



## Is Now the Time to Pounce on Beaten-Up Cameco Corporation?

### Description

There hasn't been much good news for **Cameco Corporation** ([TSX:CCO](#))([NYSE:CCJ](#)) in recent years. The company has suffered through years of low uranium prices, which have dragged down profits. Its stock price has fallen by over 50% since early 2011, and is only 11% above its 52-week low.

Throughout the past couple of years, there were numerous signs Cameco was about to rebound. But each time, the beginning of the rebound turned out to be just a false start. If you never bought any shares, you're certainly not too late.

So, that brings up an obvious question: is now the time to pounce?

### Why now is the time to pounce

Before the Fukushima disaster, nuclear power accounted for roughly 30% of Japan's power supply. Today that number is zero, and has been the main catalyst for the fall in uranium prices.

But Japan's decision to suspend all nuclear power has been very expensive for the country. In the three years after Fukushima, Japan spent US\$270 billion on coal, oil, and LNG—58% more than what it would have spent had its nuclear power plants remained online. Electricity prices soared by 30% for industry and 20% for residential homes.

It's no wonder Prime Minister Shinzo Abe wants to bring nuclear power back to the country. This has been a slow process, but it eventually must be done. China is also growing its nuclear capabilities, which will increase demand. The same can be said for India. Overall, Cameco expects the market to grow at 4% annually up to 2024 to 230 million pounds of uranium oxide per year.

Production growth will likely be much weaker, and as a result Cameco expects a 15% supply gap. That could easily send uranium prices far higher, and Cameco's shares with it.

### Why you should continue to wait

Let's not get ahead of ourselves. Japan's nuclear shutdown may have been costly, but these costs are

falling. LNG prices have more than halved. The Brent oil price has nearly halved as well. Coal prices have also crashed. And cleaner alternatives like solar power continue to get cheaper.

Most importantly, the Japanese population is strongly opposed to a restart. Some opinion polls show as much as 60% of Japanese citizens oppose restarting any nuclear power.

In the meantime, supply has held up relatively well. RBC analysts pointed out a year ago that mine production has continued to increase, even in the face of low prices. If uranium demand does rebound, there's potential for supply to follow.

Worst of all, Cameco's shares already price in a rebound in uranium prices. The company is valued at just over \$8 billion (including debt), despite having only 430 million pounds of reserves. So, for each pound of uranium reserves, you have to pay close to \$20. That's a big price.

### The verdict

At this point, Cameco simply isn't worth the gamble. The stock is trading as if a nuclear rebound is imminent, when in reality it's likely a long way off. There are much better alternatives.

### CATEGORY

1. Energy Stocks
2. Investing

### POST TAG

1. Editor's Choice

### TICKERS GLOBAL

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

### Category

1. Energy Stocks
2. Investing

### Tags

1. Editor's Choice

### Date

2025/07/22

### Date Created

2015/06/24

### Author

bensinclair

default watermark