DPRG
INVESTMENT MANAGEMENT

DESK NOTE

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Uranium (UX) – *structural deficit will move uranium prices much higher than investors think*

Conclusive Summary: The uranium market is facing a medium- and long-term structural deficit driven by strong demand from new reactors in emerging markets (e.g., China, India), the restart of reactors in developed markets (e.g., the U.S., Japan), and urgent restocking by utilities. The World Nuclear Association projects a 28% increase in uranium demand for nuclear reactors by 2030, reaching approximately 83 kt, and nearly doubling to 130 kt by 2040. While global uranium production is expected to grow at a CAGR of 4.1% from 2024 to 2030, reaching about 77 kt by 2030, the current deficit of 13.6 kt strongly suggests the market may remain undersupplied well into the 2030s. Industry professionals widely expect this to reprice the risk-reward profile in the uranium market, driving prices higher, with some new long-term contracts already reflecting levels above $100/lb.

Structural Mid- and Long-Term Supply Deficit: The global uranium market remains in deficit due to years of underinvestment in mining. Utilities have run down inventories to below 24 months, creating an urgent need for restocking. While new mining projects in Canada, the U.S., and Australia are expected to increase global output by 26% by 2030, delays in key regions like Kazakhstan (on sulfuric acid shortages) could prolong the deficit. According to Bloomberg analysis, utilities' restocking cycles are expected to delay the market's balance until at least 2029, potentially extending into the next decade.

Political and Geopolitical Factors: Nuclear energy development for reaching energy independence has strong bipartisan support in US . As a result, there will be increased funding for nuclear reactor restarts and especially new reactors (e.g. SMRs). Export ban on Russian uranium and U.S. import restrictions are reshaping global trade flows, increasing demand for non-Russian supply.

Technological and Market Evolution: The expansion of AI, data centers, EV production, and quantum computing is driving electricity demand, indirectly supporting nuclear energy as a reliable, low-carbon power source. Hyperscalers are signing long-term contracts with nuclear utilities to ensure stable energy supplies.

Demand Growth in Emerging Markets: China's nuclear energy output is projected to grow 50% by 2030, with 25 new reactors planned by 2028. India's nuclear ambitions include a 75% increase in output. The UAE, Turkey, and Ghana are accelerating investment in nuclear infrastructure.

Global Nuclear Support: The recent Triple Nuclear Initiative, backed by global governments, aims to triple nuclear electricity capacity by 2050 to meet surging demand from emerging industries such as AI, robotics, data centers, EVs, and quantum computing. This will require $4-11 trillion in capital expenditure into uranium infrastructure.

Ticker: UX (Uranium U_3O_8 Futures)

Contract Unit: 250 pounds of U_3O_8
Previous day close price: $75/lbs
Price range (52w): $70-106
Target price (12m): $110
Reason for note: Regular review of Strategic Ideas

Recommendation: ***Buy @75***

Description: Uranium (U, typically enriched as U-235) is a critical fuel for nuclear energy. Its cycle includes mining U_3O_8, conversion (UF_6), enrichment, fuel fabrication, and fission in reactors. Nuclear power offers reliable, low-carbon electricity at an estimated cost of $32/MWh, compared to gas ($60/MWh), oil ($130/MWh), solar ($40/MWh), wind ($35/MWh), and coal ($50/MWh). Nuclear high capacity factor and low operating costs make it economically viable for baseload energy, despite high initial capital. The world embraces nuclear power for its safety, minimal environmental impact from uranium mining, low costs, reliability, and zero carbon operating emissions.

Implications for Stocks: Investors into uranium stocks are greatly underestimating future uranium prices, which creates a rare opportunity to buy these stocks at favorable valuation levels. Consensus forecast for uranium stocks projects realized uranium prices in the $65-74/lbs range for 2029-2034, suggesting the uranium stocks are poised for a significant revaluation as the market aligns with accelerating demand trends. Investors seeking exposure to this growing sector should consider the following uranium stocks for their portfolios: Cameco (CCJ US), Energy Fuels (UUUU US), NextGen Energy (NXE), Centrus Energy (LEU US).

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