

YELLOW CAKE PLC

Repurchase and Buyback Options Exercised

EVENT

Kazatomprom (KAP-LSE, Not Covered) has exercised its option to repurchase 25% of the 8.091 MMlb U₃O₈ it originally sold to Yellow Cake back in 2018, for \$43.25/lb U₃O₈ less a \$6.55 MM discount. YCA will then repurchase this material back from KAP for the same price of \$43.25/lb U₃O₈ and take delivery between March and April of next year.

BOTTOM LINE

Neutral – The net impact to Yellow Cake is effectively a \$6.55 MM payment from YCA to KAP, but this has always been accounted for via the current derivative liability of \$6.5 MM that Yellow Cake has been carrying on its balance sheet. This current liability will be eliminated when the 2.023 MMlb U₃O₈ (25% of the original 8.091 MMlb U₃O₈) is delivered to Kazatomprom, expected later today. The net-net impact of this option exercise and buyback is immaterial to Yellow Cake.

FOCUS POINTS

- **Modest Discount to NAVPS** – Spot uranium prices have surged +50% over the last 10-weeks but may be entering a small corrective phase heading into the typically quiet year-end period. We note that both Yellow Cake and the Sprott Physical Uranium Trust (U.U/U.UN-TSX, Buy – \$18.50/C\$23.00 target) are trading at modest single-digit discounts to NAVPS and NAVPU, respectively.
- **Maintaining Buy Rating and Target** – We are maintaining our Buy rating and £4.75 target price on Yellow Cake based on a multiple of 1.1x NAVPS and a short-term uranium price forecast of \$60/lb U₃O₈.

Recommendation:

BUY

Symbol/Exchange: YCA-LSE
Sector: Metals & Mining
All dollar values in US\$ unless otherwise noted.
Current price: £3.43
One-year target: £4.75
Return to target: 38.5%
Working capital*: \$22.8 MM

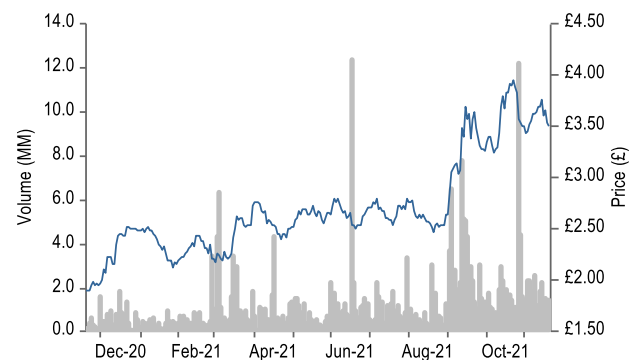
Financial Summary:

Shares O/S (MM)	183.7	52-week range	£1.87 - £4.00
Market cap (MM)	£629.1	Avg. vol. (MM)	2.0
Market float (MM)	£576.5	Fiscal year-end	31-Mar

Inventory	Quantity (MM lb)	Mkt Price (\$)	Mkt Value (MM\$)
U3O8*	18.81	\$46.25	\$869.8
Net Working Capital*			\$22.8
Net Asset Value			\$892.5
NAVPS			£3.61
Current Premium/Discount to Market NAV			-5.2%

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.

REPURCHASE AND BUYBACK OPTIONS EXERCISED

Kazatomprom has exercised its option to repurchase 25% of the 8.091 MMlb U₃O₈ it originally sold to Yellow Cake back in 2018, for \$43.25/lb U₃O₈ less a \$6.55 MM discount. YCA will then repurchase this material back from KAP for the same price of \$43.25/lb U₃O₈ and take delivery between March and April of next year. The net impact to Yellow Cake is effectively a \$6.55 MM payment from YCA to KAP, but this has always been accounted for via the current derivative liability of \$6.5 MM that Yellow Cake has been carrying on its balance sheet. This current liability will be eliminated when the 2.023 MMlb U₃O₈ (25% of the original 8.091 MMlb U₃O₈) is delivered to Kazatomprom, expected later today. The net-net impact of this option exercise and buyback is immaterial to Yellow Cake. Accounting for the pending transactions, we estimate YCA's net working capital position at \$22.8 MM. The Company carries zero debt and is therefore primed for additional follow-on U₃O₈ purchases at the discretion of management. Yellow Cake's inventory, adjusted for pending transactions, currently stands at 18.806 MMlb U₃O₈.

Exhibit 1. NAV Based on Current U₃O₈ Prices

YCA-LN	Unit	Inventory	Spot Price \$	Spot Price GBP	Market Value (\$'000)
U3O8	lb	18,805,601	\$46.25	£34.40	\$869,759
Inventory					\$869,759
Net Working Capital					\$22,750
Net Asset Value					\$892,509
Net Asset Value Per Share					£3.61
P/NAVPS					0.95x

Source: FactSet, Cantor Fitzgerald Estimates, Yellow Cake Plc.

MODEST DISCOUNT TO NAVPS

There is no material impact to Yellow Cake's uranium in inventory or net working capital position post the KAP-YCA repurchase and buyback option exercise. Based on the current U₃O₈ spot price of \$46.25/lb and GBP/USD FX rate of 1.3444, the current intrinsic value (1.0x NAVPS) for YCA totals £3.61/share (Exhibit 1). Spot uranium prices have surged +50% over the last 10-weeks but may be entering a small corrective phase heading into the typically quiet year-end period. We note that both Yellow Cake and the Sprott Physical Uranium Trust are trading at modest single-digit discounts to NAVPS and NAVPU, respectively.

MAINTAINING BUY RATING AND TARGET

We are maintaining our Buy rating and £4.75/share price target on Yellow Cake. This target is based on an unchanged multiple of 1.1x P/NAVPS (rounded), on our 12-month U₃O₈ price forecast of \$60/lb, the Company's current financial position, and a GBP/USD FX rate of 1.45. A NAVPS sensitivity to uranium prices and GBP/USD FX rates is provided in Exhibit 2 below.

FURTHER UPSIDE LONGER-TERM

Our £4.75/share price target on Yellow Cake is based on a 12-month U₃O₈ price forecast of \$60/lb. We believe this spot price is certainly achievable over the next 12-months, and likely even overly conservative. Over the longer-term (3+ years),

our U₃O₈ price estimate forecast is considerably higher at \$75/lb, our best estimate as to the price required to sustain current mine production, incentivize the re-start of shuttered operations, and build new Tier 1 low-cost uranium projects to meet growing global utility demand. At current FX rates, a \$75/lb U₃O₈ price drives a NAVPS for Yellow Cake of £5.38/share. As such, over the longer-term, our target has a clear bias to the upside.

Exhibit 2. NAVPS Sensitivities

GBP/USD	Short-term U3O8 Price Forecast (\$/lb)				
	\$40.00	\$50.00	\$60.00	\$70.00	\$80.00
1.52	£2.75	£3.45	£4.10	£4.80	£5.45
1.49	£2.85	£3.55	£4.20	£4.90	£5.60
1.45	£2.90	£3.60	£4.30	£5.05	£5.75
1.41	£3.00	£3.70	£4.45	£5.15	£5.90
1.38	£3.05	£3.80	£4.55	£5.30	£6.05

Source: Cantor Fitzgerald

INVESTMENT THESIS

Yellow Cake is an excellent low-risk vehicle offering exposure to a commodity that investors cannot physically hold. The Company offers unlevered exposure to uranium price appreciation on its physical holdings and to its uranium-based financing initiatives via potential streaming, royalty, or logistics optimization associated with trading. In short, for institutional investors desiring exposure to the uranium price that are unwilling to take on the operating risk and financial gearing of a uranium producer, Yellow Cake is one of only two “pure play” vehicles, the other being the Sprott Physical Uranium Trust. YCA’s competitive advantage relative to U.U/U.UN, is its supply agreement (at YCA’s option) with Kazatomprom, the world’s largest and lowest cost producer of uranium oxide.

DISCLAIMERS AND DISCLOSURES

Disclaimers

The opinions, estimates and projections contained in this report are those of Cantor Fitzgerald Canada Corporation (“CFCC”) as of the date hereof and are subject to change without notice. Cantor makes every effort to ensure that the contents have been compiled or derived from sources believed to be reliable and that contain information and opinions that are accurate and complete; however, Cantor makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions which may be contained herein and accepts no liability whatsoever for any loss arising from any use of or reliance on this report or its contents. Information may be available to Cantor that is not herein.

This report is provided, for informational purposes only, to institutional investor clients of Cantor Fitzgerald Canada Corporation, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such offer or solicitation would be prohibited. This report is issued and approved for distribution in Canada, Cantor Fitzgerald Canada Corporation, a member of the Investment Industry Regulatory Organization of Canada (“IIROC”), the Toronto Stock Exchange, the TSX Venture Exchange and the CIPF. This report is has not been reviewed or approved by Cantor Fitzgerald USA., a member of FINRA. This report is intended for distribution in the United States only to Major Institutional Investors (as such term is defined in SEC 15a-6 and Section 15 of the Securities Exchange Act of 1934, as amended) and is not intended for the use of any person or entity that is not a major institutional investor. Major Institutional Investors receiving this report should effect transactions in securities discussed in the report through Cantor Fitzgerald USA.

Non US Broker Dealer 15a-6 disclosure: This report is being distributed by (CF Canada/CF Europe/CF Hong Kong) in the United States and is intended for distribution in the United States solely to “major U.S. institutional investors” (as such term is defined in Rule 15a-6 of the U.S. Securities Exchange Act of 1934 and applicable interpretations relating thereto) and is not intended for the use of any person or entity that is not a major institutional investor. This material is intended solely for institutional investors and investors who Cantor reasonably believes are institutional investors. It is prohibited for distribution to non-institutional clients including retail clients, private clients and individual investors. Major Institutional Investors receiving this report should effect transactions in securities discussed in this report through Cantor Fitzgerald & Co. This report has been prepared in whole or in part by research analysts employed by non-US affiliates of Cantor Fitzgerald & Co that are not registered as broker-dealers in the United States. These non-US research analysts are not registered as associated persons of Cantor Fitzgerald & Co. and are not licensed or qualified as research analysts with FINRA or any other US regulatory authority and, accordingly, may not be subject (among other things) to FINRA’s restrictions regarding communications by a research analyst with a subject company, public appearances by research analysts, and trading securities held by a research analyst account.

Potential conflicts of interest

The author of this report is compensated based in part on the overall revenues of Cantor, a portion of which is generated by investment banking activities. Cantor may have had, or seek to have, an investment banking relationship with companies mentioned in this report. Cantor and/or its officers, directors and employees may from time to time acquire, hold or sell securities mentioned herein as principal or agent. Although Cantor makes every effort possible to avoid conflicts of interest, readers should assume that a conflict might exist, and therefore not rely solely on this report when evaluating whether or not to buy or sell the securities of subject companies.

Disclosures as of November 22, 2021

Cantor *has* provided investment banking services or received investment banking related compensation from Yellow Cake Plc. within the past 12 months.

The analysts responsible for this research report do not have, either directly or indirectly, a long or short position in the shares or options of Yellow Cake Plc.

The analyst responsible for this report has not visited the material operations of Yellow Cake Plc.

Analyst certification

The research analyst whose name appears on this report hereby certifies that the opinions and recommendations expressed herein accurately reflect his personal views about the securities, issuers or industries discussed herein.

Definitions of recommendations

BUY: The stock is attractively priced relative to the company’s fundamentals and we expect it to appreciate significantly from the current price over the next 6 to 12 months.

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.

SELL: The stock is overpriced relative to the company’s fundamentals, and we expect it to decline from the current price over the next 6 to 12 months.

TENDER: We believe the offer price by the acquirer is fair and thus recommend investors tender their shares to the offer.

UNDER REVIEW: We are temporarily placing our recommendation under review until further information is disclosed.

Member-Canadian Investor Protection Fund.

Customers’ accounts are protected by the Canadian Investor Protection Fund within specified limits. A brochure describing the nature and limits of coverage is available upon request.