

## Uranium Price Update: Maintaining \$120/lb LT

### Reasons to be Bullish Despite the Recent Spot Volatility

#### Event

With uranium spot prices declining by ~6.0% YTD, despite the recent volatility we remain bullish on the longer term prospects for the commodity. Our thesis remains underpinned by the three pillars of increasing global acceptance for low-carbon power solutions (specifically nuclear power), emerging trends towards energy security/independence and finally, the massive future power needs brought upon by the emergence of AI and the need for baseload power to run the increasing numbers of data centers worldwide. This positive thesis has been further supported when going through the latest US EIA data. Our continued positive view has been enforced when looking at other important factors, namely the markets for conversion/enrichment, the term/spot dynamic and the state of domestic inventories. As such, we maintain our long-term price uranium objective of \$120/lb.

#### Details

- **Volatile Spot but Term Keeps Going Higher** – Whereas the spot has retreated from \$100+ /lb level this past winter to the current ~\$86/lb, the term price has only increased since mid-2021. Historically, term has been higher than spot. Though this dynamic flipped in 2023, we see increasing volumes transacting not at the spot, but at term.
- **Utilities are Increasingly Active in Term Markets** – Since 2021, utility participation in the term market has increased, going from ~65% in 2021 and increasing to ~92% in 2023. This increased participation rate is a driver for higher uranium prices as spot churn (largely by speculators and financial institutions) is supplanted by tangible utility demand.
- **Enrichment/Conversion at Record Highs** – We also highlight the continued all-time highs in both enrichment price (most recently ~\$173/SWU) and conversion price (most recently ~\$60/KgU). It's telling that since Russia invaded Ukraine in late February 2022, conversion prices have since advanced by ~200% while enrichment prices have increased by ~210%. Given the current tightness, whether through a rising rate of overfeeding for enrichment or for an increased demand for uranium as feedstock for conversion, we can only expect corresponding upward pricing pressure on the underlying commodity.
- **Low Inventories, Re-Stocking Just Beginning** – Until last year, US Inventory drawdown has been pretty consistent since 2016. Driven by the ban on Russian uranium imports, we've already seen utilities become increasing participants in the term market as they attempt to replenish their stockpiled material. We expect this trend to continue, along with higher volumes. Recall that the limited Russian waivers all expire in 2028.

#### Conclusion

The US EIA estimates that of the ~433M lbs of uranium that domestic utilities will require, ~184M remain uncovered. This is the largest ever unaccounted for amount. Given the political bifurcation between east and west, we still expect between 5-10 years before any meaningful new North American U production materializes. Reasons to remain bullish over the mid to long term. The full details can be found [here](#):

#### Coverage Universe

Sector	Mining
Sub-Sector	Uranium
Ticker	CCJ
Current Price (\$)	\$51.24
12-Mth Price Objective (\$)	n/a
Potential Upside	n/a

Ticker	KAP.LN
Current Price (\$)	\$39.20
12-Mth Price Objective (\$)	n/a
Potential Upside	n/a

#### Companies Covered by HCM:

	Symbol	MCAP	EV
Ur-Energy	URG	\$416M	\$369M
Peninsula Energy	PENMF	\$248M	\$230M
enCore Energy	EU	\$789M	\$778M
NexGen Energy	NXE	\$3,882M	\$3,728M
Denison Mines	DNN	\$1,931M	\$1,844M
Fission Uranium	FCU	\$814M	\$742M
IsoEnergy	ISO	\$533M	\$512M
Laramide Resources	LAM	\$133M	\$134M
Sprott Physical U Trust	U-U	\$5,082M	\$4,913M
Yellowcake plc	YCA.LN	\$1,630M	\$1,548M

#### Companies Not Currently Covered by HCM:

	Symbol	MCAP	EV
Cameco	CCJ	\$22,722M	\$21,427M
Kazatomprom	KAP.LN	\$10,475M	\$10,163M
Energy Fuels	UUUU	\$1,051M	\$864M
Uranium Energy Corp	UEC	\$2,780M	\$2,683M
Global Atomic	GLO	\$307M	\$289M

#### 2-Year Stock Chart – CCJ



#### 2-Year Stock Chart - KAP



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