3 Reasons to Buy Cameco Corporation Shares Today

## Description

Deny climate change all you want, but it’s obvious the burning of fossil fuels is not good for our planet. Air pollution is a problem in most major urban centers, while water pollution continues to poison our oceans. The future of coal looks dubious at best, and just about every heavy industry on the planet is making an effort to cut back the amount of fuel used, partly to cut costs and partly to help lessen the impact on the environment.



So what’s going to replace all this energy? While solar and wind power look interesting, they’re still at least a decade away from making any real progress. The technology still has to improve for it to be really applicable on a big scale. Natural gas is a slightly better solution, but it’s still a fossil fuel. It’s just a little cleaner than the alternative.

That leaves one obvious choice, nuclear. There’s really only one way for someone to invest in the sector, and that’s via **Cameco Corporation** (TSX: CCO)(NYSE: CCJ), one of the world’s largest uranium miners.

But does the future of uranium look attractive? I think so. Here are three reasons why you should be investing in it.

**1. Japan**

After the Fukishima disaster in 2011, Japan famously took all of its nuclear reactors offline, citing safety concerns. It looks like that era is about to come to an end.

Recently, lawmakers in the city of Satsumasendai voted in favor of restarting two nuclear plants. There are a couple more hurdles that need to be cleared before it’ll happen, but it’s predicted that the plants will be up and running again in early 2015. That’s good news for Cameco, and shares have rallied since the announcement.

At this point, Japan needs nuclear power. Since the nation took its reactors offline, power prices have increased approximately 25%, and shortages were common. It needs nuclear supply to come back on the market. Besides, Prime Minister Shinzo Abe has been pushing for this to happen ever since he was elected in 2012.

**2. China**

The bull case for Chinese nuclear energy is pretty simple. The country needs more energy as it grows, and all signs point towards it starting to move away from coal.

Currently, China has 21 nuclear reactors, operating in eight different locations. That's on the verge of changing significantly though, as it currently has an additional 28 reactors under construction. By the time they're completed, China should have anywhere from 2%-6% of its electricity coming from nuclear.

But that's just the tip of the iceberg. By 2030, China plans to up its nuclear usage to 16%, and it hopes to expand even more as time goes on. That's a huge expansion, which will easily surpass any decrease in demand from when Germany moves away from nuclear power — providing that ever happens.

**3. A solid balance sheet**

It may take years for the price of uranium to recover. The metal's current price is approximately $36 per pound, which is pretty close to a five-year low.



So it's important for Cameco to have a solid balance sheet. Currently, the company has more than $500 million in cash, compared to long-term debt of $1.4 billion. The company trades at a pretty reasonable 1.5 times book value, and it's been pretty consistently profitable even as uranium prices have struggled, excluding the last quarter. The company easily makes enough to service the debt and pay its 2.1% dividend yield.

Japan could prove to be the difference for Cameco in 2015. Even if it doesn't, it's clear that nuclear power is going to be a huge long-term story. You should have some exposure to it in your portfolio.

**CATEGORY**

1. Investing
2. Metals and Mining Stocks

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**Date**
2025/07/30
**Date Created**
2014/11/06
**Author**
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