



## Cameco Corporation Is the Mining-Related Company to Own in 2016

### Description

Given the way commodity prices have plummeted in the past year, the one thing investors probably do not want to hear is anything to do with yet another company that has a mining component, and with good reason.

The exception to this is **Cameco Corporation** ([TSX:CCO](#))([NYSE:CCJ](#)). The uranium miner is in an extremely unique position—it is one of the largest providers of uranium in the world at a time when there is a renewed interest in building nuclear power plants.

### How big is the opportunity?

The opportunity for Cameco is huge, particularly over the long term.

Japan has restarted several of its own nuclear reactors in the past year with several more expected to go online this year. A further 20 reactors are awaiting approval.

India has committed to increasing its nuclear power output by a factor of 10 by 2032. To accomplish this goal, the country already has six reactors under construction and countless more planned. An already signed agreement with the country calls for the delivery of 7.1 million points of uranium concentrate.

China has even bigger energy needs. Currently, China generates 2% of its power from nuclear energy, but has laid the foundations to raise this to up to 20% by 2030. China has 20 reactors under construction with countless more on the drawing board.

### Demand for uranium

After the Japanese earthquake and subsequent tsunami in 2011, demand for uranium essentially dried up overnight worldwide. Cameco was left with a glut of supply, no demand for the product, and a falling stock price. The stock has fallen an incredible 57% since the events of 2011.

Fortunately, with demand picking up and new agreements in place, the stock price, demand and

oversupply issues should all be resolved, leading to a gradual increase in the stock price as conditions improve and subsequent deals are signed.

The cost of uranium is another factor that is going to work in Cameco's favour. The price of uranium increases or decreases based on market demand and supply. Currently, the price is hovering in the \$39 range, but analysts note that this price could potentially shoot upwards to \$45 or higher based on the forthcoming number of projects that will require uranium.

Cameco's contracts all call for the delivery of uranium to be priced out according to market rates. This means that a \$6 increase in uranium could spell an additional \$50 million in revenue on one 7.1 million uranium concentrate deal alone.

Currently, Cameco trades at \$15.94. Much like the entire market, the company is down year-to-date by approximately 6%. Despite the drop in stock, the company still pays out a dividend that has remained consistent during the drop in price and is currently set to \$0.10 quarterly for a yield of 2.51%.

In terms of long-term investment opportunities, in my opinion, Cameco remains one of the best options on the market today.

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

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

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