HoldCo Markets

March 1, 2024

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

Monthly Uranium NAV Update : Spot Back Below $100/lb

Event

Following the near sixteen-year, post-Fukushima spot price highs of $102/lb to end the month of January, the uranium spot price gave up some ground in February, retreating by --7.4% to reach $94.50/lb at month-end. That said, inventory levels remained constant during the month at both holding companies. Recall that SPUT buying thus far in 2024 has totaled 400,000 lbs as booked earlier in January.

Details

- **Cameco Looks to the Future with Cigar Lake & McArthur –** Earlier in February, the focus was on Cameco's Q4/2023 earnings and guidance outlook. Though much anticipation was built into the share price pre-earnings, unlike Kazatomprom announcing lower levels of production guidance due to the lack of raw input (mostly sulfuric acid) availability, Cameco offered a more balanced outlook. Underpinned by strong financial performance driven by high volumes and realized prices, FY/2024 production is expected to be 18.0M lbs (100%) at both Cigar Lake and McArthur River/Key Lake. With the long term in mind, the necessary work will begin later this year to extend the Cigar Lake LOM to 2036 while at McArthur/Key Lake, an evaluation will begin to assess the feasibility of increasing the annual licensed capacity to 25.0M lbs (100%) per year. Additional LT contracts are expected to be signed with floor/ceilings of $70-$120/lb. Lastly, management provided five-year CAGR guidance for Westingouse in which between 6%-10% is expected to be reached.
- **Kazatomprom Reduces Production Guidance -** Kazatomprom's operational update was announced as generally mixed (attributable production of 3.1ktU or ~8.0M lbs U3O8 in Q4/2023). More importantly however, lower production guidance revisions were announced for both FY/2024 and FY/2025. For FY/2024, production guidance was lowered by 14% (100% at midpoint) to a range between 21.0ktU-22.5ktU (~54.5M-58.5M lbs). Given this downward revision, the previously announced FY/2025 production goal of between 30.5ktU-31.5ktU (79.0M-82.0M lbs, 100%) seems unlikely to be met.

Conclusion

Given current pricing, SPUT's discount to NAV increased from last month's -7.3% to the current -10.4%. Units are now trading at a 0.89x P/NAVPU relative to its intrinsic value of $31.82. Given our LT $120/lb price objective for the spot and constant CAD/USD exchange rate, our 1.05x NAVPU valuation of $43.30 (rounded) remains. this represents upside of +52.7% from the most recent close.

For YCA, given the most recent spot U3O8 quote at $94.50/lb (or £74.66/lb), YCA is trading at 0.83x P/NAVPU, or at an -17.4% discount given the current 1.0x NAVPU intrinsic value of £758.38. Given our LT $120/lb price objective for the spot and a constant GBP/USD foreign exchange rate, our 0.95x NAVPU valuation of £1,040 (rounded) remains. This equates to upside of +66.0% from the most recent close. 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$)	$28.36
12-Mth Price Objective (C$)	$43.30
Potential Upside	+52.7%
Mkt Cap, Basic (C$M)	$7,001
EV (C$M)	$6,878
Shares O/S Basic (M)	258.11
1-Mth Return	-16.6%
3-Mth Return	+6.9%
YTD Return	-0.3%

Sector	Mining - Inventory
Sub-Sector	Uranium
Company	Yellow Cake plc
Ticker	YCA-L
Current Price (GBp)	£626.50
12-Mth Price Objective (GBp)	£1,040.00
Potential Upside	+66.0%
Mkt Cap, Basic (GBp M)	£1,358
EV (GBp M)	£1,290
Shares O/S Basic (M)	216.86
1-Mth Return	-14.5%
3-Mth Return	+6.6%
YTD Return	+1.2%

2-Year Stock Chart – U.UN

2-Year Stock Chart - YCA

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