



August 30, 2022

## RBC Uranium Watch: Week 35

### Uranium shares lifted by positive nuclear news and sentiment

**Our view:** Uranium equities and SPUT shares rebounded this week on bullish nuclear news, highlighted by Japan's Prime Minister calling for accelerated reactor re-starts and new nuclear builds. Additionally, there were increasing calls for reactor life extensions in Germany and California, while India re-iterated plans to raise nuclear capacity long-term. We view Japanese reactor re-starts as in line with our current S&D view and long-term reactor plans as directionally positive, but more importantly these are big sentiment lifts for the uranium and nuclear industries. Spot markets still experienced low demand but were supported by SPUT reaching a slight premium to NAV and making fresh U3O8 purchases in the spot market.

#### Uranium Dashboard & Industry News

	08-Aug	15-Aug	22-Aug	29-Aug	% Change		
<b>U<sub>3</sub>O<sub>8</sub> Spot Price (US\$/lb)</b>							
					1 Wk	1 Yr	3 Yr
Ux Price	\$47.75	\$47.75	\$47.75	\$49.00	3%	45%	94%
TradeTech Price	\$47.75	\$47.75	\$47.75	\$48.50	2%	43%	92%
<p>The Ux uranium spot price increased 3% w/w to \$49.00. Spot prices were supported by positive news out of Japan as the Prime Minister called for faster reactor restarts and greater reliance on nuclear power. Bullish nuclear sentiment lifted SPUT shares as well which erased their discount to NAV and unlocked the trust to buy more U3O8 in the spot market.</p>							
<b>U<sub>3</sub>O<sub>8</sub> LT Price (US\$/lb)</b>							
					1 Wk	1 Yr	3 Yr
Ux Price	\$50.00	\$50.00	\$50.00	\$50.00	0%	49%	56%
TradeTech Price	\$53.00	\$53.00	\$53.00	\$53.00	0%	51%	92%
<p>Term market demand remained quiet with no new demand reported this week. A non-US utility received offers for term U3O8 and an off-market award involving conversion services was confirmed (UxC).</p>							
<b>Sprott Physical Uranium Trust (SPUT)</b>							
					1 Wk	1 Yr	3 Yr
U.UN share price	\$14.80	\$13.69	\$13.50	\$16.00	19%	41%	90%
U <sub>3</sub> O <sub>8</sub> Held (Mlbs)	57.4	57.4	57.4	57.6	0%	182%	307%
NAV per share	\$15.47	\$15.47	\$15.72	\$16.07	2%	85%	143%
Implied U <sub>3</sub> O <sub>8</sub> (US\$/lb)	\$45.88	\$42.40	\$41.15	\$48.90	19%	33%	102%
Prem./Disc. to NAV	-4.3%	-11.5%	-14.1%	-0.4%	-	-	-
<p>SPUT shares rebounded this week increasing 19% w/w. Based on information from Sprott disclosures, the shares have completely narrowed their discount to NAV to -0.4% from -14.1%. The trust was briefly at a premium to NAV this week which resulted in additional buying in the spot market.</p>							
<b>Cameco</b>							
					1 Wk	1 Yr	3 Yr
CCO Share Price	\$33.33	\$32.33	\$29.55	\$37.90	28%	68%	238%
Implied U <sub>3</sub> O <sub>8</sub> (US\$/lb)	\$74.57	\$71.01	\$61.10	\$90.85	-	-	-
<p>Cameco shares sharply increased 28% week/week to \$37.90/share as uranium equities were broadly lifted on positive news focused on the accelerated reactor restarts in Japan. Consequently, the implied U3O8 price increased to \$90.85</p>							

Source: UxC, TradeTech, Bloomberg, Company reports, RBC Capital Markets estimates

## Companies mentioned

Cameco Corporation (TSX: CCO CN; C\$37.95; Outperform)

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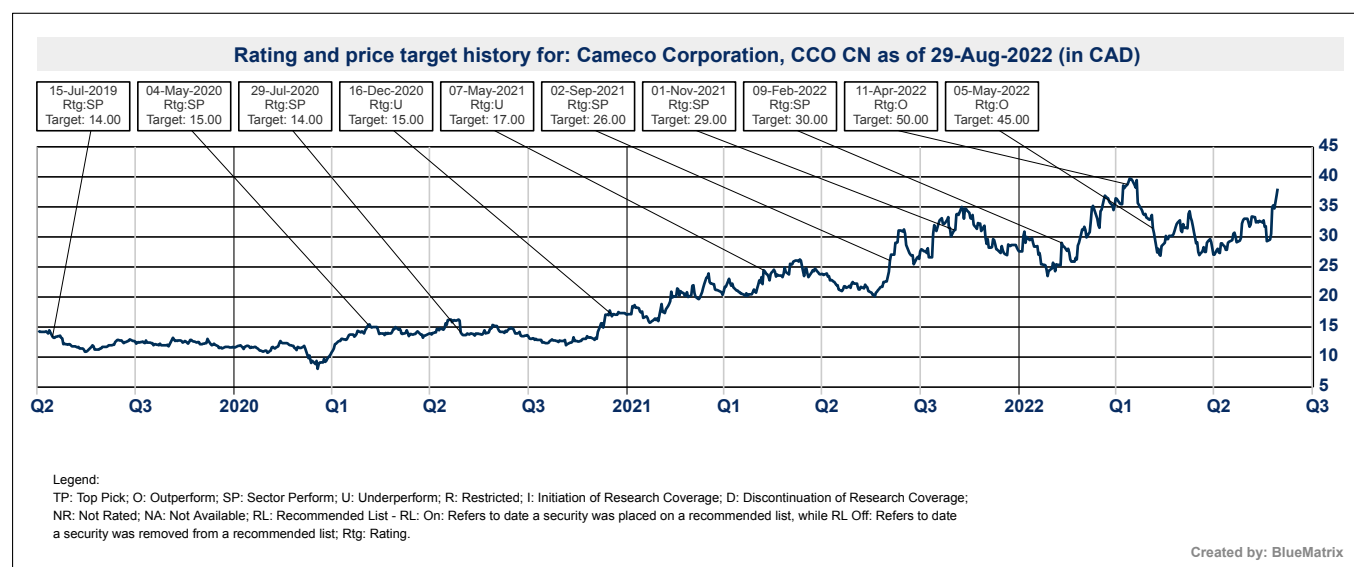
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SELL [Underperform]	46	3.16	6	13.04



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### Cameco Corporation

#### Valuation

We value the company by applying a 1.5x P/NAV multiple to our NAV estimate. Our target multiple is above the historical average but in line with multiples during periods of strong investor interest and rising uranium prices. Our DCF uses an 8% discount rate. Our \$45 price target supports our Outperform rating.



### Risks to rating and price target

We highlight several key risks and sensitivities that could be potentially material to our thesis on Cameco including: 1) a negative outcome in the ongoing CRA transfer pricing dispute; 2) contract cancellations; 3) potential production disruptions; 4) weaker-than-expected uranium prices; 5) currency volatility, primarily CAD/USD; and 6) a decline in uranium investor sentiment resulting in lower valuation multiples.

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