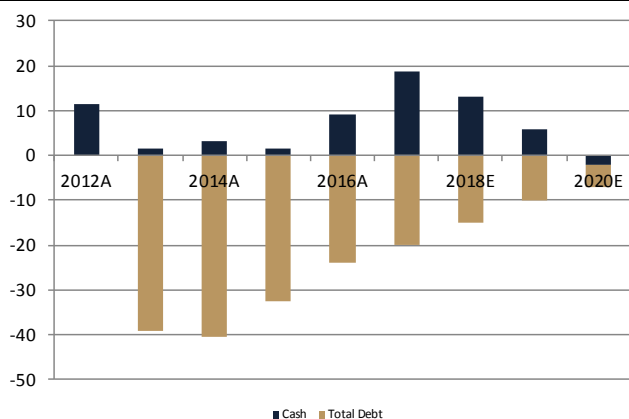
Ur-Energy Inc.

Net Asset Valuation at Eight Capital Price Deck (US\$)

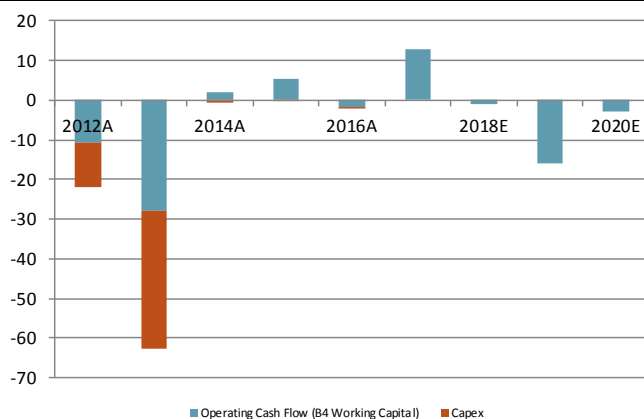
	Target Setting NAV			NAV at Various Discount Rates					
	Discount Rate	(\$MM)	(\$/Share)	0%		5%		15%	
				(\$MM)	(\$/Share)	(\$MM)	(\$/Share)	(\$MM)	(\$/Share)
Uranium Assets									
Lost Creek (100%)	10%	85	0.60	132	0.93	105	0.74	69	0.49
Shirley Basin (100%)	10%	63	0.44	110	0.78	82	0.58	49	0.35
Total Uranium Assets		147	1.04	242	1.71	187	1.32	118	0.84
Other Assets & Expenses									
Cash		5	0.03	5	0.03	5	0.03	5	0.03
Debt		(8)	(0.06)	(8)	-0.06	(8)	-0.06	(8)	(0.06)
Resources		14	0.10	14	0.10	14	0.10	14	0.10
Exploration, G&A, Other	10%	9	0.06	28	0.20	16	0.12	3	0.02
Net Other Assets		19	0.14	39	0.28	27	0.19	14	0.10
Net Asset Value		167	1.17	281	1.98	214	1.51	133	0.93
Share Price			0.87		0.87		0.87		0.87
P/NAV			0.74x		0.44x		0.58x		0.93x

Financial Forecasts at Eight Capital Price Deck (MM US\$)

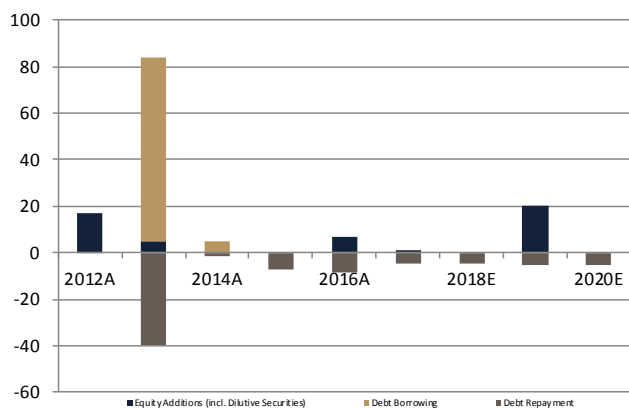
Cash and Debt



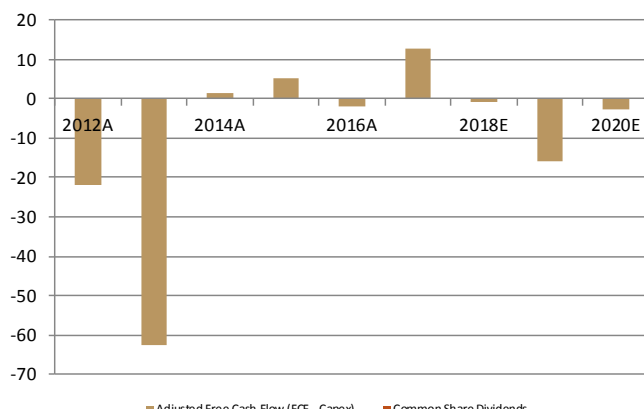
Operating Cash Flow and Capital Spending



Changes in Debt and Equity



Free Cash Flow and Common Share Dividends



Source: Company Reports, FactSet, Eight Capital

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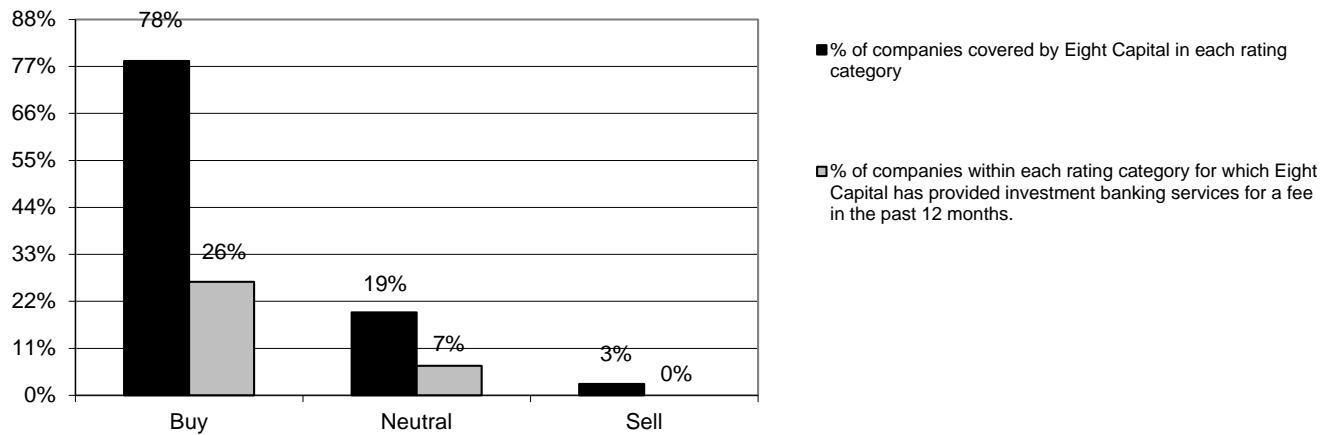
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