3 Reasons Why Cameco Corporation Belongs in Every Long-Term Portfolio

Description

Cameco Corporation (TSX:CCO)(NYSE:CCJ) is one of the largest miners of uranium in the world, and like most miners, the company has struggled with supply and pricing issues over the past few years.

Demand for uranium effectively came to a standstill in the period following the earthquake and subsequent tsunami that hit Japan in 2011. Since then, Cameco's share price has dropped by 60% and uranium prices have remained low.

Despite this drop in price and prolonged low demand, Cameco is a great option for investors. Here are three reasons why.

1. Nuclear power is a viable power option again

Following the disaster in Japan, new reactor constructions effectively came to a halt. The damage sustained at the Fukushima reactor resulted in that reactor being shut down, and it was restarted recently.

With an increased awareness about the environment now in the forefront of many policy decisions, a growing number of nations are now turning to (or back to) nuclear power as a viable option to handle both growing power needs and reducing fossil fuel reliance.

China in particular has plans to more than quadruple the number of active reactors in operation to 85 from the current 20 within the next few years.

India is another country that is turning to nuclear power to meet its growing needs. The country currently has 21 reactors active, six currently under construction, and 18 more in a proposed or planned state. Globally, 13 other countries have 40 reactors under construction.

2. Demand for uranium can only increase

Prior to the Fukushima disaster, uranium was priced near US$70 per pound, but it has since dropped to the low US$30s. This drop in price also brought Cameco's stock price down as well and resulted in Cameco and other uranium suppliers to have a glut of supply.

Given the increase in interest in nuclear power and the growing number of reactors under construction around the world, it is only a matter of time before the price of uranium starts to rise again. Cameco already has a number of agreements with both China and India for the sale of millions of pounds of uranium, and more deals are likely.

Recent estimates by Cameco already show that consumption of uranium has surpassed the current demand.

3. Cameco has ample reserves to fuel growth

The lack of demand for uranium brought prices down and forced Cameco to reduce production and tighten expenses. Amazingly, the company managed to continue to post a profit over the past few lean years.

Should demand start to pick up, as many believe it already has, prices will come up, and Cameco has a number of other projects that could come online to boost output.

In terms of a long-term growth option for investors, Cameco is one of the most promising stocks in the market and, in my opinion, represents a great long-term opportunity.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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Date
2025/07/28
Date Created
2016/04/06
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