# Is it Time to Buy Cameco Corporation?

## Description

One of the most promising long-term investment options on the market right now is **Cameco Corporation** (TSX:CCO)(NYSE:CCJ). While this may sound surprising, especially considering how uranium prices have dropped over the past few years, there is plenty to like about Cameco and the potential for the stock over the long term.



**Uranium prices remain low … for now**

Uranium prices are currently trading below US$20 per pound, which a significant decrease over the US$60 per pound or higher that uranium was fetching on the market only just five years ago. The Japanese tsunami, which was a result of an earthquake back in 2011, damaged the Fukushima reactor in Japan that effectively halted what was a growing demand for nuclear power and uranium.

Uranium prices have steadily dropped since then, fueled both by a worldwide lack of demand and a growing supply of uranium that miners such as Cameco have been stockpiling.

That price drop also forced Cameco to be more selective in developing new mines, opting for higher-performing, more efficient mines. An example of this is the Cigar Lake mine located in Saskatchewan, which contains the highest-grade uranium of any mine in the world. While that mine came at a considerable cost for Cameco to develop, those costs are stabilizing, allowing Cameco to pay back the debt incurred from developing the US$2.6 billion mine.

**Nuclear power is on the rise again**

Cameco's long-term strategy has been to weather the storm of low uranium prices until a time when the market for nuclear power and uranium recovers. Until then, Cameco can only focus on better-performing mines, cut costs, and strive to become more efficient.

The good news, at least for Cameco, is that over the past year there has been a resurgence in demand for nuclear power, particularly in fast-growing economies that need quick, cheap power to keep up with demand.

China and India have aggressive development programs in place that are set to greatly increase their reliance on nuclear power over the next two decades. India has plans to boost its nuclear power footprint from 6,000 MW to 45,000 MW by 2035. China, which currently generates 2% of its power from nuclear sources, plans to see this figure rise to 30% by 2030.

Globally, there are currently 60 reactors under construction in 15 countries with another 160 reactors in various stages of planning and upwards of another 300 being proposed.

What does this mean for Cameco? A light at the end of the tunnel is approaching in the form of increased demand, which in turn should finally see uranium prices appreciate.

**Quarterly results show some promise**

Cameco posted third-quarter results earlier this month with revenues coming in just shy of US$670 million, but still better than the nearly $650 million posted for the same quarter last year and beating analyst expectations of just US$655 million.

Uranium sales showed impressive 35% year-over-year growth, which was impressive considering the over 30% drop in uranium prices that occurred in the past year. Despite this drop, Cameco's price fell only 1% in the quarter, which can be attributed to Cameco's long-term contract price which offset the drop.



Uranium prices are still weak, and Cameco's stock remains at multi-year lows, despite being up over 8% just this month. This translates into significant long-term potential, particularly if you believe that uranium and nuclear power are set for increases. In my opinion, Cameco represents a unique opportunity for investors that are looking over the long term.

**CATEGORY**

1. Investing
2. Metals and Mining Stocks

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