

Uranium Energy Corp. (UEC)
Rating: Buy

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Proposed FY21 Budget Yields Potential for Meaningful Uranium Purchases; Operational Readiness Maintained; Reiterate Buy

Stock Data		02/12/2020	
Price		\$0.92	
Exchange		NYSE American	
Price Target		\$3.50	
52-Week High		\$1.58	
52-Week Low		\$0.75	
Enterprise Value (M)		\$175	
Market Cap (M)		\$168	
Public Market Float (M)		136.4	
Shares Outstanding (M)		183.3	
3 Month Avg Volume		713,919	
Short Interest (M)		21.77	
Balance Sheet Metrics			
Cash (M)		\$13.1	
Total Debt (M)		\$20.0	
Total Cash/Share		\$0.07	
EPS Diluted			
Full Year - Jul	2019A	2020E	2021E
FY	(0.10)	(0.06)	(0.13)
Revenue (\$M)			
Full Year - Jul	2019A	2020E	2021E
FY	0.0	0.0	13.5



Meaningful purchases of domestic uranium in FY21 budget proposal. On February 10, 2020, President Donald Trump submitted his proposed FY21 budget. The budget proposes purchasing \$150M of domestically produced uranium (U_3O_8) per year over an initial period of ten years. The President wants to create a federal U_3O_8 reserve that is expected to shield the country against any future market disruptions. In short, we believe that this proposal displays the Government's support for the U.S. nuclear fuel cycle. We highlight that the budget still requires Congressional approval but nonetheless provides the first official details on the topic from Mr. Trump since July 12, 2019, as the Section 232 investigation remains ongoing. While it may take some time for Congress to approve Mr. Trump's budget, we do not expect the purchases of domestically produced U_3O_8 to be a major point of contention.

Market participants eager for resolve. Despite the positive news, stocks of domestic U_3O_8 firms have remained mostly unchanged. We note that the Governor of Wyoming, Mr. Mark Gordon, mentioned the purchases would be included in the upcoming budget during a public meeting on January 31, 2020. The markets seemed to react positively to this preliminary and unconfirmed information, which led to shares of domestic uranium firms advancing 5-15% on the following Monday, compared with a gain of less than 1% for the Global X Uranium ETF (NYSE:URA; not rated). We believe that this early movement, coupled with a subsequent lack of detail from the White House since then, has likely limited further upside thus far. We therefore consider the current situation to be a buying opportunity for UEC shares.

Ready to act amid continued low cash burn. UEC remains ready to ramp-up production should the Government move forward with domestic U_3O_8 purchases or if U_3O_8 pricing improves to more advantageous levels. While UEC continues to operate at reduced levels, the firm nonetheless maintains four million pounds of annual capacity to produce U_3O_8 from its South Texas and Wyoming ISR projects. We note that the firm has enough cash on hand to continue operations over the next year before requiring additional funds.

We are reiterating our Buy rating and our PT of \$3.50 per share. Our valuation is based on a DCF of future operations using an unchanged 8% discount rate. We then add an in-situ value for the firm's resources. We value UEC's Reno Creek assets at \$35M. We further model a flat \$40M for Paraguay and UEC's other exploration stage assets. These figures remain in-line with similar projects carrying equal geopolitical risks throughout our coverage universe. We continue to believe that UEC's strong balance sheet and operational readiness should allow the firm to capitalize on either higher U_3O_8 prices, or the support of the U.S. Government to purchase domestically produced U_3O_8 .

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



Uranium Energy Corp.

All figures in USD\$ unless otherwise noted

			2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Uranium price per lb			\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50
Palangana Production		('000s pounds)	-	300	500	340	200	50	-	-	-	-	-
Total Revenue ('000s)			\$ -	\$ 15,000	\$ 25,000	\$ 17,000	\$ 10,000	\$ 2,500	\$ -	\$ -	\$ -	\$ -	\$ -
Goliad Production		('000s pounds)	-	-	450	600	600	600	600	600	600	600	600
Total Revenue ('000s)			\$ -	\$ -	\$ 22,500	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
Burke Hollow Production		('000s pounds)	-	-	-	450	1,200	1,550	1,550	1,550	1,550	1,550	1,550
Total Revenue ('000s)			\$ -	\$ -	\$ -	\$ 22,500	\$ 60,000	\$ 77,500	\$ 77,500	\$ 77,500	\$ 77,500	\$ 77,500	\$ 77,500
Gross Revenue			\$ -	\$ 15,000	\$ 47,500	\$ 69,500	\$ 100,000	\$ 110,000	\$ 107,500	\$ 107,500	\$ 107,500	\$ 107,500	\$ 107,500
10% Royalty Palangana ('000s)			\$ -	\$ 1,500	\$ 2,500	\$ 1,700	\$ 1,000	\$ 250	\$ -	\$ -	\$ -	\$ -	\$ -
8.25% Royalty Goliad ('000s)			\$ -	\$ -	\$ 1,856	\$ 2,475	\$ 2,475	\$ 2,475	\$ 2,475	\$ 2,475	\$ 2,475	\$ 2,475	\$ 2,475
Net Sales ('000s)			\$ -	\$ 13,500	\$ 43,144	\$ 65,325	\$ 96,525	\$ 107,275	\$ 105,025	\$ 105,025	\$ 105,025	\$ 105,025	\$ 105,025
Total Operating Costs ('000s)			\$ 2,050	\$ 7,700	\$ 17,200	\$ 24,240	\$ 34,600	\$ 37,200	\$ 36,400	\$ 36,400	\$ 36,400	\$ 36,400	\$ 36,400
Exploration ('000s)			\$ 4,500	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Corporate Costs ('000s)			\$ 9,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Operating Income ('000s)			\$ (15,550)	\$ (6,200)	\$ 13,944	\$ 29,085	\$ 49,925	\$ 58,075	\$ 56,625	\$ 56,625	\$ 56,625	\$ 56,625	\$ 56,625
Depreciation ('000s)			\$ 350	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
EBITDA ('000s)			\$ (15,200)	\$ (1,200)	\$ 18,944	\$ 34,085	\$ 54,925	\$ 63,075	\$ 61,625	\$ 61,625	\$ 61,625	\$ 61,625	\$ 61,625
Taxes ('000s)			\$ (4,515)	\$ (2,870)	\$ 4,180	\$ 9,130	\$ 16,074	\$ 18,576	\$ 18,069	\$ 18,069	\$ 18,069	\$ 18,069	\$ 18,069
CapEx ('000s)			\$ (1,000)	\$ (1,000)	\$ (13,500)	\$ (1,000)	\$ (1,000)	\$ (1,000)	\$ (1,000)	\$ (1,000)	\$ (1,000)	\$ (1,000)	\$ (1,000)
Total Free Cash Flow			\$ (16,200)	\$ (2,200)	\$ 5,444	\$ 33,085	\$ 53,925	\$ 62,075	\$ 60,625	\$ 60,625	\$ 60,625	\$ 60,625	\$ 60,625
Cash Flow Discount Rate	8%		0	1	2	3	4	5	6	7	8	9	10
PV of Cash Flows ('000s)			\$ (16,200)	\$ (2,037)	\$ 4,667	\$ 26,264	\$ 39,636	\$ 42,247	\$ 38,204	\$ 35,374	\$ 32,754	\$ 30,328	\$ 28,081
NPV	\$	259,318	\$ 1.41 per share										
Plus Non-Texas Projects	\$	274,680	\$ 1.50 per share										
Plus Paraguay assets	\$	40,000	\$ 0.22 per share										
Plus Cash	\$	13,112	\$ 0.07 per share as of 10/31/19										
Plus Reno Creek/North Reno Creek	\$	35,000	\$ 0.19 per share										
Plus Alto Parana Resources	\$	41,500	\$ 0.23 per share										
Minus Debt		(20,032)	(0.11) per share as of 10/31/19										
Total Current Value	\$	643,578											
Common Shares Outstanding	183,292	as of 12/06/19											
Project NAV Per Share	\$	3.51											
NPV/Share (Rounded to \$0.10/share)	\$	3.50											
UEC Stock Price	\$	0.92	as of 2/12/20										
Source: HC Wainright & Co. estimates.													

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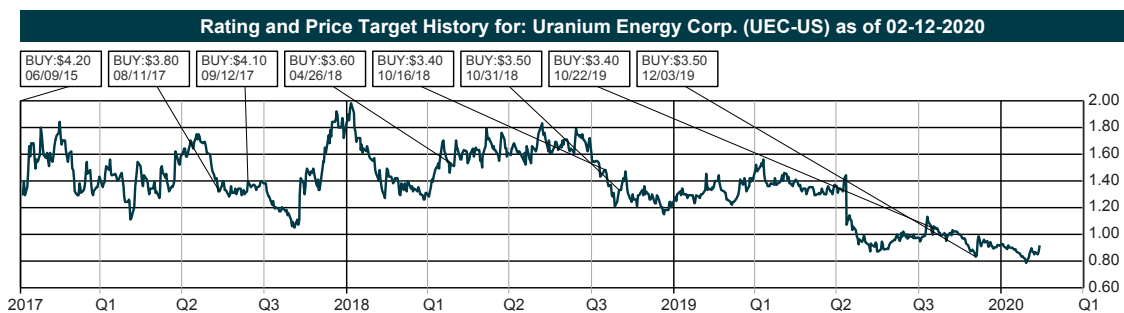
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Distribution of Ratings Table as of February 12, 2020					
Ratings	Count	Percent	IB Service/Past 12 Months		
			Count	Percent	
Buy	380	91.79%	135	35.53%	
Neutral	32	7.73%	7	21.88%	
Sell	0	0.00%	0	0.00%	
Under Review	2	0.48%	2	100.00%	

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