



## Cameco Corporation: Is it Time to Buy, Sell, or Hold This Stock?

### Description

**Cameco Corporation** ([TSX:CCO](#))([NYSE:CCJ](#)) has been rising for the past month, but the stock still trades near its multi-year lows, and investors are wondering if the latest surge is for real.

Let's take a look at the current situation to see if the company deserves to hold a spot in your portfolio.

### Uranium crash

In early 2011, uranium traded for about \$70 per pound. That was before the tsunami hit Japan and sent the market into a four-year tailspin. Spot prices bottomed out below \$30 per pound last year and currently trade at about \$38.

At the current uranium price, producers are still struggling to make money, and that has resulted in some changes that could tip the scales significantly in the coming years as demand growth runs up against lower supplies.

How?

### Demand outlook

Around the globe, nuclear power is still a popular choice. Cameco expects at least 80 net new reactors to go into service in the next 10 years. More than 60 new facilities are already under construction, and Asian emerging markets like China and India plan to significantly boost their reliance on nuclear energy as they rush to meet rising power demands.

Japan has begun the process of restarting its nuclear fleet. Public opposition to nuclear power is still strong, but Japan can't afford the high cost of importing expensive liquefied natural gas to produce electricity. As a result, the country will eventually move back to a reliance on its nuclear facilities.

This all means that annual demand for uranium should increase from the current level of 155 million pounds to about 230 million pounds in 2024, according to Cameco's estimates.

## Supply concerns

Secondary supplies continue to fill demand gaps, and this is keeping prices at low levels. As those sources become depleted, new production might not be able to meet demand.

Why?

The prolonged rout in the uranium market has forced miners to shelve new projects. New mines can take up to 10 years to build, so there is the real possibility of a supply squeeze in the coming years.

## Competitive advantages

Cameco is a low-cost producer with some of the highest-grade resources on the planet. Management has taken the necessary steps during the downturn to ensure the company remains profitable, and Cameco has even maintained its dividend throughout the crash. As prices recover, margins should surge and drive the stock higher.

## Threats

Cameco is in a nasty battle with the Canada Revenue Agency, and that situation is unlikely to be resolved before 2017. If Cameco loses the case, it could be on the hook for more than \$800 million. Most of the bad news is already priced into the stock, but new investors should keep it in mind when considering the company for their portfolios.

## Should you buy, sell, or hold?

Existing investors should probably hold on at this point, or even consider adding to their positions. The long-term fundamentals look good, and the uranium market can move significantly in a short period of time. If you think uranium has bottomed out, it might be a good idea to get ahead of the curve.

## CATEGORY

1. Investing
2. Metals and Mining Stocks

## TICKERS GLOBAL

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

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