

Energy Fuels (EFR-CN, UUUU)

Near-Term Uranium but Betting the Future on Rare Earths

Event

Earlier this week, Energy Fuels held its Q1/2024 conference call, post-quarterly results which came in after the market close the previous Friday. We view the earnings largely as a non-event (300k U3O8 lbs sold generating revenues of \$25.4M and EPS of \$0.02) seeing as the company remains well in the midst of a transition to becoming less of a uranium producer and more of a REE producer instead. Though there are some near term uranium mines in the midst of re-start, the majority of the call was devoted to the longer-term future which clearly revolves around a recent flurry of REE property acquisitions and MOUs. Though this commodity pivot has been evident for the last few years already, Energy Fuels clearly has no business being valued solely as a uranium company anymore – management stated this very concept on the quarterly call as well. We do not currently cover, nor do we have a rating or price objective for UUUU shares.

Details

- **Understand the Corporate Pivot** – The pivot to become an REE producer began four years ago when the company began the evaluation for REE processing at the White Mesa mill, as announced on April 13, 2020. This was followed up by an announced agreement with Chemours (December 14 2020) whereby Energy Fuels would receive a minimum of 2,500 tons per year of natural monazite sands from Chemours' Mineral Sand Plant located in the state of Georgia, to be processed at White Mesa into a marketable, mixed REE carbonate. With Chemours proving to be an unreliable partner, since 2022, two acquisitions were announced along with one MOU. In order to finance much of these acquisitions, some of Energy Fuel's best uranium assets were sold.
- **Conventional Uranium Production Ramping Up** – Energy Fuel's current uranium production comes from Pinyon Plain (Arizona), La Sal (Utah) and Pandora (Utah). Production is still expected to be minimal given the ramp up phase this year. For FY/2024, the company expects to produce between 150,000-500,000 lbs, however most of this would be coming from stockpiled ore and alternate feed material (along with some mined conventional ore). A new contract for alternate feed (between 11,000-30,000 lbs per year) was recently signed. That said, once fully ramped (mid-late 2024), annual uranium production is expected at a run-rate between 1.10M-1.40M lbs. The near term uranium pipeline assets don't have long term LOMs
- **REE Production Requires Time (and Plenty of Capital)** – All the REE related properties still require a great deal of permitting and drilling. At best, 2026 is seen as the start date for monazite sand imports from Bahia. Once the Base Resources acquisition closes, government approvals (Madagascar) will be needed, along with a not insignificant ~\$700M capex for Phase 1 & Phase 2 developments at Toliara.

Conclusion

We do not currently cover, nor do we have a rating on UUUU shares. We do highlight the recent corporate developments and the fact that Energy Fuels is increasingly becoming correlated to REE peers such as Lynas Rare Earths and MP Materials (versus other uranium peers). Given the future developments, Energy Fuels should be viewed and valued as a REE company.

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

Company Profile

Sector	Mining
Sub-Sector	Uranium
Ticker	UUUU
Ticker	EFR-CN

Current Price (\$)	\$5.88
12-Mth Price Objective (\$)	n/a
Potential Upside	n/a
Mkt Cap, Basic (\$M)	\$965.4
Mkt Cap, FD (\$M)	\$971.5
EV (\$M)	\$779.9
Shares O/S Basic (M)	163.4M
1-Mth Return	-7.6%
3-Mth Return	-16.0%
YTD Return	-18.2%

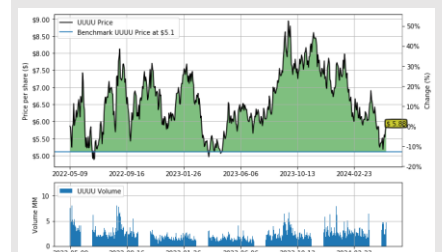
Companies & Peers Mentioned in this Report:

	Symbol	MCAP	EV
Peninsula Energy	PENMF	\$168.4M	\$150.5M
Ur-Energy	URG	\$506.4M	\$486.5M
enCore Energy	EU	\$905.9M	\$901.6M
Uranium Energy Corp	UEC	\$2.94B	\$2.87B
Energy Fuels	UUUU	\$965.4M	\$779.9M
Denison Mines	DNN	\$1.92B	\$1.82B
NexGen Energy	NXE	\$4.73B	\$4.72B
Fission Uranium	FCU	\$695.7M	\$659.2M
IsoEnergy	ISO	\$527.0M	\$523.7M
Laramaide Resources	LAM	\$127.1M	\$127.8M

Company Description

Energy Fuels is a NYSE and TSX listed mining company advancing/re-starting conventional and ISR uranium projects located in the United States. Moreover, given a flurry of acquisitions and MOUs since 2022, the company is looking to ramp up the production of REEs by processing monazite sands at the wholly owned White Mesa mill.

2-Year Stock Chart



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