



September 13, 2022

RBC Uranium Watch: Week 37

Uranium market activity trending positively

Our view: Uranium equities were up again this week on the back of continued positive nuclear policy developments. This past week saw Michigan's governor call for a re-start of the currently shut-down Palisades nuclear plant, the China Nuclear Energy Association said the national nuclear energy reactor construction target could be raised to 10 reactors a year, from 6-8 currently, and Germany deciding to keep two reactors on standby in case of electricity shortages through the winter. Spot activity rebounded from the lull experienced in August as market participants met at the World Nuclear Association's symposium and SPUT has remained active through September now that the trust's NAV remains close to par.

Uranium Dashboard & Industry News

	22-Aug	29-Aug	05-Sep	12-Sep	% Change			
					1 Wk	1 Yr	3 Yr	
U₃O₈ Spot Price (US\$/lb)								
Ux Price	\$47.75	\$49.00	\$51.25	\$52.00	1%	18%	106%	
TradeTech Price	\$47.75	\$48.50	\$51.25	\$52.00	1%	22%	105%	
<p>The Ux uranium spot price increased 1% w/w to \$52.00 as spot market activity continued to tick up, accelerated by market participants meeting at the World Nuclear Association symposium in London this week. SPUT continues hover near NAV which incrementally supports spot demand.</p>								
U₃O₈ LT Price (US\$/lb)								
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%	105%	
<p>According to UxC, no utility contracts awards were reported over the week, but new term market demand continues to emerge from both utility and non-utility sources. A U.S. utility submitted its request for up to 1.8 million lbs U3O8 with delivery in 2024-2029, and up to 900,000 lbs optionally in 2030-2032 with offers due Sept. 21.</p>								
Sprott Physical Uranium Trust (SPUT)								
U.UN share price	\$13.50	\$16.00	\$16.78	\$16.56	-1%	-10%	94%	
U ₃ O ₈ Held (Mlbs)	57.4	57.6	58.4	58.6	0%	135%	284%	
NAV per share	\$15.72	\$16.07	\$16.91	\$16.97	0%	50%	157%	
Implied U ₃ O ₈ (US\$/lb)	\$41.15	\$48.90	\$50.57	\$50.68	0%	-13%	105%	
Prem./Disc. to NAV	-14.1%	-0.4%	-0.8%	-2.4%	-	-	-	
<p>SPUT shares pulled back -1% w/w. Based on information from Sprott disclosures, the shares have slightly widened their discount to NAV to -2.4% from -0.8% last week. The trust bought an additional 200,000lbs of U3O8 over the week.</p>								
Cameco								
CCO Share Price	\$29.55	\$37.90	\$37.71	\$39.35	4%	27%	228%	
Implied U ₃ O ₈ (US\$/lb)	\$61.10	\$90.85	\$90.17	\$96.02	-	-	-	
<p>Cameco shares were up 4% w/w to \$39.35/share. The implied uranium price correspondingly increased to \$96.</p>								

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

Companies mentioned

Cameco Corporation (TSX: CCO CN; C\$39.35; Outperform)

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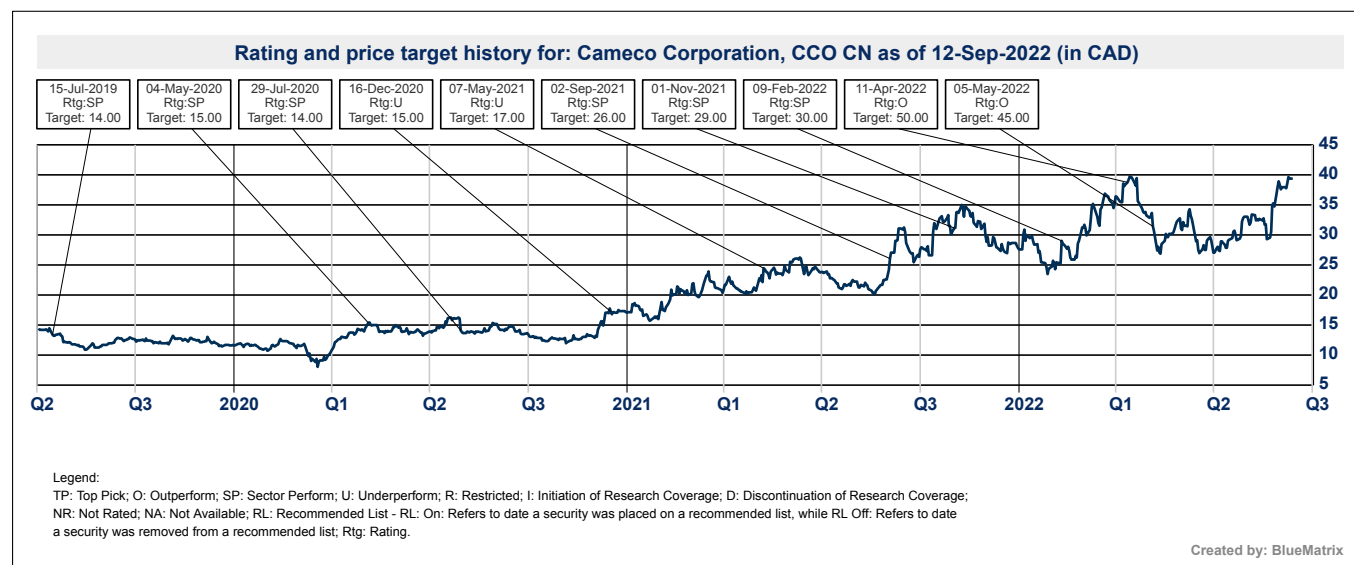
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			Serv./Past 12 Mos.	
			Count	Percent
BUY [Outperform]	851	58.41	290	34.08
HOLD [Sector Perform]	560	38.44	169	30.18
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Cameco Corporation

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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