



Capital  
Markets

May 10, 2020

## Uranium Participation Corporation

### Company description

Uranium Participation Corporation (UPC) is an investment holding company based in Toronto, Canada, focused exclusively on investing in uranium. The company raises capital by issuing equity and/or warrants and invests at least 85% of the proceeds in uranium that can be in the form of uranium oxide concentrates (U3O8) or converted uranium hexafluoride (UF6). UPC also generates income to help offset operating costs through uranium lending and interest from cash.

### Investment summary

We believe that UPC provides investors the most readily accessible means to gain exposure to the uranium spot price with very limited company-specific risks. The company's share price and equity value have an excellent track record of being a strong proxy for uranium spot prices.

### Potential catalysts

Japanese reactor restarts are starting to gain traction as companies work through the regulatory approval process and upgrade reactor facilities. As reactors come on-line, that should increase uranium demand and alleviate some supply-side pressure from Japanese inventories.

Any additional mine closures caused by low uranium prices would be considered positive for uranium prices.

### Risks to our investment thesis

We highlight the following key risks and sensitivities that could be potentially material to our thesis on UPC : 1) weaker-than-expected uranium prices; 2) currency volatility, primarily CAD/USD; 3) changing premium or discount of UPC's net asset value vs. the share price; and 4) potential value dilution from operating costs.

RBC Dominion Securities Inc.

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### Sector Perform

TSX: U; CAD 5.12

**Price Target CAD 5.00**

### Key Statistics

Shares O/S (MM):	138.0	Market Cap (MM):	707
Dividend:	0.00	Yield:	0.0%
NAVPS:	4.98	P/NAVPS:	1.03x
		Avg. Daily Volume:	1,756,644

Financial data, including our investment thesis and forecasts, represent our views as of the latest published research (September 16, 2018) and are not reviewed or confirmed if the security is restricted pursuant to RBC Capital Markets policy.

Priced as of prior trading day's market close, EST (unless otherwise noted).

**For Required Non-U.S. Analyst and Conflicts Disclosures, see page 2.**

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**Outperform (O):** Expected to materially outperform sector average over 12 months.

**Sector Perform (SP):** Returns expected to be in line with sector average over 12 months.

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#### Risk Rating

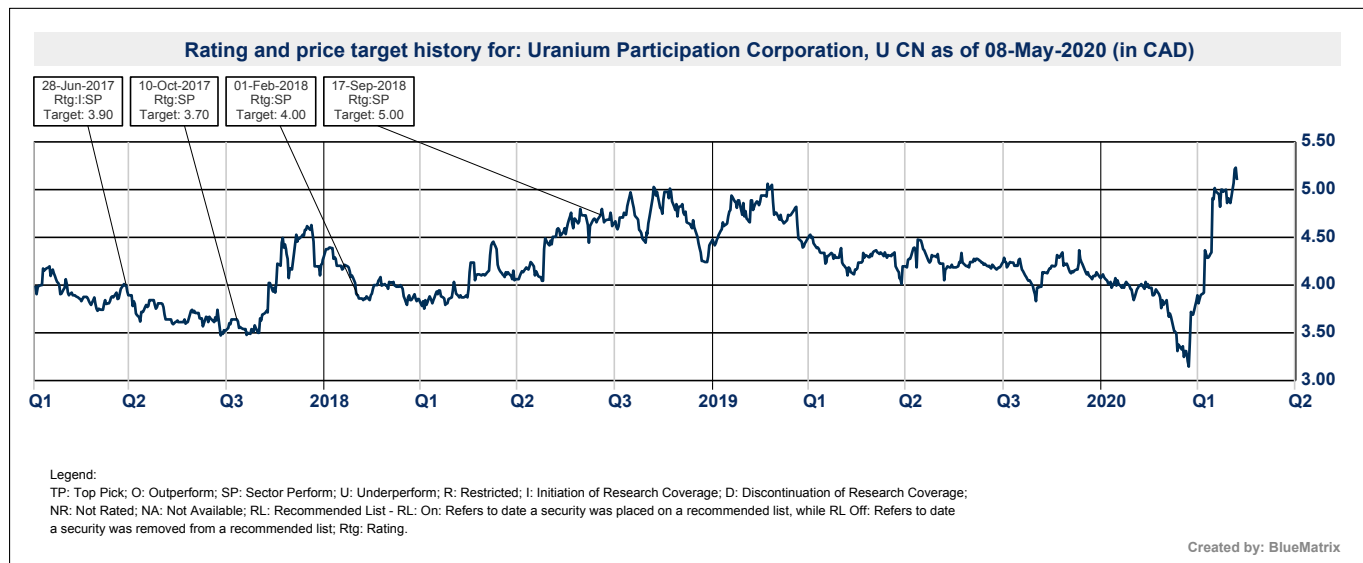
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Distribution of ratings RBC Capital Markets, Equity Research As of 31-Mar-2020				
Rating	Count	Percent	Investment Banking Serv./Past 12 Mos.	
			Count	Percent
BUY [Outperform]	755	51.64	220	29.14
HOLD [Sector Perform]	619	42.34	126	20.36
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### Uranium Participation Corporation

#### Valuation

We value the company by attributing 100% to our net asset value calculation, which is calculated using the current inventory of uranium and applying our 2H/19 forecasts: \$30.00/lb U<sub>3</sub>O<sub>8</sub>, \$10.00/kg conversion, and \$1.30 CAD\$ per US\$. We also adjust for changes to non-investment net assets including income tax asset or liability. Our price target of \$5.00 supports our Sector Perform rating.



### Risks to rating and price target

We highlight several key risks and sensitivities that could be potentially material to our thesis on UPC: 1) weaker-than-expected uranium prices; 2) currency volatility, primarily CAD/USD; and 3) changing premium or discount of UPC's net asset value vs. the share price.

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