

Uranium Energy Corp. (UEC)
Rating: Buy

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Reno Creek Prefeasibility Study Remains Ongoing; Hobson Creek Provides Incremental Growth Potential; Reiterate Buy

| Stock Data | | 09/10/2020 | |
|-------------------------|--------|---------------|--------|
| Price | | | \$1.04 |
| Exchange | | NYSE American | |
| Price Target | | | \$3.50 |
| 52-Week High | | | \$1.26 |
| 52-Week Low | | | \$0.35 |
| Enterprise Value (M) | | | \$204 |
| Market Cap (M) | | | \$192 |
| Public Market Float (M) | | | 136.4 |
| Shares Outstanding (M) | | | 184.2 |
| 3 Month Avg Volume | | 1,102,797 | |
| Short Interest (M) | | | 18.87 |
| Balance Sheet Metrics | | | |
| Cash (M) | | | \$7.4 |
| Total Debt (M) | | | \$19.4 |
| Total Cash/Share | | | \$0.04 |
| EPS Diluted | | | |
| Full Year - Jul | 2019A | 2020E | 2021E |
| FY | (0.10) | (0.08) | (0.13) |
| Revenue (\$M) | | | |
| Full Year - Jul | 2019A | 2020E | 2021E |
| FY | 0.0 | 0.0 | 13.5 |



Ongoing prefeasibility study at Reno Creek. Uranium Energy Corp. (UEC) owns the Reno Creek project, which is located in the Powder River Basin of Wyoming, and already has production permits in place. We note that the project contains a measured and indicated resource of 23.97M tons of ore, grading 0.04% uranium, for a total of 18.71M pounds (lbs) of uranium. We expect the prefeasibility study for the site to provide additional insights into the project's economics, results of which are likely to be quite positive given recent improvements in uranium spot prices. We note that Reno Creek is currently licensed for an annual uranium production rate of 2Mlbs and has fewer geopolitical risk factors than other foreign assets.

Hobson Creek provides potential near-term production amid growth prospects. UEC's Hobson Creek processing facility in Texas maintains a fully permitted and licensed production capacity of 2Mlbs of uranium per year. Management seeks to utilize a hub and spoke strategy to integrate its nearby assets such as the Palangana in-situ recovery mine. We note that Palangana was in production from 2010 until July 2019, and that the site remains fully permitted with an expanded mine permit. Management expects low operational cash-costs of less than \$22/lb at the site following a 6-month construction period and about \$10M of initial CapEx. We note that the nearby Goliad and Burke Hollow projects maintain similar cost structures.

Uranium spot prices remain relatively strong. According to TradeTech (private), uranium spot prices have declined from almost \$34/lb at the end of May 2020 to roughly \$31/lb by the end of August 2020. These prices, however, are still close to the highest levels we have seen since February 2016. Additionally, we note that long-term pricing has remained relatively steady at \$35/lb, which equates to the highest price since October 2016. We ultimately believe that the U.S. Government's FY21 budget, which is projected to include purchases of domestically produced uranium as part of its \$1.5B Uranium Reserve, is likely to contribute to higher prices in the near-term.

We reiterate our Buy rating on UEC shares and our PT of \$3.50 per share. Our valuation remains based on a DCF of future operations for the firm utilizing an unchanged 8% discount rate. We then add an in-situ value of \$35.0M for UEC's Reno Creek assets, \$41.5M for Alto Parana's resources, and \$40.0M for Paraguay and UEC's other exploration stage assets. These figures remain inline with similar projects throughout our coverage universe to which we assign equal geopolitical risk factors. We expect higher uranium prices in the longer-term, some of which may be quite pronounced given current global developments, to merit several favorable production decisions across UEC's asset base. We also highlight the potential of additional demand for UEC's domestically sourced uranium through the proposed Uranium Reserve by the Nuclear Fuel Working Group.

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% | | | | | | | | | | |
| 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 | \$ 1.49 | per share | | | | | | | | |
| Plus Paraguay Assets | \$ 40,000 | \$ 0.22 | per share | | | | | | | | |
| Plus Cash | \$ 7,407 | \$ 0.04 | per share | as of 4/30/20 | | | | | | | |
| Plus Reno Creek/North Reno Creek | \$ 35,000 | \$ 0.19 | per share | | | | | | | | |
| Plus Alto Parana Resources | \$ 41,500 | \$ 0.23 | per share | | | | | | | | |
| Minus Debt | (19,444) | (0.11) | per share | as of 4/30/20 | | | | | | | |
| Total Current Value | \$ 638,461 | | | | | | | | | | |
| Common Shares Outstanding | 184,188 | as of 6/8/20 | | | | | | | | | |
| Project NAV Per Share | \$ 3.47 | | | | | | | | | | |
| NPV/Share (Rounded to \$0.10/share) | \$ 3.50 | | | | | | | | | | |
| UEC Stock Price | \$ 1.04 | as of 9/10/20 | | | | | | | | | |
| Source: HC Wainwright & Co. estimates. | | | | | | | | | | | |

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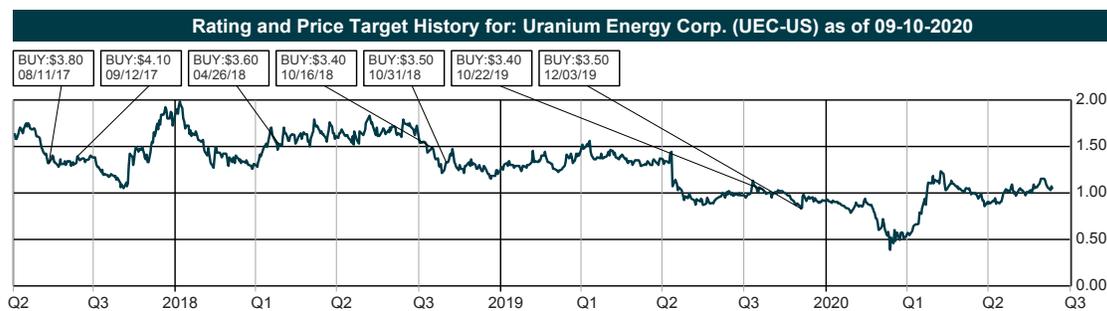
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Distribution of Ratings Table as of September 10, 2020

| Ratings | Count | Percent | IB Service/Past 12 Months | |
|--------------|-------|---------|---------------------------|---------|
| | | | Count | Percent |
| Buy | 415 | 90.61% | 154 | 37.11% |
| Neutral | 40 | 8.73% | 8 | 20.00% |
| Sell | 0 | 0.00% | 0 | 0.00% |
| Under Review | 3 | 0.66% | 3 | 100.00% |

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