
# Cameco Corp.: Should Value Investors Buy the Stock Amid its Nuclear Fallout?

## Description

**Cameco Corp.** (TSX:CCO)(NYSE:CCJ) is the world's largest public uranium company, and its stock has been in free-fall mode for about a decade, losing over 80% of its value from peak to trough.



Uranium has fallen out of favour across the globe following the Fukushima Daiichi nuclear disaster. The accident was a huge wake-up call to everyone around the world about the real long-term risks that come with nuclear power plants. In response to the catastrophe, many reactors have shut down, causing a uranium glut.

**The longer-term outlook looks brighter**

In a time when the reduction of greenhouse gas emissions is crucial, we're likely to see more nations become open to using nuclear power again, especially China and India — both of which can't afford to keep burning fossil fuels anymore. Beijing is looking to embrace nuclear power over the next decade to reduce the amount of coal that's burned, since air pollution levels have already gotten way out of hand.

With approximately 60 power plants under construction across 15 nations, global demand for uranium is positioned to pick up over the next few years, which could mean uranium and Cameco stock could be in for huge gains.

Cameco has the potential to increase its production as demand for uranium picks up gradually over the next decade. The company owns some of the best uranium deposits in the world, including Saskatchewan's McArthur River mine, which has a substantially higher concentration of uranium ore than the industry average.

As one of the lowest-cost producers on the planet, Cameco appears to be ripe for a rebound over the next decade, as uranium prices gradually improve. In the meantime, however, it's likely that shares will continue to be volatile and near-term losses may be very likely, so it's important that investors have an investment time horizon of at least a decade. That's a ridiculously long time to be a shareholder, but if you've got the discipline to just buy and forget, Cameco is a deep-value play that's an excellent rebound candidate.

**Should you buy today?**

Shares of Cameco currently trade at a 0.9 price-to-book multiple, a 2.1 price-to-sales multiple, and a 8.7 price-to-cash flow multiple, all of which are substantially lower than the company's five-year historical average multiples of 1.5, 3.1, and 37.1, respectively.

Cameco is absurdly undervalued today, especially when you consider the quality of its assets and the long-term tailwinds that will propel the stock and uranium prices much higher. In addition, the recent dividend and production cuts have likely caused many income-oriented investors to throw in the towel already.

If you're looking for short- or medium-term gains, then look elsewhere. You'll likely be disappointed with an investment in Cameco, since there are no real near-term catalysts to be excited about, and recent developments will likely be a major drag on shares in the coming months. However, if you're looking for solid capital gains over the next decade, you may wish to gradually accumulate shares as they continue to implode.

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