



Billionaire George Soros Is Bullish on This Uranium Stock

Description

A interesting finding emerged in the latest 13F by Soros Fund Management, the family office managing the personal wealth of George Soros.

Over the past several quarters, the billionaire investor has been slowly accumulating a position in **Cameco** ([TSX: CCO](#))([NYSE: CCJ](#)). Based on the latest filing, Soros's total position — consisting of common shares and call options — is now worth \$126 million. What could he see in the company?

How to profit from the coming uranium shortage

The stage is set for another explosive rally in uranium prices. Three years after Japan's Fukushima disaster, uranium demand is starting to ramp up.

Thanks to rapid growth in emerging markets, electricity demand is growing twice as fast as overall energy demand. As the safest (per kWh generated) and cleanest (no emissions) fuel source available, nuclear remains the go-to source for the world's baseload energy. Today, there are 70 nuclear reactors under construction worldwide, more than 160 planned, and 315 proposed.

Nuclear power is also poised for a comeback in Japan. The country's Prime Minister Shinzo Abe has made it clear that he believes nuclear power needs to play a role in the country's energy future. In late February, a draft of the government's plan effectively overturned the previous phase-out of Japan's nuclear power industry. Once the plan receives cabinet approval, it could open the door to restart some of the country's idle reactors.

Right at the moment this demand is ramping up, the industry is coming under supply constraints.

Since 1993, Russia has supplied more than half of the United States' commercial energy demand. Under the Megatons to Megawatts agreement, highly enriched uranium contained in ex-Soviet nuclear weapons was converted into nuclear fuel. However, this agreement ended last December.

In addition, the mining industry is ill-equipped to handle this surging demand. Today, the sector needs to sell its product for about \$75/lb to break even... twice today's spot price. In other words, most

producers are losing money on every pound of uranium they sell. Eventually some of them will be forced to rework mine plans or shut down.

Altogether, uranium supplies must increase by about 90 million lbs annually by 2020 to meet demand, according to Rockstone Research. However, at current spot prices, the industry can only economically supply about 40 million lbs of uranium. For production to match consumption, prices must go up... a lot.

Cameco is the best way to play this trend

It's no surprise Soros is turning to Cameco to play this emerging trend. With one of the lowest costs of production and strongest balance sheets in the industry, the company has the financial strength needed to weather today's low commodity price environment. If uranium prices were to rally 50% from current levels, Cameco shares could easily double from here.

However, the stock has a number of other potential catalysts that could drive the share prices up even if uranium prices don't budge.

One example is the company's Cigar Lake facility — the largest uranium mine project in the world. After years of delays, Cameco announced that production has finally started at its flagship project. Cigar Lake has a long history of setbacks dating back to 2006 and it will take four years to reach full capacity. If the company can meet its current project time table, then the share price should rally in lockstep.

Foolish bottom line

There's no guarantee this is the start of uranium's recovery. It might take a year or more to play out. But the upside potential is enormous. And George Soros has just provided the instruction book to profit from this trend.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CCJ (Cameco Corporation)
2. TSX:CCO (Cameco Corporation)

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Date

2025/10/01

Date Created

2014/03/24

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