



## 2 Things That Must Happen Before You Buy Cameco Corporation

### Description

I'm a long-time bull on **Cameco Corporation** ([TSX:CCO](#))([NYSE:CCJ](#)) because I believe that one of the most efficient ways of generating maximum amounts of energy is through nuclear power. Compared to coal, oil, and gas, it is very clean. And while nuclear disaster has struck in the past, it is the exception, not the rule.

Unfortunately, the demand for uranium is low right now. Japan is only now starting to reopen its reactors and other countries are still years away from getting theirs online. That means Cameco is really hurting. The last time Cameco Corporation was trading at \$17 per share was when the economic crisis hit in 2009.

I am still bullish on the company. However, I can't recommend you buy shares until two things happens.

#### 1. Legal battle with CRA comes to a close

Right now, Cameco is embroiled in a legal battle with the Canada Revenue Agency. The CRA is accusing Cameco of avoiding its tax responsibilities by setting up a holding company called Cameco Europe Ltd in Zug, Switzerland in 1999. Cameco then signed a contract with the holding company to sell it uranium at US\$10.15 per pound.

The holding company then turned around and sold uranium to all of Cameco's clients, thus making it possible for the parent company to avoid having to pay taxes on all that uranium. The government argues that the company owes upward of \$625 million to \$650 million. However, some analysts have suggested that this amount could rise over \$1 billion.

This plays out one of two ways. If the CRA wins, it's going to be a lot of money for the company to pay all at once. That will likely require the dividend to be cut and the shares will plummet in price. However, if Cameco wins, it could be a coup for the company, which will send the shares up.

#### 2. Countries other than Japan demand uranium

It's easy to look at Japan as a sign that Cameco will start selling more uranium, but that's simply not

the case. Before the power plants shut down, Japan had a tremendous supply of uranium. The plants are being reopened, which is good news, but it doesn't mean that Cameco will be able to sell uranium to the country. There's still a lot of supply in Japan.

For Cameco to really gain speed, China needs to start opening up its reactors. China will be responsible for more than 20 reactors over the next decade. And there are even more coming after that. Therefore, once China starts to demand uranium, the price of Cameco will rise.

Unfortunately, this likely won't occur until 2016 or 2017.

## **CATEGORY**

1. Energy Stocks
2. Investing

## **TICKERS GLOBAL**

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

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