

Uranium Energy Corp. (UEC)
Rating: Buy

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Uranium Price Deck Revision In-line With Spot Price Movement and Strong Market Fundamentals; Reiterate Buy; PT Higher

| Stock Data | | 09/28/2021 |
|-------------------------|---------------|------------|
| Price | | \$3.06 |
| Exchange | NYSE American | |
| Price Target | | \$5.60 |
| 52-Week High | | \$3.77 |
| 52-Week Low | | \$0.82 |
| Enterprise Value (M) | | \$657 |
| Market Cap (M) | | \$714 |
| Public Market Float (M) | | 136.4 |
| Shares Outstanding (M) | | 233.2 |
| 3 Month Avg Volume | | 6,095,370 |
| Short Interest (M) | | 22.49 |

| Balance Sheet Metrics | | |
|-----------------------|--|--------|
| Cash (M) | | \$66.7 |
| Total Debt (M) | | \$10.1 |
| Total Cash/Share | | \$0.29 |

Cash (M): includes purchased inventories and pro forma for 5/20/21 1.0M share purchase of UROY.

| EPS (\$) Diluted | | | |
|------------------|--------|--------|-------|
| Full Year - Jul | 2020A | 2021E | 2022E |
| FY | (0.08) | (0.08) | 0.03 |

| Revenue (\$M) | | | |
|-----------------|-------|-------|-------|
| Full Year - Jul | 2020A | 2021E | 2022E |
| FY | 0.0 | 0.0 | 25.5 |



Revising our uranium price deck based on recent market developments amid near-term catalysts. We update the price deck utilized across our uranium coverage universe to reflect a series of recent market moves. In addition, we attempt to account for improvements in underlying sector fundamentals. Looking ahead, we now utilize a uranium price of \$50 per pound (lb) for FY21, \$55/lb for FY22, \$60/lb for FY23 and \$65/lb for FY24 and beyond. These revisions compare favorably to our previous price estimate of \$50/lb, and seem justified as spot prices have seen a continuous upward trajectory.

Uranium price momentum driven by physical purchases. The Sprott Physical Uranium Trust Fund (SRUUF; not rated) (SPUT) is a closed-end fund focused on purchasing physical uranium on the open market. Notably, the fund initially began trading on the Toronto Stock Exchange on July 19, 2021, which appears to have spurred a frenzy of physical uranium purchases. We stress that uranium spot prices as of September 28, 2021, have increased roughly 41% YTD to about \$43/lb. Since its inception, SPUT maintains a total uranium holding of 29.1M lbs. In addition, the fund recently announced a \$300M at-the-market program that was ultimately up-sized to \$1.3B and provides strong support for ongoing uranium purchases. In short, we believe the uranium sector is beginning to exhibit its fundamental supply deficit, which is further exacerbated by purchases from the SPUT, at an expedited rate. We therefore believe that this strength in the market is likely to yield longer-term benefits and eventually play into broader global economics.

Supply and demand fundamentals remain the primary catalyst for long-term pricing. Looking ahead, we believe that uranium market key drivers going forward include the effects of underinvestment, a lack of global uranium supply, production curtailments related to COVID-19 disruptions, and an adoption of nuclear power in a carbon-neutral future. We stress that the primary supply deficit seen in the market has been present prior to the emergence of financial players such as SPUT. Longer-term, we anticipate meaningful impact on pricing. As an example, the European Parliament has recognized the role of nuclear energy in achieving its 2050 zero emissions climate goal. A variety of global initiatives, such as the adoption of nuclear energy as a green alternative, continue to play out. Simultaneously, domestic developments such as the recent establishment of a U.S. Uranium Reserve should provide direct benefits to U.S. producers.

We are reiterating our Buy recommendation while increasing our PT to \$5.60 from \$5.00. The increased PT is primarily a result of our aforementioned price deck revisions. Our valuation for UEC remains based on a DCF of future operations for the firm, utilizing our 7.5% discount rate. We then add an in situ value of \$95.0M for UEC's Reno Creek assets, \$41.5M for Alto Parana's resources, and an additional \$40.0M for Paraguay and UEC's other exploration stage assets. We continue to believe that these figures remain inline with similar projects throughout our coverage universe to which we assign equal geopolitical risk factors.

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Near-term catalysts. Looking ahead, we view the trend of more investors entering the market, such as through the creation of SPUT, in conjunction with a deficit of supply, as meaningful catalysts to support higher uranium prices in both the near- and long-term. In our opinion, UEC remains well positioned to capitalize on higher uranium prices that could potentially warrant production decisions at one or more of its properties, and also support the company's physical uranium purchasing initiative. We highlight that UEC's Burke Hollow property already has all four major required permits for uranium extraction, while its Hobson processing plant maintains an annual processing capacity of 2.0Mlbs of uranium. In conclusion, we believe physical purchases under SPUT have served as the initial spark in igniting positive market movements that are likely to be further fueled by the underlying supply deficit amid future demand projections.

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

| | | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|---|--------------|---------------|--|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Uranium price per lb | | \$ 50 | \$ 55 | \$ 60 | \$ 65 | \$ 65 | \$ 65 | \$ 65 | \$ 65 | \$ 65 | \$ 65 |
| Palangana Production ('000s pounds) | | - | 350 | 340 | 200 | 50 | - | - | - | - | - |
| Total Revenue ('000s) | | \$ - | \$ 19,250 | \$ 20,400 | \$ 13,000 | \$ 3,250 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Goliad Production ('000s pounds) | | - | 150 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 |
| Total Revenue ('000s) | | \$ - | \$ 8,250 | \$ 36,000 | \$ 39,000 | \$ 39,000 | \$ 39,000 | \$ 39,000 | \$ 39,000 | \$ 39,000 | \$ 39,000 |
| Burke Hollow Production ('000s pounds) | | - | - | 450 | 1,200 | 1,550 | 1,550 | 1,550 | 1,550 | 1,550 | 1,550 |
| Total Revenue ('000s) | | \$ - | \$ - | \$ 27,000 | \$ 78,000 | \$ 100,750 | \$ 100,750 | \$ 100,750 | \$ 100,750 | \$ 100,750 | \$ 100,750 |
| Gross Revenue | | \$ - | \$ 27,500 | \$ 83,400 | \$ 130,000 | \$ 143,000 | \$ 139,750 | \$ 139,750 | \$ 139,750 | \$ 139,750 | \$ 139,750 |
| 10% Royalty Palangana ('000s) | | \$ - | \$ 1,350 | \$ 2,040 | \$ 1,300 | \$ 325 | \$ - | \$ - | \$ - | \$ - | \$ - |
| 8.25% Royalty Goliad ('000s) | | \$ - | \$ 681 | \$ 2,970 | \$ 3,218 | \$ 3,218 | \$ 3,218 | \$ 3,218 | \$ 3,218 | \$ 3,218 | \$ 3,218 |
| Net Sales ('000s) | | \$ - | \$ 25,469 | \$ 78,390 | \$ 125,483 | \$ 139,458 | \$ 136,533 | \$ 136,533 | \$ 136,533 | \$ 136,533 | \$ 136,533 |
| Operating cost per lb | | \$ - | \$ 18 | \$ 16 | \$ 16 | \$ 16 | \$ 16 | \$ 16 | \$ 16 | \$ 16 | \$ 16 |
| Total Operating Costs ('000s) | | \$ - | \$ 9,000 | \$ 22,240 | \$ 32,000 | \$ 35,200 | \$ 34,400 | \$ 34,400 | \$ 34,400 | \$ 34,400 | \$ 34,400 |
| Operating Income ('000s) | | \$ - | \$ 16,469 | \$ 56,150 | \$ 93,483 | \$ 104,258 | \$ 102,133 | \$ 102,133 | \$ 102,133 | \$ 102,133 | \$ 102,133 |
| CapEx ('000s) | | \$ (500) | \$ (5,000) | \$ (3,000) | \$ (1,000) | \$ (1,000) | \$ (1,000) | \$ (1,000) | \$ (1,000) | \$ (1,000) | \$ (1,000) |
| Taxes ('000s) 35.0% | | \$ - | \$ - | \$ - | \$ - | \$ (18,070) | \$ (35,396) | \$ (35,396) | \$ (35,396) | \$ (35,396) | \$ (35,396) |
| Total Operating Cash Flow | | \$ (500) | \$ 11,469 | \$ 53,150 | \$ 92,483 | \$ 85,187 | \$ 65,736 | \$ 65,736 | \$ 65,736 | \$ 65,736 | \$ 65,736 |
| Discount Rate 7.5% | | | | | | | | | | | |
| PV of Operating Cash Flows ('000s) | | \$ (500) | \$ 10,669 | \$ 45,992 | \$ 74,445 | \$ 63,788 | \$ 45,789 | \$ 42,594 | \$ 39,623 | \$ 36,858 | \$ 34,287 |
| NPV | \$ 393,546 | \$ 1.69 | per share | | | | | | | | |
| Plus Non-Texas Projects | \$ 610,400 | \$ 2.62 | per share | | | | | | | | |
| Plus Paraguay Assets | \$ 40,000 | \$ 0.17 | per share | | | | | | | | |
| Plus Cash and Purchased Inventories | \$ 66,885 | \$ 0.29 | per share as of 4/30/21; pro forma for 1.0M share participation in 5/20/21 UROY bought deal. | | | | | | | | |
| Plus Reno Creek/North Reno Creek | \$ 95,000 | \$ 0.41 | per share | | | | | | | | |
| Plus Alto Parana Resources | \$ 41,500 | \$ 0.18 | per share | | | | | | | | |
| Plus Uranium Royalty Corp. (UROY; Buy) | \$ 64,350 | \$ 0.28 | per share 15.0M common shares at \$4.29 per share as of 9/28/21 | | | | | | | | |
| Minus Debt | (10,125) | (0.04) | per share as of 4/30/21 | | | | | | | | |
| Total Current Value | \$ 1,301,556 | | | | | | | | | | |
| Common Shares Outstanding | 233,248 | as of 6/7/21 | | | | | | | | | |
| Project NAV Per Share | \$ 5.58 | | | | | | | | | | |
| NPV/Share (Rounded to \$0.10/share) | \$ 5.60 | | | | | | | | | | |
| UEC Stock Price | \$ 3.06 | as of 9/28/21 | | | | | | | | | |

Source: HC Wainwright & Co. estimates.

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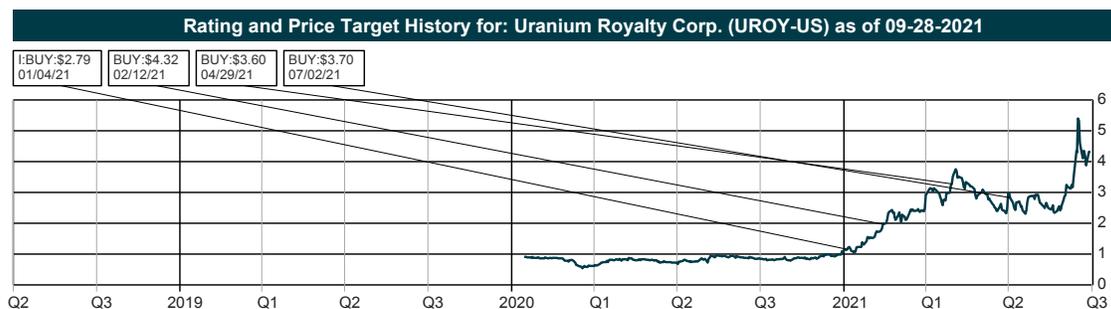
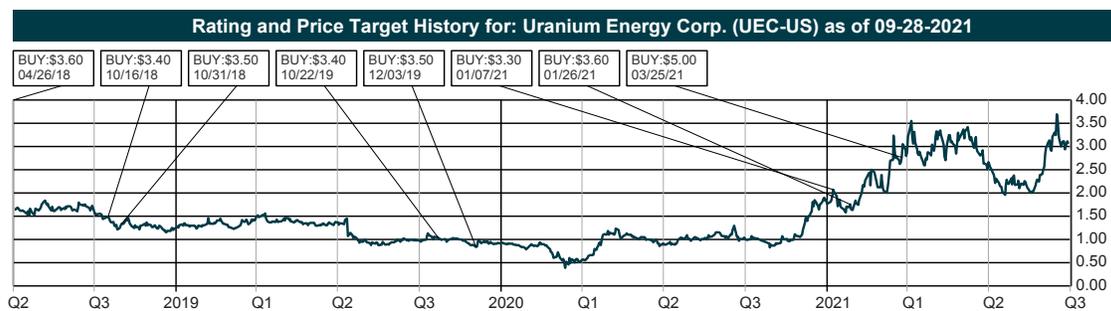
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Related Companies Mentioned in this Report as of Sep/28/2021

| Company | Ticker | H.C. Wainwright Rating | 12 Month Price Target | Price | Market Cap |
|-----------------------|--------|------------------------|-----------------------|--------|------------|
| Uranium Royalty Corp. | UROY | Buy | \$3.70 | \$4.33 | \$357 |

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| Distribution of Ratings Table as of September 28, 2021 | | | | |
|--|-------|---------|---------------------------|---------|
| Ratings | Count | Percent | IB Service/Past 12 Months | |
| | | | Count | Percent |
| Buy | 526 | 90.22% | 189 | 35.93% |
| Neutral | 52 | 8.92% | 14 | 26.92% |
| Sell | 1 | 0.17% | 0 | 0.00% |
| Under Review | 4 | 0.69% | 1 | 25.00% |

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