

Rating
SPECULATIVE BUY
unchanged
Price Target
US\$6.50↑
from US\$6.00
UEC-NYSE
Price
US\$3.66
Market Data

52-Week Range (US\$) :	2.34 - 6.60
Avg Daily Vol (000s) :	11,628
Market Cap (US\$M) :	1,060.1
Shares Out. (M) :	345.8
Enterprise Value (US\$M) :	961
NAV / Shr (US\$) :	6.03
P/NAV (x) (US\$) :	0.61

FYE Jul	2023E	2024E	2025E
Net Debt (Cash) (US\$M)	(76)↓	(10)↑	(16)↑
Previous	(49)	(19)	(83)
FCF /Shr (US\$)	(0.02)↓	(0.10)↓	0.06↓
Previous	0.00	(0.00)	0.22
EPS (US\$)	(0.02)↓	(0.02)↓	0.16↓
Previous	0.00	(0.00)	0.19



Source: FactSet

Priced as of close of business 12 October 2022

Uranium Energy Corp. is a uranium explorer and developer with a diverse portfolio of assets located in the Americas. UEC's production-ready assets include its Hub & Spoke ISR portfolios in South Texas and Wyoming, among other exploration and development projects in Canada and Paraguay.

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Riding the wave: UEC to acquire Roughrider

This morning, Uranium Energy Corp. announced that it will acquire 100% of Roughrider from Rio Tinto (RIO-LON | Not rated). Further details on the asset are provided below.

Terms of the transaction: UEC will pay \$150 million in consideration for Roughrider, comprising \$80 million in cash and ~17.8 million UEC shares, valued at \$70 million (\$3.93/sh).

Our take: We like this transaction. Even after applying highly conservative operating assumptions to Roughrider (see details below), we expect this acquisition to be accretive to NAV. We currently value Roughrider at \$334 million (as at Nov 1, 2022), which suggests that UEC paid just 0.45x NAV, or \$2.60/lb U₃O₈. In our view, there is a high probability that UEC can surface incremental value from this asset (beyond the \$150m paid) via a future production decision or an eventual sale (we note that Rio Tinto paid \$642m back in 2012).

Some other positive takeaways include:

- An expanded resource base in the prolific Athabasca Basin, which gives UEC 'critical mass' and potential future synergies with the recently acquired UEX assets
- A pro forma mineral resource base of ~386mlbs U₃O₈ — the largest among developer peers. With Cameco recently diluting its uranium exposure, UEC represents an easy way to get pure-play exposure.
 - The company's "project consolidator" model has historically performed well in uranium bull cycles.
- With this transaction, UEC maintains its clean North American exposure. In the current geopolitical environmental, we expect this to be valuable as US and European utilities look to reduce their reliance on Russian material.
- While longer-dated, Roughrider provides UEC with an attractive medium/long-term growth profile, as a complement to its near-term US production.

Despite being largely positive on this transaction, we do acknowledge that this could put some near-term strain on UEC's balance sheet.

- UEC ended FY22 with \$32.5 million in cash and \$66.6 million in physical uranium.
- Subsequent to year-end, the company received additional proceeds of \$14.8 million from its ATM and sold an additional \$7.2 million of its uranium inventory.
- This results in estimated liquidity of ~\$114 million, and leaves UEC with only ~\$34 million in liquidity post-transaction.
- While sufficient to cover corporate costs/G&A in the near term, we expect UEC to come to market in the next 6-12 months to shore up its balance sheet (CGe \$50m) and to ensure it has adequate funds to advance its growing portfolio of projects.

What is Roughrider? The Roughrider Project is a development-stage uranium project located in the eastern portion of the Athabasca Basin (Figure 1). The project was previously the flagship asset of Hathor Exploration Ltd, prior to being acquired by Rio Tinto for \$642 million in 2012, following a competitive bidding process with Cameco. A Preliminary Economic Assessment was completed by Hathor in 2011, which outlined a conventional underground operation producing ~5mlbs per year over an 11-year mine life. Mined production was based on a historical mineral resource estimate of 58mlbs, grading ~4.37% U₃O₈ (West + East Zone). After acquiring the asset, Rio Tinto continued with baseline environmental work and submitted an application to begin the EIA review process. The application was accepted, but no official determination was completed. It is not clear to us whether Rio Tinto updated the mineral resource and reserve estimates or continued drilling in the Far East Zone of the deposit (which could provide incremental upside?).

Next steps for UEC: After completion of the acquisition, UEC plans to complete an updated mineral resource based on ~650 historical drill holes. This will be followed by an updated technical report, outlining a potential production scenario at Roughrider. These reports will position UEC to recommence stakeholder/permitting discussions.

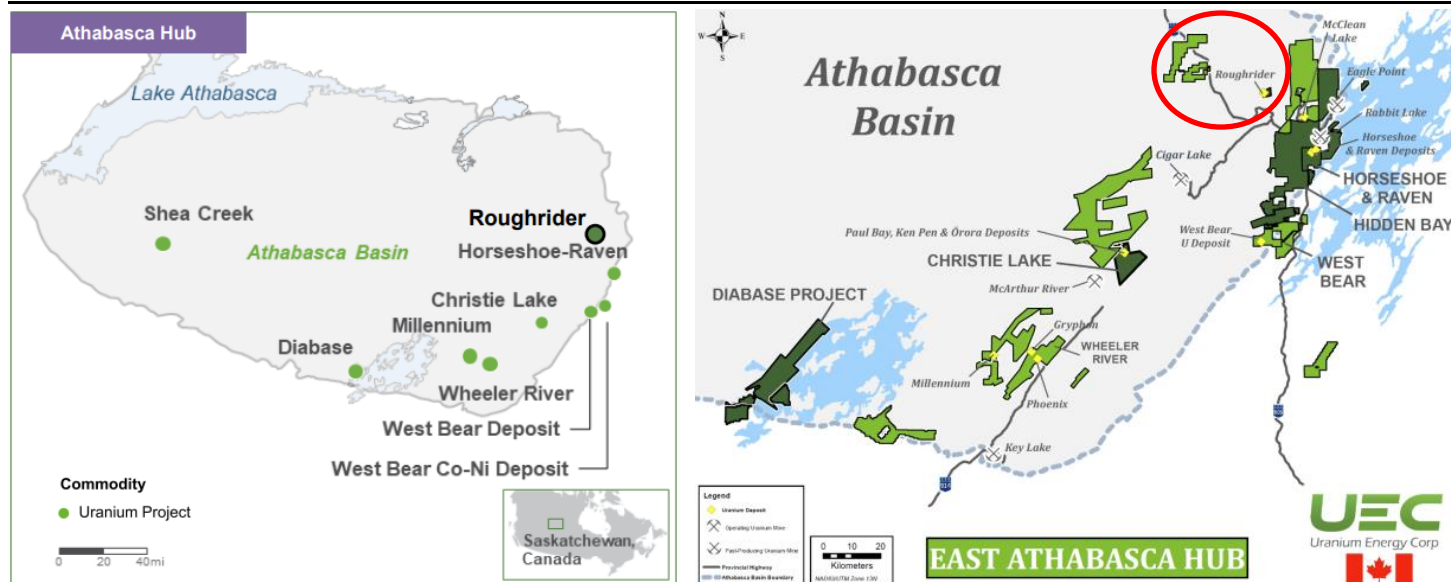
M&A heating up: Within the last 24 hours, we've seen two sizable transactions in the uranium/nuclear space announced: Cameco and Brookfield Renewable's US\$7.9 billion acquisition of Westinghouse (see note [here](#)) and UEC's acquisition of Roughrider. In our view, these are positive signals that the fundamental outlook for uranium and nuclear remains strong.

Updating our estimates: We have updated our estimates to reflect UEC's acquisition of Roughrider. Our operating parameters are based on the 2011 PEA, adjusted as follows:

- First production in 2030, which assumes updated technical work will be completed by YE 2024, permitting is restarted and approved by 2027, and followed by a three-year construction timeline.
- Operating costs and initial capital escalated 20% above the PEA to be conservative and reflect the current inflationary environment.
- Our project-level NAV of US\$334 million was derived using a 10.0% discount rate, determined by taking a base rate of 8.0%, appropriate for a project in a low-risk jurisdiction, and adding a further 2.0% to account for increased risk related to outstanding technical work, permitting, and construction.

Maintain SPEC BUY; increasing target price to US\$6.50/sh: As a result of the above changes, our target NAVPS has increased ~7% to US\$6.51/sh (Figure 2). We are therefore increasing our target price to US\$6.50/sh, from US\$6.00/sh, and we maintain our SPEC BUY rating. Our target price remains based on 1.0x NAV, now measured at November 1, 2023. UEC currently trades at 0.61x NAV, relatively in line with peers.

Figure 1: Roughrider project location map



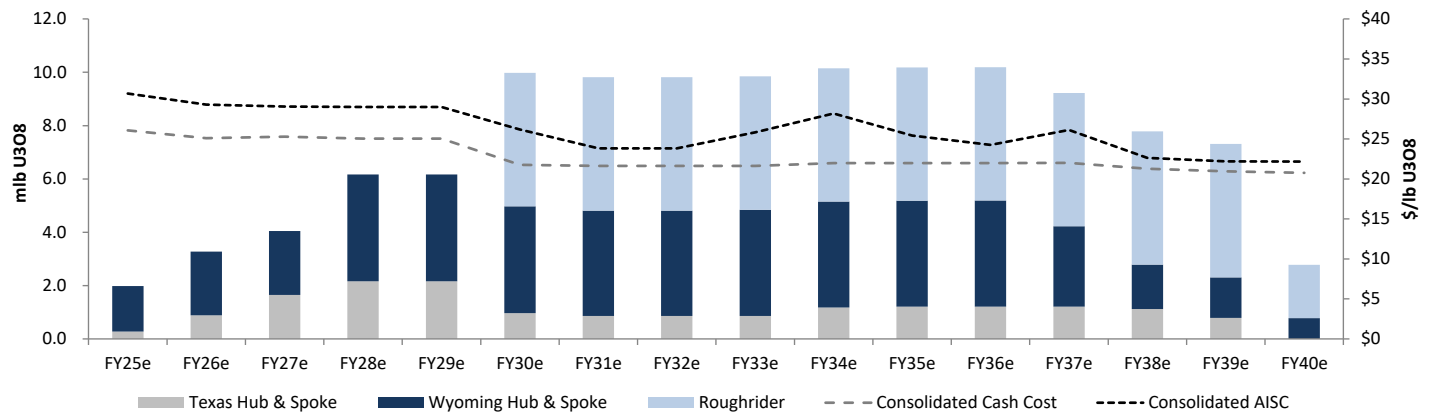
Source: Company Reports

Figure 2: Target NAV Breakdown – as at November 1, 2023

	Disc. Rate	US\$ MMs	US\$/sh	%
Texas	8.0%	326	\$0.88	22%
Wyoming	8.0%	770	\$2.08	53%
Roughrider	10.0%	367	\$0.99	25%
Other	8.0%	0	\$0.00	0%
Total Asset Level Cash Flows		1,464	\$3.95	100%
Alto Parana		50	\$0.14	
UEX Properties		402	\$1.09	
Other properties - in-situ		386	\$1.04	
Investment in URC / Anfield		46	\$0.12	
Investment in uranium		221	\$0.60	
Cash		68	\$0.18	
Future Equity Issuances		0	\$0.00	
Working Capital (ex. Cash and Debt)		-5	(\$0.01)	
Total Debt		0	\$0.00	
Corporate SG&A	8.0%	-205	(\$0.55)	
Provisions		-17	(\$0.05)	
Net Asset Value		2,409	\$6.51	
Net Asset Value per share		\$6.51		

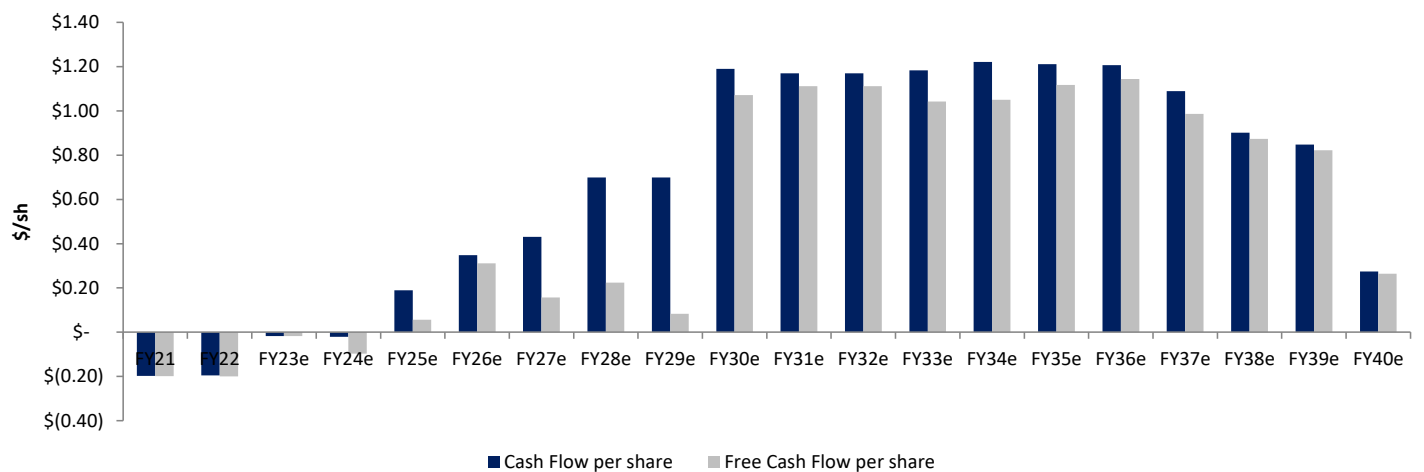
Source: Canaccord Genuity estimates

Figure 3: Production and cost profile



Source: Canaccord Genuity estimates

Figure 4: Cash flow profile



Source: Canaccord Genuity estimates

Appendix: Important Disclosures

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Investment Recommendation

Date and time of first dissemination: October 12, 2022, 20:48 ET

Date and time of production: October 12, 2022, 20:48 ET

Target Price / Valuation Methodology:

Uranium Energy Corp. - UEC

Our target price is based on 1.0x our NAVPS estimate as at November 1, 2023

Risks to achieving Target Price / Valuation:

Uranium Energy Corp. - UEC

Uranium price and market risk

Our estimates and valuation are extremely sensitive to the price of uranium and we can make no assurances that the future price trajectory of the metal will be in line with our estimates. A weaker-than-expected uranium price will impact the advancement of UEC's projects and projected cash flows. These factors could materially impact our valuation for UEC.

Project and permitting risk

Our estimates and valuation assume successful development and production from the Texas Hub & Spoke portfolio, the Wyoming Hub & Spoke portfolio, and the Roughrider Project; however, there is no guarantee that these projects will advance as forecasted. We also recognize the risk that future satellite projects (Salvo, Longhorn, Moore, Bing and Pine Tree) are unsuccessful in receiving the required permits or permit amendments for production. However, given a history of successful permitting in the region, we believe this risk is minimal and therefore include production from these projects in our estimates.

We also note that UEC is currently completing work in preparation for a Pre-Feasibility Study on the Reno Creek project. Accordingly, the project is subject to changes in operational parameters including estimates of initial capital and operating costs that could impact our assessed valuation.

Financing risk

As an exploration and development company with no producing assets, UEC currently does not generate any operating cash flow and is therefore reliant upon the capital markets to fund operating expenditures. However, there is no guarantee that UEC will be able to access capital markets on a going-forward basis as a result of a potential change in market sentiment and/or pricing. Furthermore, if the price of uranium does not improve, UEC could face further dilution.

Policy risk

Our estimates and valuation assume ongoing bipartisan support for nuclear energy in the US; however, there is no guarantee that this will be the case. In particular, we note that no Executive actions were put forward in the Nuclear Fuel Working Group report. Rather, the report warned that any recommendation that was not already reflected within the President's Fiscal 2021 Budget would be "subject to budgetary, regulatory, and policy development processes before adoption or execution". Therefore, despite a proposed 10-year timeline for a US uranium reserve, there is no commitment to take action beyond 2021. In our view, any increased policy uncertainty in the US could have adverse effects on the development of UEC's US assets and the willingness of utilities to sign into new long-term contracts.

Distribution of Ratings:

Global Stock Ratings (as of 10/12/22)

Rating	Coverage Universe		IB Clients
	#	%	
Buy	639	66.49%	31.46%
Hold	142	14.78%	17.61%
Sell	10	1.04%	10.00%
Speculative Buy	162	16.86%	41.36%
	961*	100.0%	

*Total includes stocks that are Under Review

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HOLD: The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

SELL: The stock is expected to generate negative risk-adjusted returns during the next 12 months.

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SPECULATIVE: Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

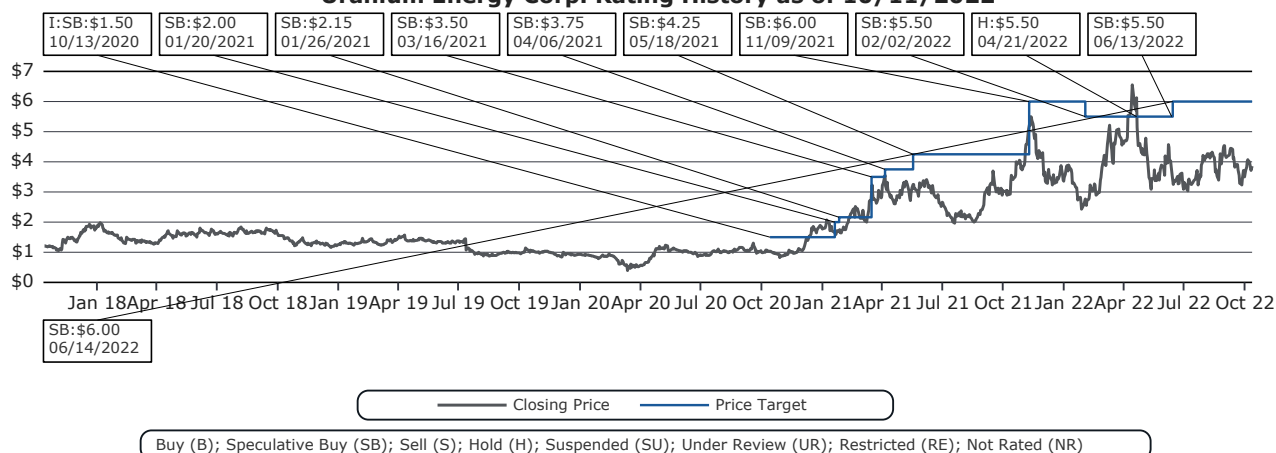
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Uranium Energy Corp. Rating History as of 10/11/2022



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