

Uranium Energy Corp. (UEC)
Rating: Buy

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Trump Extends Section 232 Decision by 90 Days and Creates Working Group; Less Impact on UEC than Peers; Reiterate Buy

Stock Data		07/15/2019	
Price			\$1.14
Exchange		NYSE American	
Price Target			\$3.50
52-Week High			\$1.89
52-Week Low			\$0.91
Enterprise Value (M)			\$204
Market Cap (M)			\$206
Public Market Float (M)			136.4
Shares Outstanding (M)			180.7
3 Month Avg Volume		1,399,136	
Short Interest (M)			20.32
Balance Sheet Metrics			
Cash (M)			\$21.0
Total Debt (M)			\$19.2
Total Cash/Share			\$0.12
<i>Cash (M): Includes short-term investments</i>			
EPS Diluted			
Full Year - Jul	2018A	2019E	2020E
FY	(0.11)	(0.10)	(0.05)
Revenue (\$M)			
Full Year - Jul	2018A	2019E	2020E
FY	0.0	0.0	15.0



Further analysis required for Section 232 decision. On July 12, 2019, President Trump issued a long-anticipated memorandum on the effect of uranium imports on national security as it relates to the Section 232 investigation. While President Trump noted that there are “significant concerns regarding the impact of uranium imports on the national security with respect to domestic mining”, he believes a more complete analysis of the entire supply chain is necessary. To that end, he has created the United States Nuclear Fuel Working Group in order to analyze the challenges of producing domestic uranium while ensuring domestically produced uranium can satisfy defense requirements. His decision comes as a continuation of his announcement on June 29, 2017, to expand the U.S. nuclear sector.

Decision expected in 90 days. The United States Nuclear Fuel Working Group, which is expected to include six cabinet members, now has 90 days to submit a report to President Trump and “make recommendations to further enable domestic nuclear fuel production if needed.” We view the President’s decision as a step above a “soft no” which is how the decision has been perceived in the market thus far. Our opinion remains that some form of change is likely necessary to ensure the domestic uranium market is protected against foreign imports as a lack of control on the fuel cycle is dangerous for national security.

Domestic producers fall but UEC remains well positioned. Negative speculative news articles on July 12, 2019, caused stocks of domestic uranium producers to decline meaningfully prior to the President actually releasing his decision. However, while UEC’s stock fell by roughly 25% on the day of the announcement, the stock has since increased by over 6% given the memo did not sound as negative as feared initially. The stock is now down 32.5% from July 15, 2018, while the Global X Uranium ETF has decreased by about 8.2% over the same period.

We believe further downside for UEC is now limited. Additionally, we see the possibility for upside potential based on the Government making a more favorable decision in the future, possible M&A activity, or profitability from non-core items or assets. We highlight that UEC was not a Section 232 petitioner and is thus less likely to be penalized by utility firms than some of its peers that actually petitioned for changes. Lastly, with UEC’s diverse asset base amid a strong balance sheet that includes \$21M in cash and equivalents and short-term investments, we remain positive on the outlook for the firm.



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We reiterate our Buy recommendation and our price target of \$3.50 per share. Our valuation is based on a DCF of future operations using an 8% discount rate. We then add an in-situ value for the firm's resources. We further value Paraguay and other exploration stage assets at \$40M in addition to \$35M for the Reno Creek acquisitions. These figures are in-line with similar uranium assets carrying similar geopolitical risks. While our model remained unchanged for now, we may possibly be adjusting some factors of our model when a Section 232 decision is finalized and companies have more certainty on future plans. In short, we continue to believe that the firm's strong balance sheet and operational readiness would allow it to capitalize on higher uranium prices while the recent stock pullback provides an advantageous entry point for investors.

Risks. (1) Uranium price risk; (2) operating and technical risk; (3) political risk; and (4) financial risk.

UEC DCF Model

	2019E	2020E	2021E	2022E	2023E	2024E
(US\$ '000)						
Net Revenue	-	15,000	47,500	69,500	100,000	110,000
Total Operating Costs	2,050	7,700	17,200	24,240	34,600	37,200
Corporate Costs	10,000	10,000	10,000	10,000	10,000	10,000
Operating Income	(14,050)	(6,200)	13,944	29,085	49,925	58,075
EBITDA	(9,050)	(1,200)	18,944	34,085	54,925	63,075
Taxes	-	-	2,080	7,730	15,374	18,576
EPS	(\$0.09)	(\$0.05)	(\$0.02)	\$0.10	\$0.16	\$0.19
Cash Flow	(10,050)	(2,037)	4,667	26,264	39,636	42,247
CFPS	(\$0.06)	(\$0.01)	\$0.03	\$0.15	\$0.22	\$0.23
Total Capital Costs	1,000	1,000	13,500	1,000	1,000	1,000
NAV	\$625,669					
NPV / Share	\$	3.50				

Source: H.C. Wainwright & Co. estimates.

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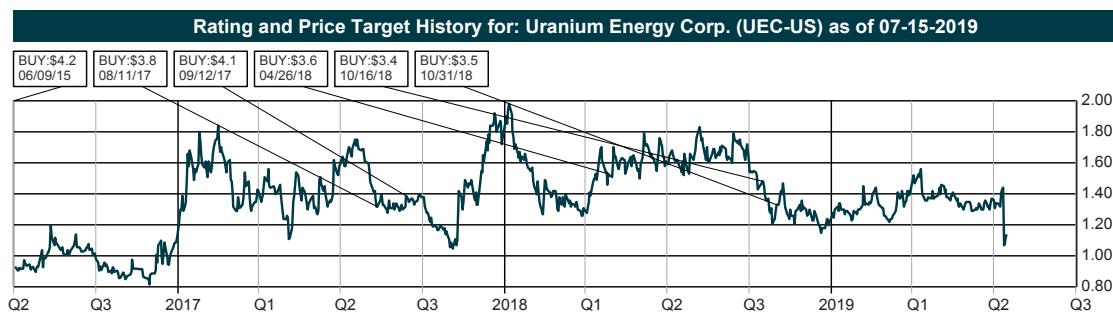
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Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	338	92.60%	119	35.21%
Neutral	25	6.85%	3	12.00%
Sell	0	0.00%	0	0.00%
Under Review	2	0.55%	0	0.00%
Total	365	100%	122	33.42%

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