



## Buy Cameco Corporation: Growth and Revenue Will Follow

### Description

For **Cameco Corporation** ([TSX:CCO](#))([NYSE:CCJ](#)), the close of business on October 30 will be a day to remember.

Ever since the devastating Japanese earthquake and tsunami in 2011, worldwide demand for uranium plummeted, taking Cameco, the world's largest miner of uranium fuel, down for the ride.

Over the past few months, demand has been steadily increasing for uranium; a number of countries have been engaged in a massive infrastructure boom and have been looking to nuclear power and, by extension, Cameco to solve power-generation needs.

Results for the most recent quarter will be reported at the close of business on October 30, with many calling for results that will greatly surpass expectations.

Let's take a look at what is expected and why investors and analysts alike are optimistically waiting for the report.

### Forecasted results

Cameco currently trades at \$18.72 and is up over 17% for the month. Looking back at the past five years, the stock is down by 40%—this is the time frame when the tsunami and earthquake occurred and demand for uranium effectively halted.

Wall Street is not being coy—expectations are that the company will post earnings of \$0.34 per share, which represents an increase of nearly 50% over last year's earnings for the same quarter. In terms of total numbers, this translates into \$134 million in profit for the quarter.

Analysts are fully aware of the potential of the stock, with a near-consensus buy rating being issued and a price target as high as \$27 being mentioned.

### Why the sudden change?

India and China are two of the largest markets, and both have massive populations that are both undergoing immense infrastructure-related growth spurts. Both countries are turning to nuclear energy to solve their current and future power needs.

As Cameco is the world's largest miner of uranium as fuel, finalizing deals with both countries for the sale of uranium was only a matter of time.

For India, 3% of the country's power needs—roughly 6,000 megawatts—is currently served by nuclear power. By 2032 this figure is expected to shoot up to 45,000 megawatts. With six new reactors already under construction, India will no doubt meet that goal.

Cameco's current agreement with India calls for 7.1 million pounds of uranium concentrate. While the market price of uranium can fluctuate, the deal could mean upwards of \$300 million in revenue for Cameco.

China is a market that is even bigger with a more ambitious goal. China currently generates 2% of its power from nuclear and plans for this figure to hit 20% by 2030. Ten gigawatts of nuclear power have come online in the past two years, and there are upwards of 20 reactors currently under construction.

Finally, with demand returning for uranium, the price will start to push upwards. Any inventory glut that Cameco has will no doubt be absorbed into the large orders that are coming in.

In my opinion, Cameco remains one of the best opportunities for investors in the market today. The numbers are improving, as are the market conditions for Cameco, and investors are going to reap significant rewards.

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

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

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