



Cameco Corporation: Buy This Stock Before Others Do

Description

When investors talk about stocks that have been in the dumps for far too long, one of the most commonly discussed companies is **Cameco Corporation** ([TSX:CCO](#))([NYSE:CCJ](#)). Ever since the Fukushima disaster in 2011, the price of uranium—and therefore the company—has been beaten down.

In early 2011, the spot price of uranium was US\$70 per pound. Because of this, the stock was trading at over \$40 a share. Investors who've held on since then have seen the price drop all the way to under \$17 a share.

However, just because the price has dropped doesn't mean that a company isn't worth buying. The question is, should investors buy Cameco? There are two reasons why I say yes to that question.

The first has to do with macroeconomic changes that are pushing the world toward nuclear power as a viable form of generating electricity. The world currently generates 2% of its electricity from nuclear. By 2013, it is expected that 30% of the world's power will be generated from nuclear. To achieve that will require a significant amount of uranium.

India is making large pushes into nuclear is India. It presently has 21 nuclear reactors that generate 6,000 megawatts of power. Over the next 17 years it wants to generate 45,000 megawatts of electricity, which is going to require a significant amount of uranium.

Cameco recently signed a deal with the Department of Atomic Energy of India to sell it 7.1 million pounds of uranium through 2020. And as demand increases, Cameco will have an advantage as an approved supplier.

All told, the company expects that demand for uranium will increase from 160 million pounds to 220 million pounds by 2025.

Cameco is a low-cost miner of uranium. Despite having to cut its production, and with the price of uranium low, Cameco has been able to generate a profit. Further, its Cigar Lake project, which it owns 50.025% of, more than achieved its 2015 goal of 10 million pounds of uranium.

Here's the thing ... from design to launch, a new nuclear reactor can take 10 years. That means that miners across the board have had to cut production. We could run into a situation where there is a squeeze in supply, which would send the price of uranium skyrocketing.

Cameco Corporation is one of those companies that has been beaten down for years, and yet management has made it as lean as possible. Cameco only lost \$10 million last quarter, which is one of the first times since uranium came crashing down that it has had a negative quarter. When the price of uranium rises again, I expect this stock to follow.

Therefore, investors should consider buying it now before others realize the opportunity. One of the advantages we as retail investors have is that we can buy companies that others don't pay attention to. And once they start paying attention, the return on investment can shine.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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Date

2025/07/28

Date Created

2016/04/25

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