

December 6, 2023

enCore Energy (EU, EU-CN)

Focus Now on Alta Mesa as a 30% Stake is Sold to Boss Energy

Event

Earlier today enCore Energy announced that it had entered into a Master Transaction Agreement with Boss Energy Ltd. which would result in the sale of a 30% stake in enCore's Alta Mesa project for a total consideration of \$70M. Specifically, the deal terms are for a payment of \$60M in cash to enCore along with a private placement from Boss Energy of \$10M into enCore shares at a price of \$3.90 per share. Additionally, a loan of up to 200,000 lbs will be made to enCore (at a commercial 9% interest rate), sourced from Boss' strategic stockpile. Lastly, a strategic collaboration agreement will be formed for the use and joint technological advancement of enCore's proprietary PFN technology for real-time uranium analysis. We view the announced transaction as beneficial to both parties and agreed-upon at a fair price - we have been valuing Alta Mesa at \$241M (NAV_{8%}) which is in-line with the agreed upon 30% sale price. The transaction is expected to close sometime in February 2024. For context, recall that enCore acquired Alta Mesa from Energy Fuels for \$120M in February 2023. Today's transaction is testament to enCore management's deal making prowess. Using an \$80/lb LT uranium price deck, we maintain our 1.15x NAV_{8%} derived price objective for enCore shares.

Details

- **Cash Infusion Provides for Project & Financing Flexibility** – The transaction provides enCore with the financial flexibility to significantly accelerate its uranium production profile across South Texas via additional development and exploration, while also allowing for some capital deployment at the Dewey-Burdock project, located at the Wyoming/South Dakota border and at the Gas Hills project, located in Wyoming. Also worth noting is the fact that the third and final \$20M tranche of the Alta Mesa 8% convertible note will come due on February 14, 2025. We note that in light of the current spot price strength and with treasury replenished (come deal close in February), additional projects may be fast tracked.
- **Large Alta Mesa Exploration Potential** – Though the current NI43-101 resource encompasses 3.41M lbs U3O8 in the Measured & Indicated category along with 16.79M lbs U3O8 in the Inferred category, what can't be understated is the exploration potential in the largely underexplored 200,000 acre property which is located entirely on private land. Exploration success can potentially greatly increased the LOM and yearly production volume.
- **Production Re-start Imminent at AM** – Though uranium recovery from Rosita has recently re-started, Alta Mesa, followed by Dewey Burdock represent much more of the corporate value drivers. For AM, we currently model a 10-year LOM (production beginning next year) averaging 1.10M lbs per year at an average cash cost and AISC of \$21.00/lb and \$38.00/lb respectively.

Conclusion

While maintaining our \$80/lb LT uranium price forecast, we also maintain our 1.15x NAV_{8%} multiple which leads to 12-month price objective of \$4.50 (rounded) per share. Owing to the +35% performance over the last month alone, our price objective represents upside of +8% from the current quote. The full note and details can be found [here](#):

Company Profile

Sector	Mining
Sub-Sector	Uranium
Ticker	EU
Ticker	EU.CA
Current Price (\$)	\$4.15
12-Mth Price Objective (\$)	\$4.50
Potential Upside	8%
Mkt Cap, Basic (\$M)	\$675.0M
Mkt Cap, FD (\$M)	\$701.2M
EV (\$M)	\$679.6M
Shares O/S Basic (M)	161.0
1-Mth Return	+35.4%
3-Mth Return	+60.2%
YTD Return	+71.8%

	2024e	2025e	2026e
U3O8 Production lbs	600,000	1,126,000	2,002,000

LOM Production lbs	26,500,000
LOM avg. Cash cost\$/lb	\$18.21
LOM avg. AISC\$/lb	\$38.18

Measured & Indicated	PPM U3O8	Attrib. lbs
Alta Mesa	111	3.4M
Dewey Burdock	116	17.1M
Gas Hills	101	7.7M
Crownpoint/Hosta Butte	105	26.6M

Company Description

enCore Energy is a NYSE and TSXV listed in-situ recovery (ISR) uranium company advancing numerous projects spread over Texas, South Dakota, Wyoming and New Mexico. The company currently owns two (Rosita & Kingsville Dome) of the only four uranium processing plants located in Texas. Following Rosita, initial ISR uranium production out of Texas (Alta Mesa) is expected to commence in 2024.

2-Year Stock Chart



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