



## 4 Reasons to Buy Cameco Corporation While the Price Is Still Low

### Description

**Cameco Corporation** ([TSX:CCO](#))([NYSE:CCJ](#)) is engaged in the exploration, mining, refining, and trading of uranium for sale as fuel. The fuel is used in nuclear reactors across Canada and other countries.

Cameco is the largest miner of uranium and is directly impacted when demand for it falls sharply, as it did in the aftermath of the Japanese earthquake and tsunami in 2011.

That accident put a halt to demand for uranium, and by extension, sent Cameco's stock plunging.

Despite the slide in price, there's still plenty of upside in Cameco, as demand for uranium is returning. Here are a few reasons why the stock will begin to appreciate.

#### 1. Entry into the untapped Indian market

India has a growing population and increasing energy needs. With one-sixth of the world's population and rapidly developing infrastructure, the energy demands in the years to come could be huge.

Nuclear power currently provides for approximately 6,000 megawatts, or 3%, of the power needs of India. By 2032 this figure is expected to balloon upwards to 45,000 megawatts.

India already has six new reactors currently under construction.

Cameco signed an agreement with India earlier this year to provide 7.1 million pounds of uranium concentrate. While the purchase price is based on the market price at time of purchase, this can lead to over \$300 million for Cameco.

#### 2. China's electricity needs are growing

China gets 2% of its electricity needs from nuclear power plants. While this figure seems small, put the overall size of the Chinese market into perspective and 2% seems like a much larger size of the pie.

China is planning to push the amount of electricity generated by nuclear power to 20% by 2030, and

they aren't wasting any time. About 10 gigawatts of nuclear power have come online since 2013, and there are a further 23 reactors that are under construction right now.

For Cameco, this represents a huge opportunity for growth. A long-term agreement with China Guangdong Nuclear Power Holding has Cameco supplying 29 million pounds of uranium concentrate through 2025.

### **3. Oversupply concerns are likely to end**

One of the primary concerns of Cameco is the oversupply of uranium on the market. After the earthquake and subsequent tsunami in Japan wreaked havoc on the Fukushima nuclear facility in 2011, a number of countries have scaled back the building of nuclear facilities.

With both China and India aggressively building nuclear power plants, any oversupply of uranium will be cleared out. Given current plans, consumption of uranium will outpace supply by over 60% within the next decade.

Finally, as demand picks up, so too will the price of uranium, increasing Cameco's revenues even further.

### **4. The price is right...for now**

Cameco is projecting that this bump in demand will likely grow over the next decade as nuclear power plants take a considerable time to build.

Cameco currently trades at \$18.53, which is a bargain price considering it has dropped nearly 30% since the Japan incident.

But the tides are turning. The stock is up nearly 10% this month, and given the number of opportunities for the company, this could only be the beginning.

In my opinion, Cameco represents an excellent opportunity for the investor seeking long-term growth.

## **CATEGORY**

1. Energy Stocks
2. Investing

## **TICKERS GLOBAL**

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