Why You Should Invest in Cameco Corporation

Description

Cameco Corporation (TSX:CCO)(NYSE:CCJ) is one of the largest uranium miners in the world, accounting for approximately 18% of global production with facilities across three continents.

Demand for uranium has plummeted in the wake of the Japanese earthquake and subsequent tsunami back in 2011. Since then, development of new nuclear power facilities has significantly decreased, bringing Cameco's share price down with demand.

So why is an investment in Cameco a good idea? Here are a few reasons why.

Booming growth needs nuclear power and Cameco's uranium

Over the past two years, there has been an uptick in the number of new nuclear reactors under construction. Much of this growth comes from emerging economies in India and China, where an infrastructure boom requires that those countries use nuclear power as a means of keeping pace with development.

In India, there are currently over 20 active reactors with another 20 reactors either under construction or pending approval. A further six reactors are likely to be set up under a deal between India and the U.S. as part of a nuclear deal signed in December of last year. Indian prime minister Narendra Modi will be visiting the U.S. this week and will likely seek commitments for the construction of the six reactors. The construction is to be done by **Westinghouse Electric Company**.

Westinghouse will be building four reactors in China. China has ambitious plans to more than quadruple the number of active reactors over the next few years. There are currently over 30 reactors active in China.

Globally, the demand for nuclear power is growing. Over 60 reactors are currently under construction globally, and dozens more are in the development and planning phases. This uptick in demand will put pressure on the price of uranium, which will benefit Cameco.

Demand for uranium is still low

Demand for uranium remains weak, and as a result Cameco has been forced to cut production and staffing levels. Earlier this year Cameco announced an updated production forecast for the year, expecting to produce 25.7 million pounds of uranium for the year, representing a decrease of 4.3 million pounds. Along with the updated production figures, Cameco announced an additional $45 million cut to capital expenditures for the year and shuttered the Rabbit Lake mine in Saskatchewan earlier this year.

Cameco operates a joint venture in Kazakhstan called Inkai. As demand has remained weak for uranium, Cameco has focused on low-cost facilities such as this one as a way to maintain production and lower costs. Cameco signed an agreement this week Kazatomprom, the partner in the joint venture, which will ultimately result in Cameco's share in the venture being reduced to 40% from the current 60%, while increasing the share of uranium produced from the facility from three million to 4.2 million pounds.

Cameco has significant potential over the long term

Cameco has the facilities and resources to ramp up production once the uranium market starts to pick up. The company recently estimated that there will be over 110 new reactors built worldwide before the end of the decade, so an increase in demand for uranium *will* happen; the only question is *when*.

Currently, the stock is trading at $15.44, down over 9% year-to-date. The stock has dropped nearly 50% since the Fukushima disaster in 2011, which led to the collapse in uranium prices.

The renewed global interest in nuclear power will exert pressure on uranium prices, and this will drive Cameco higher. In my opinion, Cameco currently represents a unique opportunity for those investors interested in a stock that will provide long-term growth.

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1. Investing
2. Metals and Mining Stocks

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1. Editor's Choice

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