



What to Expect When Cameco Reports This Week

Description

Cameco ([TSX: CCO](#))([NYSE: CCJ](#)) is set to publish its quarterly earnings on Tuesday. While the sector has been in the doldrums for years, investor interest in the uranium industry is starting to perk up. In addition, Cameco has a number of potential catalysts that could lift its share price further this quarter. Let's take a look at what has been happening at Cameco over the past few months and what we're likely to see in this report.

Stats on Cameco

Analyst EPS Estimate	\$0.10
Year-Ago EPS	\$0.07
Revenue Estimate	\$462.72M
Change From Year Ago Revenue	4.20%

Earnings Beats in Past 4 Quarters 1

Source: Yahoo! Finance

Will Cameco deliver this quarter?

After the turn of the century, Cameco and the entire uranium industry was a hit amongst investors as skyrocketing fossil fuel prices made nuclear power an attractive alternative. But then the financial crisis, combined with the Japanese Fukushima disaster, prompted many countries to reevaluate the

role of atomic power within their energy strategies. In the aftermath, Cameco has struggled to make much progress for investors.

Today, however, the prospects for the industry are starting to look up. Japan's newly elected Prime Minister Shinzo Abe is steadfastly committed to nuclear in spite of safety concerns amongst voters. In addition, the Megatons-to-Megawatts program between the United States and Russia expired last year. With the completion of that deal, we're seeing the end to a bottomless supply of warhead-sourced uranium.

The long-term demand picture remains bright. Cameco expects continued growth in emerging markets like China and India, with plans for nearly 100 new nuclear reactors to complete construction in the coming decade. Altogether, total nuclear capacity is expected to reach 510 gigawatts over the next 10 years, up from roughly 450 gigawatts today.

Tighter supplies and growing demand means only one thing: higher uranium prices are in the foreseeable future. That promises to put a bid underneath Cameco shares.

There are also a number of company specific catalysts that could lift the stock. Over three decades after it was discovered and almost 10 years after construction began, Cameco has finally brought its flagship Cigar Lake uranium mine into production.

When Cameco originally embarked upon the project, it was expected to cost \$452 million and first production was planned for 2007. However problems started in 2006 when the mine was completely flooded. Further delays pushed the completion deadline back even further. Needless to say, Cigar Lake was a far more challenging project than anyone had anticipated.

Cigar Lake is a big deal for the uranium market. Once operations are ramped up to full capacity, the mine is expected to produce 18 million pounds of uranium per year, making it the second largest high-grade uranium mine in the world. And while the market is oversupplied today, Cameco is confident these supplies will be needed to satisfy growing demand from emerging markets in the future.

There's still plenty of work left to be done at Cigar Lake. Today the mine is still in the commissioning phase of development, and it remains years away from achieving full production. This is a challenging period in the life of a project as history shows this is where a number of things can go wrong.

Foolish bottom line

At Cameco, everything depends on ramping up production at Cigar Lake. In the company's earnings report listen for any status updates or hints of delays at the project. With shares nearing 52-week highs, any bad news could send the stock reeling.

CATEGORY

1. Investing

TICKERS GLOBAL

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

Category

1. Investing

Date

2025/09/30

Date Created

2014/04/28

Author

rbailieul

default watermark

default watermark