



Cameco Corporation Is a Bargain Now

Description

Cameco Corporation ([TSX:CCO](#))([NYSE:CCJ](#)) reported third-quarter results on October 30 that, while still negative, were much improved over the same quarter a year ago. This was part of the reason why the stock retreated of late because investors look more towards the immediate term and not at the long term.

Cameco provides a significant opportunity for the long-term investor. Here's a look at some of the factors that are driving the cost down now, which could very well drive the price much further up in the near future.

Quarterly results are much improved, but still not where they should be

In the most recent quarter, Cameco realized \$649 million in revenue, an increase of 11% over the same quarter last year. Net earnings attributable to equity holders came in at a loss of only \$4 million, which is a 97% improvement over the same quarter last year that resulted in a \$146 million net loss.

The results were in line with what the company expected, and much of the loss can be attributed to oversupply, weak demand, and the dropping dollar. The good news from this is that in the coming quarters Cameco should start to pull ahead, and that is when investors will start to seriously take note.

Cameco's tax issues

Another issue Cameco has is with the Canada Revenue Agency (CRA). The CRA is claiming that Cameco owes taxes on approximately \$2.8 billion of income that was never paid. The bad news for Cameco here is that if this case goes in favour of the CRA, Cameco will have a tax bill of over \$800 million owing.

The flip side of this is that irrespective of the outcome, the current stock price is already weighed down on this news, so if the CRA wins the case the stock will not drop much further, and if Cameco wins the case the stock will rise.

Weak demand and oversupply of uranium

Since the Japanese earthquake and tsunami in 2011, demand for uranium dropped worldwide. This took Cameco down for the ride, leaving the company with a glut of supply.

Fortunately, demand is starting to increase in countries that are in the midst of an infrastructure boom. These countries will turn to the world's largest miner of uranium fuel: Cameco. India and China represent two of the largest markets in the world that are rapidly building up their infrastructure.

India has six new reactors under construction as the country attempts to boost its nuclear power output by a factor of 10 by 2032. An already signed agreement with India calls for 7.1 million pounds of uranium concentrate.

China's market is even bigger. The country only generates 2% of its power from nuclear, but it has plans to boost this to 20% by 2030. There are currently 20 reactors under construction in China and plans for more are on the drawing board to meet this goal.

Cameco is quite possibly one of the best long-term options on the market today. The share price is at a bargain price, the company is improving its financials by the quarter, and demand for uranium will increase greatly over the next few years. If investors can stand short-term fluctuations, the potential for this stock is immense.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

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