

## DESK NOTE

04.02.2025

### **Centrus Energy Corp. (LEU US) – Hello, HALEU! A strategic buy as Centrus nuclear transformation unlocks major upside!**

**Conclusive Summary:** LEU stock presents a high-risk, high-reward investment opportunity within the evolving nuclear energy landscape. **Centrus is the only publicly traded company focused on nuclear fuel enrichment and the sole U.S. corporation licensed to produce HALEU**—the next-generation nuclear fuel. Notably, 9 out of 10 reactors selected by the U.S. Department of Energy's Advanced Reactor Demonstration Program are designed to operate on HALEU. **Centrus is transitioning from a distributor of LEU to a producer of advanced nuclear fuels, a shift expected to drive substantial growth and long-term value creation.** This transformation aligns with the global “nuclear renaissance,” a favorable regulatory environment, and rising demand for low-carbon energy solutions, as outlined in our recent desk note on uranium. By 2035, Centrus's annual market opportunity is projected to reach \$2.4B. **We recommend LEU as a medium- to long-term buy, with a 12-month upside of 51%.**

**Competitive Position:** Centrus has made **significant investments in next-generation enrichment technologies**, enhancing efficiency, reducing costs, and strengthening its position in the global market. **Active engagement with U.S. and allied regulators** remains a core strategic priority. The company secures recurring revenue through long-term fuel service contracts with utility companies. Additionally, Centrus has signed a **Memorandum of Understanding for a long-term partnership with Oklo**, a key developer of advanced nuclear reactors, where Sam Altman serves as Chairman and the newly appointed U.S. Secretary of Energy was a board member until January. The company has also demonstrated its ability to **successfully navigate the complexities of delivering LEU from Russia's TENEX** to global customers despite the constraints of a bilateral sanctions regime.

**Valuation:** A 12-month target price of \$124 is based on a combination of DCF and multiple analysis (with \$84 attributed to LEU's current operations and \$46 - to the HALEU opportunity within DCF analysis). Given Centrus's ongoing business transformation, historical multiples have limited relevance.

**Ticker:** LEU US

Previous day close price: \$81.87

Price range (52w): \$ 33.51 - \$118.36

Target price (12m): \$124 (+51% upside)

**Recommendation:** **Buy@82**

**Description:** Centrus is a U.S.-based supplier of nuclear fuel and services, specializing in uranium enrichment. Market cap is \$1.24B. It has two primary segments: 1) Low-Enriched Uranium (LEU) – 84% of revenue; 2) Technical Solutions (16%). The LEU – trading/distribution - segment provides enriched uranium used as fuel in commercial nuclear power reactors, including sales of Separative Work Units (SWU) and uranium hexafluoride. The Technical Solutions – production - segment focuses on advanced nuclear fuel development, including High-Assay Low-Enriched Uranium (HALEU) production, which is crucial for next-generation reactors. HALEU has 5-20% of its content as U-235 compared to 3-5% in LEU. Centrus is the only U.S. company licensed to produce HALEU and has an enrichment facility in Piketon, Ohio. Leading customers include Fortune 500 utilities. Major competitors in enrichment: TENEX (Rosatom, Russia), CNEIC (China), Urenco (UK, Netherlands, Germany consortium), Orano (France), Global Laser Enrichment (GLE, U.S./Australia with 49% belonging to CCJ US). U.S. federal programs have already allocated ~\$3.3B toward HALEU and LEU production, with further investments expected.

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Multiple		Factor	Target EV	Net Debt	Target MCap	Shares	Target Price
EV/EBITDA 2027	18	101.0	1,818.0	-104.7	1,922.7	16.4	\$117.26
EV/Sales 2027	3	621.0	1,863.0	-104.7	1,967.7	16.4	\$120.01
Avg. Multiple Price							\$118.64
DCF Price							\$130.00
Avg. Multiple & DCF Price							<b>\$124.32</b>

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