



2 Companies to Invest in for the Uranium Revival

Description

Demand for uranium is currently quite low, which has resulted in the price of the precious resource to drop considerably. With it, companies that specialize in the resource have seen their share price drop. But uranium will turn around and when it does, you'll want to have a position in the sector.

The Japanese government is looking to restart its reactors as early as this winter. Since the Fukushima disaster three-and-a-half years ago, none of Japan's reactors have been running. This has resulted in a significant drop in demand. But with Prime Minister Shinzo Abe pushing to revitalize the economy, these reactors will restart and with that, the demand for uranium will rise.

Then there's China, which is trying to open as many reactors as possible. By 2020, China hopes to have 72 reactors active. That's going to create more demand than any other country around the world save for the United States.

Both of these changes will see the demand for uranium rise. The following two companies are poised to profit handsomely.

Cameco Corporation

Cameco Corporation ([TSX: CCO](#))([NYSE: CCJ](#)) is a favorite of mine because it is so unbelievably underpriced. Because uranium has been beaten down for so long, investors have ditched this company despite its dominance in the industry. It accounts for 14% of all uranium production, which makes it the third largest producer.

But what makes Cameco Corporation so alluring is that it's priced very low. Before the Fukushima disaster, the stock was trading right around \$40 a share. Now, it's dropped down to \$18. As the price of uranium starts to rise, this company's share price will go up as well, which makes it a serious buy for me.

The one problem with Cameco is that it is currently being accused of tax evasion by the Canadian government. It set up a subsidiary in Europe back in 1999 to sell uranium because Europe had lower taxes on uranium. The amount of money that the Canadian government says Cameco owes is over \$1

billion, which would be a huge hit for the company.

If they come out on the right side of that fight, shares of Cameco will skyrocket. But if they don't, the company will be seriously hurting.

Uranium Participation Corp.

Uranium Participation Corp. (TSX: U), nicknamed UPS, is the only fund out there that specializes in uranium. What this company does is buy uranium and store it in warehouses so that it can then turn around and sell it when the time comes. All its assets are tied directly to physical uranium or the mines themselves.

Each month, the company releases a net asset value document that declares how much uranium the company owns. At the end of September, it owned 8.7 million pounds of uranium oxide in concentrates, which is valued at \$345.2 million. It also owned 2.2 million KgU of Uranium hexafluoride, which is valued at \$2.4 million. This, plus any cash it has on hand, values the company at \$607.8 million, which it calculates to be worth \$5.20 a share. It closed trading on Monday at \$5.02. That's a 3.46% discount, which I view as a strong buy signal. Since it's the only uranium holding company in the world, even a 5-10% premium would still make it a buy.

There is one caveat to UPS. It announced that it had filed a preliminary short form base shelf prospectus so that it could raise an additional \$200 million sometime in the next 25 months. If that happens, the stock would become more diluted and that would result in a drop in the price.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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2. TSX:CCO (Cameco Corporation)

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