

## DESK NOTE

06.01.2025

### **Energy Fuels (UUUU US) – Capital Efficiency**

#### *Meets Critical Minerals Boom: Unlocking Big Upside*

**Conclusive Summary:** Energy Fuels stands to gain from a structural uranium supply deficit caused by underinvestment in mining and growing nuclear energy demand, as detailed in our desk note on uranium today. Future cash flows will also benefit from rare earth element (REE) production, driven by strong demand for permanent magnets. Supportive U.S. policies further enhance the prospects for domestic production. UUUU operates as a key player in uranium and REE production in the U.S. and maintains a robust financial position, with \$183 million in working capital as of Q3 2024 and no debt. The company's lean operational model has minimized equity dilution, setting it apart from peers. Future projects, including strategic mineral sands initiatives in Madagascar, Australia, and Brazil, could further diversify revenue streams and boost valuation. However, risks remain, including execution challenges in REE projects and price volatility. Despite these challenges, Energy Fuels is well-positioned to capitalize on favorable market trends, making it a compelling investment for long-term investors, with a 12-month upside of 121% from the recommended buy price.

**Competitive Position:** The company restarted three uranium mines in 2024 with low capex (just \$29 million) and is expected to reach an annual production capacity of 1.1–1.4 Mlbs of U<sub>3</sub>O<sub>8</sub> by the end of 2024, 2 Mlbs by 2026, and over 5 Mlbs by 2029. Stockpiled ore will support increased output from 2025 onward. The company's diversification into REEs is another growth driver, with the Phase 1 separation circuit at White Mesa operational since 2024, producing 850 to 1,000 tons of NdPr oxide annually. By 2028, Phase 2 aims to expand capacity to 6,000 tons of NdPr oxide, alongside additional terbium and dysprosium output. These efforts align with increasing demand for critical materials driven by the energy transition, AI data centers, and electric vehicles.

**Valuation:** The company's assets are conservatively valued at \$891 million as of Q3 2024, reflecting significant upside potential. **Based on a combination of DCF and multiple valuation, UUUU's stock is set at a blended target price of \$13.22, reflecting a 121% upside from the recommended buy level.**

**Ticker:** UUUU US

Previous day close price: \$5.74

Price range (52w.): \$ 4.19 - \$8.21

Target price: \$13.23 (+121% upside)

Buy price: \$6 or lower

Reason for note: Regular review of strategic ideas

Recommendation: **Buy@ \$6**

**Description:** Energy Fuels Inc is a United States-based critical minerals company. The Company mines uranium and produces natural uranium concentrates that are sold to nuclear utilities. It holds two of America's key uranium production centers: The White Mesa Mill in Utah, and the Nichols Ranch ISR Facility in Wyoming. Its producing White Mesa Mill is the only conventional uranium mill in the United States and has a licensed capacity of approximately 8 million pounds of U<sub>3</sub>O<sub>8</sub> per year and is equipped to process monazite for NdPr oxide and other critical minerals. Nichols Ranch is in production and has a licensed capacity of approximately 2 million pounds of U<sub>3</sub>O<sub>8</sub> per year. It also produces vanadium. Energy Fuels also owns several licensed and developed uranium and vanadium mines on standby and other projects in development including the production of REE and titanium.

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Forward multiple		Factor	Target EV	Net Debt	Target MCap PV	Shares	Target Price
EV/EBITDA 2033	10	329.8	3,297.5	147.0	2,670.9	197.0	\$13.56
P/E 2028	25	110.4	2,760.0	147.0	2,907.0	197.0	\$14.76
Avg. Multiple Price							\$14.16
DCF Price							\$12.30
Avg. Multiple & DCF Price							<b>\$13.23</b>

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