



Cameco Corp. Gets an Outperform Rating and \$16 Price Target

Description

In the firm's Q3 metals and mining outlook, RBC Capital initiated coverage on **Cameco Corp.** ([TSX:CCO](#))([NYSE:CCJ](#)), giving the company an “Outperform” rating and a \$16 price target on the CCJ shares and roughly \$22 for the CCO shares.

That price target suggests 70% upside from Friday's closing price of \$11.96.

It's been a long time coming for Cameco and its shareholders, as the company has been struggling amid lower uranium prices stemming all the way back to the Fukushima nuclear disaster in 2011.

At the time, CCO shares were trading just shy of \$40 and were not far off all-time highs.

Since then, shareholders have seen over two-thirds of their investment evaporate into thin air as uranium prices have fallen from over US\$70/lb to US\$20/lb today, where they have been hovering for the past six months.

The RBC Capital report suggests uranium prices will remain range-bound near US\$20-25/lb for the rest of 2017 and into 2018 but suggests cost curve economics and an oncoming production deficit could force prices higher into 2019.

With uranium spot prices remaining below US\$25/lb and long-term prices (the price that most contracts are set at) hovering around the US\$30/lb, it simply becomes uneconomical for many high-cost uranium miners to continue production.

These miners are being forced to hold on investing in future production, which ultimately results in a production deficit as they leave the market. This is what's referred to as cost curve economics.

Fortunately for Cameco and its shareholders, the company's McArthur Lake and Cigar Lake mines lie on the very low-end of the cost curve, meaning Cameco can continue on its with its production amid lower uranium prices while competitors are leaving the market.

By 2019, when the current “supply glut” has been eliminated, Cameco stands to be one of the few

uranium producers operating in the market at the very same time that many Chinese and other EM countries are expected to commence operations of their oncoming nuclear power facilities.

This oncoming demand, coupled with a supply shortage, could push uranium prices as high as US\$30/lb to US\$40/lb in 2019-2021, and even as high as US\$70/lb by 2026-28, says RBC Capital.

It's not a bad time to be a Cameco shareholder, is it?

The timing is right

Last fall, CCO shares fell below the \$10 mark at one point, only to rebound sharply to \$17 for a 70% return in just three months.

Shares have since then fallen back to earth and currently trade very close to the \$10 level at just less than \$12 entering Monday's trading.

Should you buy?

For some investors, this story may be nothing new. After all, analysts have been forecasting a supply deficit towards the end of this decade for several years now.

But with 2019 now less than two years away, maybe this latest report suggests a light at the end of the tunnel.

Are you going to be Foolish?

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