



# Uranium Energy Corp.

(UEC-US)

SECTOR: Mining

STOCK PRICE	\$1.29
RATING	<b>BUY</b>
TARGET PRICE	\$2.90
RISK	Very High

## CONSOLIDATES RENO CREEK ISR URANIUM PROJECT RESOURCES

### Reno Creek Consolidated Resource to Simplify Future Development

**OUR TAKE:** UEC has announced a consolidated NI 43-101 resource statement for the Reno Creek ISR project in Wyoming. While there is no major resource addition, rather a consolidation of existing regional resources, we see this progress as positive for a few reasons. Consolidating resources of the Reno Creek Area will simplify future permitting of the satellite deposits. The consolidation increases the total resources captured under the existing Reno Creek license/permit area by 25% (to 18.7 Mlb U<sub>3</sub>O<sub>8</sub>) with the addition of North Reno Creek. The consolidation allows for UEC to plan development of the Reno Creek Project as a single entity.

#### KEY HIGHLIGHTS

- With consolidation the Reno Creek project is now the **largest permitted, undeveloped ISR uranium project in the U.S.** (~26 Mlb U<sub>3</sub>O<sub>8</sub>).
- Summary of Resources under Reno Creek Banner:** Total ISR resources (all categories) under the Reno Creek Project banner grow 18% to ~26 Mlb U<sub>3</sub>O<sub>8</sub> (from ~22 Mlb U<sub>3</sub>O<sub>8</sub> prior to consolidation) with the addition of North Reno Creek pounds already owned but not included in the project (4.3 Mlb U<sub>3</sub>O<sub>8</sub> of resource at North Reno Creek acquired from Energy Fuels Inc. [UUUU-US, Buy Rating, \$4.80 Target] [<link to report here>](#) in late 2017).
- Total resources captured within the existing licensed/permited area at the project increase 25% to 18.7Mlb U<sub>3</sub>O<sub>8</sub> (from ~15 Mlb U<sub>3</sub>O<sub>8</sub>).
- Consolidation of the regional deposits (five resource areas, Figure 2) under a single banner should simplify future development planning by bringing the North Reno Creek deposit pounds not previously included in under the existing Reno Creek permit area.
- The resource addition at Reno Creek noted above comes from the inclusion of the North Reno Creek Deposit component not previously included in the project's resources. We had previously integrated a consolidated Reno Creek into our operating model and no changes have been made.
- Moving forward UEC will only have to work with state regulators for permit revisions on the Reno Creek project, as Wyoming became an "NRC Agreement State" in September 2018 (State will handle permitting issues relating to ISR uranium projects instead of the Federal NRC).

#### RECOMMENDED ACTION

*We recommend UEC as our top US-based uranium stock.*

- Reiterate our Buy rating and \$2.90/sh Target.** Our target implies a 125% return, which we believe could be conservative if a sustained increase in the uranium price drives a major shift in sentiment over the next two years. Our downside valuation of \$1.00 implies 22% of downside risk, making the reward to risk ratio 5.7x.
- UEC remains our top pick to play potential near-term catalysts in the U.S. uranium space** expected with conclusion of the U.S. Department of Commerce investigation into domestic uranium supply, which is set to conclude in April 2019. We recommend those looking for exposure continue to accumulate UEC shares at current levels, being mindful of a major resistance level at \$2.00.
- Price action has been improving despite overall weakness in uranium equities.** Since 2016, UEC shares have been making higher lows (see Figure 1), signifying a long-term uptrend. The stock has underperformed the sector recently since its last financing, although we believe the outcome of the DoC investigation could be a catalyst that drives future outperformance.

#### KEY STATISTICS AND METRICS

52-Week High/Low	\$1.89/\$1.12
YTD Performance	3.2%
Dividend Yield	N/A
Shares O/S	189M
Market Capitalization	\$308M
Cash	~\$25M
Debt	\$19.5M
Enterprise Value	\$302M
Daily Volume (3 mos.)	1,106,720
Currency	USD

#### HAYWOOD ESTIMATES (USD)

	2017A	2018E	2019E
U3O8 Production	0	0	0.8
Revenue (\$M)	0	0	31.5
EBITDA (\$M)	(14.4)	(15.5)	7.0
CFPS (\$)	(0.08)	(0.10)	0.01

#### VALUATION

**We value UEC using a 1.0x corporate NAV multiple based on our fully-financed DCF<sub>8%</sub> on the Hobson ISR Uranium portfolio + Reno Creek (\$517M NPV), combined with our fully-financed DCF<sub>10%</sub> of the Yuty project (\$70.5M NPV). After corporate adjustments, this yields a NAV of \$651M or \$2.90/share.**

Figure 1. UEC Stock Chart (Weekly, 5-Year)



Source: Haywood Securities Inc., Stockcharts.com



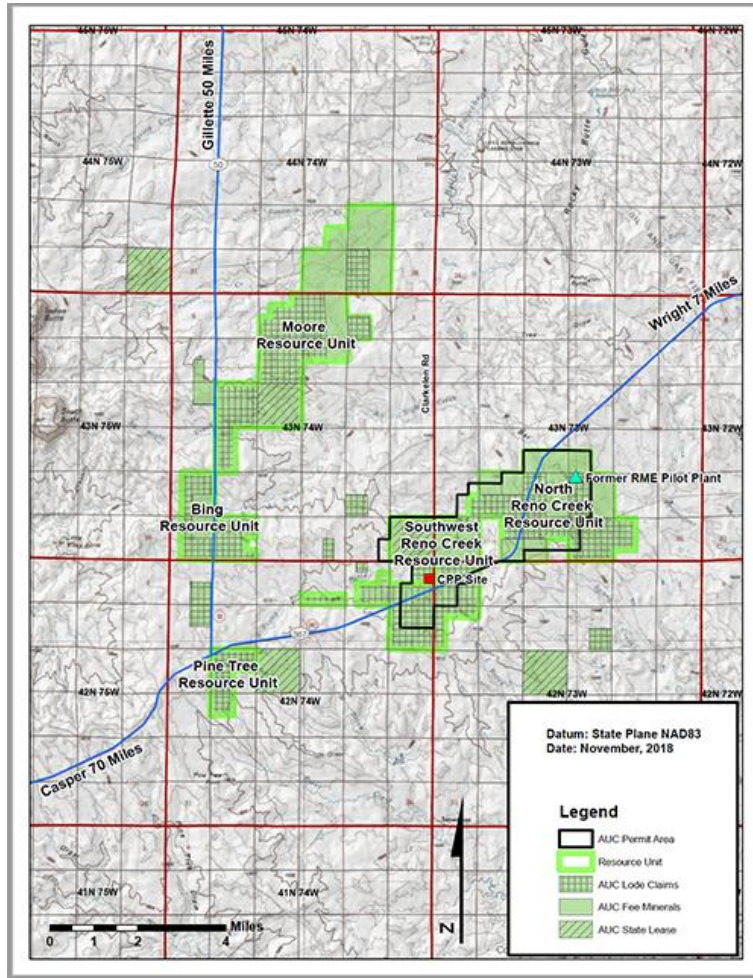
Figure 2. Summary of M&amp;I Resource Estimate for Reno Creek

Reno Creek ISR Project Summary of Measured and Indicated Mineral Resources - In-place <sup>1</sup>				
Unit	Tons <sup>2</sup> (millions)	Weighted Average Thickness (feet)	Weighted Average Grade (%U <sub>3</sub> O <sub>8</sub> )	Pounds U <sub>3</sub> O <sub>8</sub> <sup>2</sup> (millions)
<b>North Reno Creek<sup>3</sup></b>				
Measured	7.12	14.3	0.041	5.92
Indicated	8.05	11.7	0.036	5.76
<b>Total</b>	<b>15.2</b>	<b>13.0</b>	<b>0.039</b>	<b>11.68</b>
<b>Southwest Reno Creek</b>				
Measured	4.68	12.9	0.043	3.94
Indicated	4.08	10.4	0.038	3.08
<b>Total</b>	<b>8.77</b>	<b>11.6</b>	<b>0.040</b>	<b>7.03</b>
<b>Moore</b>				
Measured	2.32	10.3	0.048	2.20
Indicated	2.31	9.0	0.042	1.92
<b>Total</b>	<b>4.63</b>	<b>9.6</b>	<b>0.044</b>	<b>4.12</b>
<b>Bing</b>				
Measured	0.30	14.6	0.038	0.23
Indicated	0.71	12.4	0.032	0.45
<b>Total</b>	<b>1.02</b>	<b>13.0</b>	<b>0.033</b>	<b>0.67</b>
<b>Pine Tree</b>				
Measured	0.57	14.0	0.056	0.63
Indicated	1.83	12.2	0.051	1.87
<b>Total</b>	<b>2.40</b>	<b>12.6</b>	<b>0.053</b>	<b>2.51</b>
<b>Reno Creek Project</b>				
Measured	14.99	13.2	0.043	12.92
Indicated	16.98	11.1	0.039	13.07
<b>M + I Total</b>	<b>32.0</b>	<b>12.1</b>	<b>0.041</b>	<b>26.0</b>
<sup>1</sup> Cutoff ≥ 0.20 GT (grade × thickness per intercept)				
<sup>2</sup> Columns may not add due to rounding				
<sup>3</sup> Includes North Reno Creek acquisition				

Source: UEC

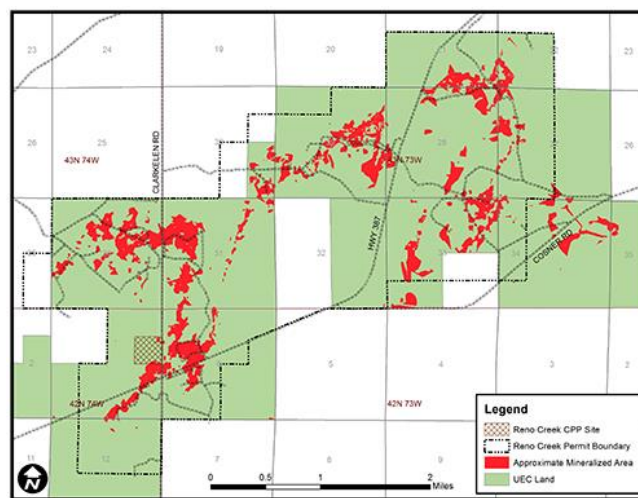


Figure 3. Reno Creek Location



Source: UEC

Figure 4. Reno Creek Permit Area



Source: UEC



## Important Information and Legal Disclosures

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### Analyst Certification

I, Colin Healey, hereby certify that the views expressed in this report (which includes the rating assigned to the issuer's shares as well as the analytical substance and tone of the report) accurately reflect my/our personal views about the subject securities and the issuer. No part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations.

### Important Disclosures

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- ◆ Haywood Securities, Inc. has reviewed lead projects of Energy Fuels Inc. (UUUU-US), Uranium Energy Corp. (UEC-US) and a portion of the expenses for this travel have been reimbursed by the issuer.
- ◆ Haywood Securities Inc. or one of its subsidiaries has managed or co-managed or participated as selling group in a public offering of securities for Uranium Energy Corp. (UEC-US) in the past 12 months.

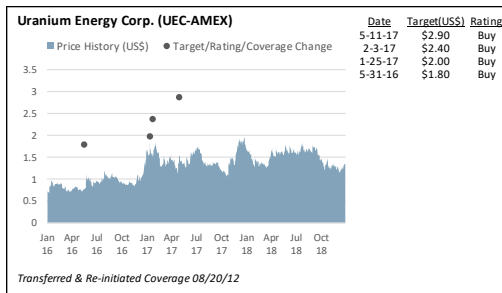
Other material conflict of interest of the research analyst of which the research analyst or Haywood Securities Inc. knows or has reason to know at the time of publication or at the time of public appearance:

- ◆ n/a

### Distribution of Ratings (as of January 15, 2019)

	%	#	IB Clients (TTM)
<b>Buy</b>	75.5%	71	92.0%
<b>Hold</b>	11.7%	11	8.0%
<b>Sell</b>	0.0%	0	0.0%
<b>Tender</b>	2.1%	2	0.0%
<b>UR (Buy)</b>	0.0%	0	0.0%
<b>UR (Hold)</b>	0.0%	0	0.0%
<b>UR (Sell)</b>	0.0%	0	0.0%
<b>Dropped (TTM)</b>	10.6%	10	0.0%

### Price Chart, Rating and Target Price History (as of January 15, 2019)



B: Buy; H: Hold; S: Sell; T: Tender; UR: Under Review  
Source: Capital IQ and Haywood Securities

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