

Fission Uranium Corp. (FCU, FCUUF)

Paladin Energy Looks to Acquire Fission and Enter the A-Basin

Event

As announced on June 24, Fission Uranium entered into a definitive plan of arrangement with Paladin Energy, pursuant to which Paladin will acquire 100% of the issued & outstanding shares of Fission. Fission shareholders are to receive 0.1076 shares of Paladin for each Fission share held at the closing date of the transaction, estimated to be in September 2024. The offer represents an implied value of C\$1.30 per Fission share, equating to an implied equity value of C\$1.14B. The offer is at a 28.5% premium to Fission's closing price of C\$1.03 on June 21, 2024 and represents a 30.0% premium to the 20 day VWAP. We change our price objective for the company, going from C\$1.90 per share (\$120.0/lb LT at a 0.85x NAV_{8%}) to Tender at the stated C\$1.30 per share implied offer. We don't foresee the emergence of any other competitive offer.

Details

- **Paladin Energy Looks to Build a Global U Behemoth** – Should the transaction close (expected in September 2024), on a pro-forma basis, Paladin would have the third largest mineral resource amounting to 544M lbs attributable, with Patterson Lake South adding 130.3M lbs alone. This would rank the company just behind Kazatomprom at 1.323M lbs and Cameco at 1.047M lbs. On a pro forma basis, Paladin's market cap would increase to \$3.50B, placing the company in fourth place behind the two aforementioned companies and NexGen Energy.
- **PLS Fills a Production Gap for Paladin** – Paladin's rationale for the bid is simply to diversify its asset base and plug a gap in its production profile. Seeing as the 17 year LOM Langer Heinrich Mine (Namibia) was recently placed back into commercial production, an estimated 2029 production start for Patterson Lake South fits well in the pipeline. This adds a much nearer term project to Paladin's pipeline since the PEA level Michelin Project will likely require another decade before an estimated ~2035 for production start.
- **Fair Bid, None Other Expected** – We see the offer from Paladin as fair, as the implied C\$1.30 per share bid represents our current valuation for Patterson Lake South (Triple R deposit) when using the current uranium spot price of \$85/lb. We note that Paladin's offer also represents a decade+ high when it comes to precedent \$/lb M&A valuations in the Athabasca Basin. We don't foresee any additional bidder for the company.
- **Next Steps** – As per development schedule for PLS, Provincial level environmental approval is expected to be received come September. Detailed engineering is still required while the need for capital becomes a 2027-2028 event. Federal approval by the Canadian Nuclear Safety Commission (CNSC) required for construction, is expected in the next ~3 years.

Conclusion

Given the takeout offer, we change our price objective for the company, going from C\$1.90 per share (\$120.0/lb LT at a 0.85x NAV_{8%}) to Tender at the stated C\$1.30 per share implied offer. We don't foresee the emergence of any other competitive offer.

The full details can be found [here](#):

Company Profile

Sector	Mining
Sub-Sector	Uranium
Ticker	FCU
Ticker	FCUUF
Current Price (C\$)	\$1.19
12-Mth Price Objective (C\$)	\$1.30
Potential Upside	9%
Mkt Cap, Basic (C\$M)	\$1,000
Mkt Cap, FD (C\$M)	\$1,035
EV (C\$M)	\$895
Shares O/S Basic (M)	809.5
1-Mth Return	+6.3%
3-Mth Return	+19.0%
YTD Return	+10.2%

Proven & Probable Reserve Grade U3O8 Attrib. lbs		
Triple R	1.41%	93.7M
Measured & Indicated Grade U3O8 Attrib. lbs		
Triple R	1.94%	114.9M
Inferred Resources Grade U3O8 Attrib. lbs		
Triple R	1.10%	15.4M

* cut-off grade of 0.25%

Company Description

Fission Uranium is a development stage (Feasibility Study) uranium company advancing the high-grade Triple R deposit (PLS property) located in the Athabasca Basin in northern Saskatchewan. The project itself is currently estimated to have 10 year LOM averaging 9.1M lbs of U3O8 production per year.

2-Year Stock Chart



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