



Why Cameco Corp. Remains a Strong Long-Term Buy

Description

Cameco Corp. ([TSX:CCO](#))([NYSE:CCJ](#)) is one of just a handful of companies on the market that is a great long-term option, yet for a variety of reasons, the stock remains at multi-year lows with many investors questioning the viability of their investment.

Why is Cameco down?

Cameco is the world's largest uranium producer, providing fuel for the growing number of nuclear power plants across the world. This factor alone places Cameco above the competition from a competitive standpoint, but it doesn't really justify the company as a great investment.

Nuclear power is currently undergoing a bit of a renaissance of late. Between several growing economies located predominately in Asia and an increasing need for clean, cheap power to replace older fossil fuel-burning facilities, countries are re-approaching the idea of building nuclear reactors.

This is a welcome shift from the aftermath of the 2011 earthquake in Japan, which resulted in a tsunami damaging a nuclear reactor in Fukushima. That event led to Japan shuttering all 60 of its reactors, and it had a significant impact on worldwide demand for uranium, which also led to Cameco's stock price following uranium prices down.

Renewed interest is finally taking hold

There are currently 60 nuclear power plants under construction worldwide and countless others in various stages of approval awaiting construction. One-third of those plants under construction are in China, where an infrastructure boom is taking place. The country has targeted a significant increase in nuclear power usage over the next decade. This figure may soon be even higher as commitments towards renewable energy take a greater foothold in future policy decisions.

For Cameco, those new facilities represent the opportunity for what can be decades' worth of steady revenue. Ontario's Bruce Power recently renewed a contract with Cameco to provide fuel for its nuclear facilities through 2030 in a deal reportedly worth \$2 billion.

Bad news is already priced in to the stock

One of the things about bad news is that it lingers. Cameco has had a fair amount of bad news over the past few years. Cameco's struggle with depressed uranium prices is no secret, and investors are well aware that once uranium prices begin to appreciate, Cameco's stock price will start to take off.

But then there's the CRA issue.

Cameco has a long-standing battle with the CRA over what could turn out to be a \$2 billion tax bill. The matter is still with the court, and an outcome is expected in the fall. That \$2 billion is already priced into the current stock price, which is hovering just over \$12 — nearly 60% lower than what the company traded at when the Fukushima disaster occurred. Should a decision in Cameco's favour be reached, the stock could finally break out and begin appreciating.

Should you invest in Cameco?

Despite the weakened uranium market and Cameco's ongoing CRA issue, the company remains a good investment opportunity for those investors looking purely at the long term. The prolonged weakness has brought the stock down to discounted levels and has helped Cameco's \$0.10 quarterly dividend amount to an impressive 3.30% yield.

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