# Could Cameco Corporation Double by Year End?

## Description

Investors in **Cameco Corporation** (TSX:CCO)(NYSE:CCJ) are getting tired of waiting for the promised recovery in the uranium market and the expected surge in stock price.



Let's take a look at the current situation to see if better times are finally on the horizon.

**Uranium prices**

Uranium currently trades for US$35 per pound. That price is well below the $70 the commodity fetched back in February 2011, but it is a solid 12% higher than it was this time last year.

At current levels most global producers are struggling to make money and many have shelved plans for new mines and delayed expansion projects. Those decisions could result in a supply squeeze because uranium mines take up to 10 years to build, and the market imbalance is expected to shift much faster than that.

Why?

Utilities are happy to pay rock-bottom prices right now in the spot market to fill needs not supplied by long-term contracts. Secondary supplies are rapidly declining, and once it looks like the market is going to turn, plant operators will scramble to lock in new long-term agreements. Once that process starts, the market could take off.

What's the catalyst?

Japan is expected to restart two of its reactors this year. The moment they flip the switch, prices should start to move as it will be seen as a major turning point.

**Demand growth**

The long-term fundamentals for the industry look good. There are currently 64 new reactors under construction and Cameco expects to see 82 net new reactors go into operation in the next 10 years.

China is running 26 reactors and has 24 under construction. India has 21 active reactors and is building another six.

Cameco just signed an important supply agreement with India and the new relationship will be important going forward. India's 27 reactors will have a total nuclear capacity of 10,300 megawatts, but the country expects to increase its capacity to 45,000 megawatts by 2032.

**Earnings**

Cameco continues to deliver strong results in a difficult market. The company reported Q2 2015 revenue of $565 million, and gross profit of $153 million, both 13% higher than the same period last year.

Net earnings were $0.22 per share, down from $0.32 per share due to higher administrative costs and costs connected to the early redemption of some outstanding debt.

Cameco is doing a good job of remaining profitable in a tough market. Management has worked hard at reducing capital and operating expenses through the downturn. As a low-cost producer, the company is well positioned to benefit from a rise in prices.



**Risks?**

Cameco is embroiled in a tax battle with the Canada Revenue Agency. The dispute is well known and already reflected in the share price. If Cameco loses its appeal, the total hit could be more than $800 million. Investors probably won't see a decision on the case before 2017.

**Could Cameco double by year end?**

The uranium market remains oversupplied and that situation will persist through the end of 2015. If Japan restarts its two Sendai reactors as planned, the stock should get a boost due to the resulting change in market sentiment. For a significant rally to occur by the end of the year, uranium prices would need to move much higher.

A 100% pop might not happen in the next few months, but investors could see a double over the next three years if the market recovers as expected.

**CATEGORY**

1. Investing
2. Metals and Mining Stocks

**TICKERS GLOBAL**

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

**Category**

1. Investing
2. Metals and Mining Stocks

**Date**
2025/07/28
**Date Created**
2015/08/05
**Author**
aswalker