



5 Reasons to Buy Cameco Corporation

Description

Cameco Corporation ([TSX: CCO](#))([NYSE: CCJ](#)) is a producer and seller of uranium globally. The company has uranium assets on three continents and is one of the world's largest uranium producers. In 2013, Cameco accounted for approximately 15% of the world's production. Here are five reasons why now might be a good time to consider investing in Cameco.

1. The uranium market

Cameco anticipates the demand for uranium to grow by an average of 4% annually over the next 10 years. It has investments that cover the nuclear fuel cycle from exploration to fuel manufacturing. At the beginning of this year, there were 433 operable commercial nuclear power reactors in 31 countries and Cameco expects that to increase to 526 reactors by 2023.

Furthermore, Raymond James mining analyst, David Sadowski, said to *The Mining Report*, "Upward pressure on prices into the \$35 per pound (\$35/lb) range should occur as utilities buy more uranium in the marketplace, and as secondary trading activity among financial entities picks up. The biggest factor is the behaviour of the end-users of uranium, the nuclear utilities."

2. Japan's re-commitment to nuclear energy this year

This past February, Japan revealed its pro-nuclear energy plan (the Basic Energy Plan), which could lead to restarts of some of its long-halted nuclear reactors. The Basic Energy Plan makes a commitment to nuclear power as an element of the country's energy mix.

Recently, Japan's nuclear watchdog gave preliminary safety approval for the restart of two reactors at the Sendai plant. Under the new safety regulations, considerations have been made to safeguard against natural disasters and severe nuclear accidents.

3. Cigar Lake project

Cameco is the operator of the Cigar Lake uranium project and owns 50.025% of the mine. AREVA Resources Canada, Inc. owns 37.1%, Idemitsu Canada Resources Ltd. owns 7.875%, and TEPCO

Resources, Inc. owns 5.0%. Cameco's long-term annual production target for this project is 18 million pounds U_3O_8 by 2018.

4. Operating licenses and first shipments to China

In 2013, the Canadian Nuclear Safety Commission granted an eight-year operating licence for Cigar Lake, Saskatchewan. It also granted 10-year operating licences for McArthur River, Key Lake, and Rabbit Lake in Saskatchewan. Moreover, Cameco delivered its first shipments of Canadian uranium to China last year as part of the Canada-China Nuclear Co-operation Agreement.

5. Increased net earnings in 2014

For Q2 2014, Cameco's net earnings were \$127 million versus \$34 million in Q2 2013. Net earnings in the first six months of 2014 were \$259 million versus \$43 million in the first six months of 2013. Its earnings, on an adjusted basis for the first six months of 2014 were \$115 million versus \$88 million for the first six months of 2013.

Important from an investing standpoint is that Cameco achieved higher earnings from its uranium business partly because of higher sales volumes. Additionally, higher Canadian dollar average realized prices also contributed to higher earnings.

Opportunity abounds for Cameco as it navigates the nuclear power industry and I believe the company is positioned for growth if the anticipated future demand for nuclear energy pans out.

CATEGORY

1. Investing

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

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