



1 World-Class Uranium Stock Ready to Explode

Description

Nexgen Energy Ltd. ([TSX:NXE](#)) continues to motor along, trading approximately 42% higher year-to-date on continued news of solid results from preliminary drilling of the company's core properties. While Nexgen continues to move upward with solid momentum, the stock has sold off of late from its February high and is down approximately 25% from its peak.

I'll look at a few of the factors behind the roller-coaster ride Nexgen has been on of late and what the prospects are for the company long term.

Analyst consensus moving higher

The market consensus for Nexgen appears to be quite promising. A number of research reports were recently released, confirming many of the long-term characteristics of Nexgen's properties and business model which have led to the rapid rise in the value of the market capitalization of the company since Q4 2016.

On Monday, BMO Capital Markets — a division of **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) — upgraded Nexgen to an outperform rating.

Last week, TD Securities — a division of **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) — also released a research report with a speculative buy rating, which is consistent with most analysts.

As of April 12, the consensus target for Nexgen sat at \$3.95 with one analyst giving the company a strong buy rating, four giving it a buy recommendation, and one giving it a hold rating.

Long-term fundamentals are solid

In [this article](#), I discussed many of the fundamental factors supporting Nexgen's business model and current stock price level. Nexgen is an exploration business with established and proven high-grade reserves with favourably located deposits. Exploration companies exist to explore and (hopefully) find the desired minerals that are in preferably high volumes, of high-grade quality, and in the right areas to be extracted. Nexgen checks all three boxes.

I later discussed what [management](#) may or may not do moving forward, given the fact that they are sitting on multiple high-quality uranium sites before they have been transformed into mines.

The fundamentals of an exploration company are very different than those of an established business with sales channels and customer segments developed and mapped out. Exploration and development firms are built and grow alongside the quality of assets that are discovered.

That said, the price of the company's stock really depends on the shareholders who have bought in early. These shareholders hold on to some very lucrative positions (private placements in mid-2015 at \$0.50 may make some investors want to "take money off the table"), and the strength of the perception of the company in its willingness to proceed with mine development or, alternatively, extract additional value via royalties from selling off the production rights to another firm.

It appears to me that Nexgen has done a fantastic job of not only finding some of the highest-grade, concentrated uranium deposits in the world, but developing and sourcing the talent necessary to either mine these raw materials or get deals done at attractive valuations to investors who have gotten in at a later stage.

Stay Foolish, my friends.

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