

Contracts Hold Firm While Sentiment Falls

Paladin Energy (ASX: PDN) offers exposure to firm uranium contracting conditions through a mine already producing, with higher output and lower unit costs providing a route to better earnings even without another sharp rise in uranium prices.

The company sells uranium under a mixture of contract-pricing arrangements. Its 75%-owned Langer Heinrich mine in Namibia supplies current production, while Patterson Lake South in Canada offers longer-term growth. We think the opportunity lies in improving the economics of existing production while utilities seek future fuel supplies. That is a more immediate commercial proposition than owning a deposit still awaiting construction.

Long-term prices provide the stronger market signal. Cameco's industry-average indicator reached US\$96.50 per pound at September-end, compared with US\$86.50 at December-end. October reporting subsequently put long-term prices near US\$97, despite weakness in uranium equities. These indicators suggest utilities remain willing to pay more for future supply, even as investors worry about mine funding, development delays and the pace of electricity-demand growth.

Turning to **Uranium spot prices are actively tracking higher, recovering from cyclical lows in the \$60s last year to trade near \$90 a pound in recent weeks. From a technical perspective, uranium prices look well-positioned to retest their major 2024 peaks established above \$106 a pound.**



Paladin can benefit because part of its sales book is market-related. Stronger prices do not reach every delivery immediately: contract formulas, customer nominations and shipping schedules

affect the amount received. The latest realised price of US\$79.40 per pound illustrates that difference from the industry benchmark. We expect firmer contracting conditions to support future revenue, but the timing and terms matter more than comparing one spot-price quote with the share price.

Turning to the charts and **as flagged in mid October, Paladin has clearly not conformed to our broader bullish technical view, a divergence that has proven true across the global uranium sector. The initial breakout above major overhead resistance at \$10 did not hold, and primary downside momentum has since resumed. Near term corrective risks have persisted for PDN, running counter to our more optimistic technical outlook for underlying uranium prices.**

Nevertheless, Paladin has rebounded in recent weeks toward the \$8 level, which currently defines immediate overhead resistance. We expect PDN to continue trading within a broad consolidation range, where solid technical support is emerging near \$7 and lower. We observe a new support base being constructed as the stock stabilizes within this zone. In terms of the chart setup, our core base case anticipates that PDN will eventually break out above \$8 to resume its broader upward momentum, given that underlying uranium prices are now tracking higher. In time, it remains highly plausible that PDN will retest its historical record highs. Consequently, a favourable accumulation window has opened for investors willing to adopt a medium to longer term perspective.



Demand also extends beyond AI data centres. Existing reactors require fuel, while operating-life extensions and new reactors can increase procurement needs. AI-related power demand adds potential, but utilities buying uranium are the direct customers supporting the mining industry. In

our view, weaker sentiment towards AI equities does not necessarily imply weaker reactor-fuel demand.

Supply could become more plentiful later in the decade. External forecasts anticipate tighter conditions in 2027–2028 followed by additional Canadian production and other expansions. We take that scenario seriously, while recognising that approvals, financing and construction must precede deliveries. The investment case is therefore not permanent scarcity. It is that producers able to supply reliably during tighter periods can secure business before the full prospective supply pipeline arrives.

Langer Heinrich must convert that opportunity into cash. Management expects better ore and processing performance to increase second-half production and lower costs. More output through the existing plant should spread expenses across additional pounds. However, reported production cost excludes royalties, sustaining capital and deferred stripping, so achieving guidance would improve mine economics without establishing an equivalent free-cash-flow margin.

Funding gives Paladin room to execute. September cash and investments were US\$209 million, with US\$28 million outstanding on the term loan and an undrawn US\$70 million revolving facility. Those resources support operations and Canadian studies, but do not establish that Patterson Lake South construction is financed. Its permitting pathway and Indigenous agreements improve development prospects, while construction approval and funding remain separate requirements.

On valuation, Paladin trades on approximately 2.4x reported June tangible asset backing of US\$2.28 per security, translated at US\$0.7039 per Australian dollar. It currently does not pay dividends. Asset backing does not capture normalised earnings or the full economics of undeveloped projects. **In our view, investors are already paying for growth, but may underestimate the benefit of higher production alongside firmer contract pricing.** Sustained cost reductions and cash generation would justify greater confidence by demonstrating returns from that premium.

The main downside is a prolonged recovery shortfall at Langer Heinrich. High costs would absorb more of the pricing benefit and reduce funds available for Canada, increasing financing pressure.

We will assess plant recovery, unit costs and realised prices alongside utility contracting activity. Better operating cash generation matters more than another favourable uranium-price headline.

Summary

Firm contracting prices and an operating mine with scope to improve output support the investment, while Canada adds longer-term potential. The shares are not a tangible-asset bargain, so delivery must justify the growth premium. Langer Heinrich needs to turn stronger pricing into lower-cost production and cash. That progress, rather than an assumed spot-price surge, is the next evidence we will assess.

We maintain our BUY rating on Paladin Energy (ASX: PDN).