

YELLOW CAKE PLC

Uranium Prices Moving Higher, Increasing Target

EVENT

Over the last three weeks, driven primarily by the Sprott Physical Uranium Trust (U.U/U.UN-TSX, Buy - \$13.00/C\$16.00 target price) at-the-market (ATM) equity facility (note [here](#)), spot uranium prices have lifted 23% to \$37.00/lb U₃O₈.

BOTTOM LINE

Positive – We expect U.U has at least ~\$165 MM worth of additional material to buy in the spot market, and as a result, are hiking our near-term spot uranium price forecast to \$50/lb U₃O₈, from \$40/lb U₃O₈, previously.

FOCUS POINTS

- Inventory and Balance Sheet Update** – Yellow Cake will take delivery of 2.0 MMlb U₃O₈ from Kazatomprom at \$32.23/lb in the coming months, bringing its total inventory to 15.86 MMlb U₃O₈, at a consolidated average purchase price of \$25.37/lb (Cantor estimate), 31% below current spot prices. Pro-forma we estimate the Company will have \$18.2 MM in working capital.
- WNA on Deck** – The premier annual event for the global nuclear industry, the World Nuclear Association Symposium (WNA), takes place next week. Every significant nuclear fuel buyer, producer, trader, and utility will be in attendance. The spot price action over the last three weeks will undoubtedly be the primary talking point. Purchases by U.U will continue pressuring U₃O₈ prices higher, lifting the related uranium equities, including Yellow Cake.
- Maintaining Buy, Raising Target** – We are maintaining our Buy rating and raising our target price from £3.25 to £3.75 on Yellow Cake based on multiple of 1.0x NAVPS at \$50/lb U₃O₈, up from \$40/lb U₃O₈, previously.

Recommendation:

BUY

Symbol/Exchange:	YCA-LSE
Sector:	Metals & Mining
<i>All dollar values in US\$ unless otherwise noted.</i>	
Current price:	£3.10
One-year target:	£3.75↑
Return to Target:	21.0%
Working Capital*:	\$18.2 MM

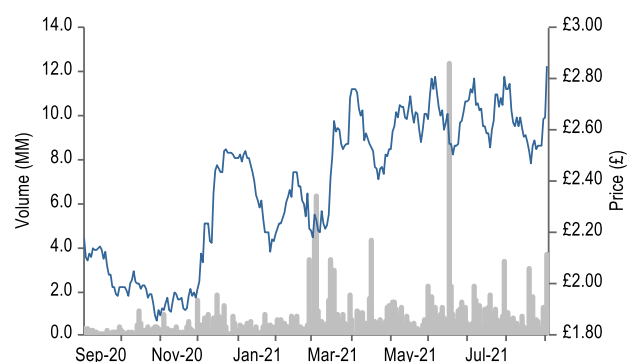
Financial Summary:

Shares O/S (MM)	153.6	52-week range	£1.84 - £3.11
Market cap (MM)	£476.1	Avg. vol. (MM)	1.2
Market float (MM)	£377.1	Fiscal year-end	31-Mar

Inventory	Quantity (MM lb)	Mkt Price (\$)	Mkt Value (MM\$)
U3O8*	15.86	\$37.00	\$586.8
Net Working Capital*			\$18.2
Net Asset Value			\$605.0
NAVPS			£2.85
Current Premium/Discount to Market NAV			8.8%

Source: Company Reports and Cantor Fitzgerald Canada Estimates

*adjusted for pending purchases



Company profile: Yellow Cake Plc. is a specialist company operating in the uranium sector, created to purchase and hold U₃O₈ to offer shareholders exposure to the price appreciation of uranium.

Mike Kozak

mike.kozak@cantor.com
(416) 350-8152

Sales/Trading — Toronto: (416) 363-5757, (866) 442-4485

See disclosure and a description of our recommendation structure at the end of this report.

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BUY (Speculative): The stock is attractively priced relative to the company’s fundamentals, however investment in the security carries a higher degree of risk.

HOLD: The stock is fairly valued, lacks a near term catalyst, or its execution risk is such that we expect it to trade within a narrow range of the current price in the next 6 to 12 months. The longer term fundamental value of the company may be materially higher, but certain milestones/catalysts have yet to be fully realized.

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