# Cameco Corp.: Should Contrarian Investors Buy Now?

## Description

**Cameco Corp.** (TSX:CCO) (NYSE:CCJ) is down 75% in the past ten years.

Let's take a look at Canada's largest uranium producer to see if the painful run for shareholders might be coming to an end.



**Rough times**

Cameco's stock rallied from $20 per share in 2009 to $40 by the end of 2010 amid a recovery in the uranium market.

At the time, uranium traded at a healthy US$70 per pound and it seemed like better days were on the way after the stock had tanked through the Great Recession.

Unfortunately, the 2011 nuclear disaster in Japan derailed the recovery, and Cameco has been under pressure ever since.

How bad?

Today, the stock trades for about $13.50 per share, and uranium spot prices are stuck below US$25 per pound. Long-term prices are running at about US$33 per pound.

**Results**

The Q1 2017 numbers show the difficult situation facing the market. Cameco reported an adjusted net loss of $29 million for the quarter, compared to an adjusted net loss of $7 million in the same period last year.

The company also received notice from TEPCO, a Japanese customer, that it was cancelling its contract.

Cameco is fighting the decision, but says the move could result in the loss of 9.3 million pounds of contracted shipments through 2028. That's worth about $1.3 billion in revenue.

**CRA battle**

To top things off, Cameco is caught up in a nasty disagreement with the Canada Revenue Agency (CRA) over taxes owed on earnings generated by a foreign subsidiary.

If Cameco loses the case it could be on the hook for more than $2 billion in additional taxes and penalties.

**The positive side?**

Cameco has done a good job of reducing costs through the downturn and continues to adjust to the challenging market conditions. The company is shifting production to its lowest-cost plant and considering the sale of its U.S. facilities.

Japan is restarting its fleet of reactors, and while the process is taking much longer than anticipated, the country is expected to eventually get a large part of its operable reactors back in service.

In addition, more than 50 new reactors are being built around the globe, with many more planned for construction in the coming years.

As the new units are completed, uranium demand is expected to increase, and there is a chance the market could find itself in a shortage position in the coming years.



**Should you buy?**

The upside potential is attractive, but uranium prices remain under pressure and it doesn't look like a near-term rebound is in the cards.

As such, I don't see much of a reason to run out and buy the stock today, especially when you add the CRA situation into the mix.

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