

Operating results of KAP for 1Q2019

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In 1Q2019, uranium production on a proportional basis was 3mn tons of uranium, which is 5% higher than in 1Q2018. At the same time, sales of uranium decreased by 28% yoy to 1.6mn tons, which the company associates with the transfer of supplies (800 tU) at the request of the client for 2Q2019.

The average selling price is higher than in 1Q2018 by 16% and amounts to \$26.78/lb of U3O8, while the spot price for uranium at the end of the reporting period rose by 28% yoy.

In 2019, KAP as before expects a proportional share of uranium mining in the range of 13.0ths -13.5ths tons of U3O8, which takes into account the planned reductions in the period 2018-2020. In accordance with the existing subsurface use contracts, it is expected that this year mining will be about 22.7 - 22.8 tons of uranium (on a 100% basis).

Sales in 2019 are planned at the level of 13.5-14.5 tons, which exceeds the planned production levels. The company plans to provide the missing volumes at the expense of its subsidiaries and JV. In addition, KAP expects to maintain an inventory level of approximately six months of annual attributable production at the 2019 year-end.

Our view

According to the results of 1Q2019, KAP sales levels are weak, expecting at the same time a partial leveling of the effect of low sales due to a relatively high price. At the end of 2019, we maintain our assumptions regarding the achievement of sales at the level of 13.7 thousand tons, since we note that the main supply volumes are expected in the middle of the year. In addition, having the main consumer in the face of China, whose plans for expanding the atomic potential are quite high, we do not note any risks from the demand side. We maintain our Buy recommendation for KAP shares.

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