



## Contrarian Investors: Is Cameco Corp. Ready to Explode?

### Description

**Cameco Corp.** ([TSX:CCO](#))([NYSE:CCJ](#)) is starting to see some real positive momentum heading into 2017. The company stated that it sees the uranium glut fading in the long term. Shares soared in response to this positive sentiment. There's no question the company has been in a house of pain for the last decade. Uranium prices have plummeted, and most investors jumped ship a long time ago.

Is the current rally going to be short-lived, or is it the beginning of a turnaround that could see the stock soaring back to highs not seen in five years?

### Why did Cameco fall off a cliff these past few years?

Uranium has gone out of favour worldwide after earthquakes and tsunamis devastated nuclear reactors in Fukushima. The world is now fearful of nuclear energy, and the demand for uranium plummeted in the years following the disaster.

### Will demand pick up over the next few years?

It's probably not a good idea to have nuclear reactors in earthquake zones like Japan. But for other places, like China and India, nuclear power makes sense, especially considering the huge demand for energy in these two countries. China and India are burning fossil fuels like there's no tomorrow, and the environment is taking a huge beating. Both China and India have expressed interest in having nuclear power as one of its primary sources of energy. This could mean a huge increase in the demand for uranium over the next decade.

It's not just China and India that have become interested in using nuclear energy again. According to the Nuclear Energy Institute, there are 60 new power plants under construction in 15 countries, so there's no question that the demand for uranium will inevitably pick up a few years down the road when the reactors are opened.

Over the long run, things are looking bright for uranium prices. I believe Cameco is a terrific play for investors considering the expected increase in demand for uranium. The glut will be wiped out, and uranium prices will soar along with the stock of Cameco.

What about valuation?

The stock currently trades at a 1.2 price-to-book, a 2.6 price-to-sales, and a 11.9 price-to-cash flow, all of which are much lower than the company's five-year historical average multiples of 1.5, 3.1, and 37.1, respectively. The stock is ridiculously cheap at current levels and could be a great buy for contrarian investors. Make sure you're in it for the long run though, because volatility is almost guaranteed for a contrarian stock like Cameco. Buy the stock and collect the 2.35% dividend yield as you wait for shares to soar over the next decade.

Stay smart. Stay hungry. Stay Foolish.

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