



An Iconic Investor Has Doubled Down on Nexgen Energy Ltd.: You Should Too

Description

When world-class investors announce new positions in struggling firms or those that may be considered less well known, the market usually takes notice.

On Friday, **Nexgen Energy Ltd.** ([TSX:NXE](#)) saw its share price climb nearly 9% after the uranium exploration company announced that Hong Kong billionaire Li Ka-shing had invested \$110 million in the company (on Monday, shares climbed again another 5%, closing at \$3.02 per share from a low of \$2.64 just two days earlier).

Mr. Li's recent investment is on top of a previous \$60 million investment last year, underscoring the billionaire's belief that the assets held by Nexgen are truly world class and will change the uranium production landscape in the long run.

With uranium prices lagging along with the broader commodities sector, this investment snapped many investors awake; Nexgen shares rose to an all-time high in February of this year, but have since retreated on a lack of "knock-your-socks-off" positive news expected by investors.

The deposits which are currently being drilled in the company's Rook I, Arrow Bow, and Harpoon properties have proven to be much larger than initially expected, with new results this year approximating the available high-grade uranium reserves to be more than 300 million pounds (140 million kilograms). These results have been the main catalyst for Nexgen shares over the past year, as initial uranium estimates last year approximated 200 million pounds (90 million kilograms).

Investors have been hopeful that the most recent drilling program within these properties will reveal additional high-grade deposits of uranium. Already considered to be the largest untapped uranium deposit in Canada and one of the largest in the world, the market value of Nexgen's properties will be largely determined by the market price for uranium moving forward as well as the company's ability to begin production quickly and monetize these reserves as soon as possible for eager investors.

Bottom line

For investors willing to be patient, with the expectation that uranium prices will revert to a higher long-

term level. With the belief that Nexgen management can effectively turn these properties around and find the best possible way to monetize these reserves for shareholders, be it via developing these properties internally, selling a portion or all of these properties, or committing to some sort of royalty program, my analysis shows that only a fraction of the company's future cash flows are being factored in with significantly lower expectations than the market. Analyst estimates for Nexgen shares have fluctuated in the high \$4-per-share level, and I would anticipate a reversion toward that share price would be in order.

Stay Foolish, my friends.

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