

November 1, 2023

Physical Uranium Inventory (U.UN-T, U.U-T & YCA-L)

Monthly Uranium NAV Update : Inventory Purchases Increase

Event

The uranium spot price continued its upward march on the month as it advanced by nearly +2.0% to reach a quote of \$74.25/lb to end the month of October. This represents a fresh fifteen year, post-Fukushima high. The month of October was particularly strong on the inventory front with SPUT (U.UN, U.U) adding +300,000 lbs and thus increasing its total number of purchased lbs to +3.0M lbs on a YTD basis. We note that SPUT purchasing in October alone already surpassed the total number purchased in Q3/2023. Not to be outdone by SPUT, Yellow Cake PLC (YCA) was also active this past month as it took receipt of 1.35M lbs (technically on the last day of September) in a deal with Kazatomprom (KAP) which was finalized in 2022 at a price of \$48.90/lb (representing a -34% discount to the current spot).

Details

- **Yellow Cake Going Big on Inventory** – Apart from the receipt of inventory, we highlight the fact that Yellow Cake completed an oversubscribed share placing on October 2, raising gross proceeds of ~\$125M. These funds were used to purchase a further ~1.527M lbs from Kazatomprom at an agreed upon price of \$65.50/lb (receipt is expected sometime in 1H/2024). Recall that in 2021, Yellow Cake raised a total of \$375.1M and inclusive of fully exercising its option under the Kazatomprom Framework Agreement (KFA), acquired a total of 8.35M lbs of U3O8. In February 2023, Yellow Cake raised approximately \$75M and via partially exercising its 2022 option under the KFA, acquired a total of 1.35M lb of U3O8 (at \$48.90/lb).
- **YCA discount Spread to SPUT Seems Overdone** – We note that unlike SPUT's discount which narrowed in October, Yellow Cake's discount increased in the same period, going from -9.0% to the current -12.3%. Though Yellow Cake normally trades at a larger discount to intrinsic value relative to SPUT (justifiably reflecting the smaller size, liquidity and larger perceived delivery risk associated with Kazakh sourced uranium) we feel that the discount is overdone and would entertain a short SPUT long YCA near term pair trade on back of a valuation spread discrepancy.

Conclusion

Given current pricing, SPUT's discount to NAV narrowed from last month's -5.8% to the current -2.0%. Units are now trading at a 0.98x P/NAVPU relative to its intrinsic value of \$25.62. Given our LT \$80/lb price objective for the spot and constant CAD/USD exchange rate, our 1.05x NAVPU valuation of \$29.00 (rounded) remains.

For YCA, given the most recent spot U3O8 quote at \$74.25/lb (or £61.63/lb), YCA is trading at 0.88x P/NAVPU, or at an -12.3% discount given the current 1.0x NAVPU intrinsic value of £628.73. Given our LT \$80/lb price objective for the spot and a constant GBP/USD foreign exchange rate, our 0.95x NAVPU valuation of £690 (rounded) remains.

Full details can be found [here](#):

Company Profile

Sector	Mining - Inventory
Sub-Sector	Uranium
Company	Sprott Physical U Trust
Ticker	U.UN, U.U
Current Price (C\$)	\$25.11
12-Mth Price Objective (C\$)	\$29.00
Potential Upside	+15.5%
Mkt Cap, Basic (C\$M)	\$6,238
EV (C\$M)	\$6,189
Shares O/S Basic (M)	253.11
1-Mth Return	+15.5%
3-Mth Return	+38.5%
YTD Return	+46.3%

Sector	Mining - Inventory
Sub-Sector	Uranium
Company	Yellow Cake plc
Ticker	YCA-L
Current Price (GBP)	£552.00
12-Mth Price Objective (GBP)	£690.00
Potential Upside	+25.0%
Mkt Cap, Basic (GBP M)	£1,197.1
EV (GBP M)	£1,130.3
Shares O/S Basic (M)	216.86
1-Mth Return	+0.5%
3-Mth Return	+29.1%
YTD Return	+50.1%

2-Year Stock Chart – U.UN



2-Year Stock Chart - YCA



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