



## Is Cameco Corp. an Attractive Contrarian Pick Today?

### Description

**Cameco Corp.** ([TSX:CCO](#))([NYSE:CCJ](#)) is stuck in a multi-year [slump](#), and contrarian investors are wondering if brighter days might finally be on the horizon.

Let's take a look at Canada's top uranium miner to see if it deserves to be in your portfolio right now.

### Tough times

In early 2011, uranium traded for US\$70 per pound and investors had to cough up \$40 for a share of Cameco.

Then the tsunami hit the coast of Japan and everything changed.

The resulting Fukushima nuclear disaster forced the country to shut down its entire fleet of nuclear reactors, sending uranium prices into a tailspin.

Nearly seven years later, the industry is still suffering. Uranium spot prices are barely above US\$20 per pound and Cameco is less than \$12 per share.

Japan is working hard to get its reactors back online, but only five have shifted back into commercial service. Several more could get the green light this year, but given the operational setbacks and legal delays in recent years, investors aren't getting their hopes up.

The supply side is also causing some issues. Cameco and its peers have slashed production and canceled development projects, but secondary supplies continue to keep the [market](#) under pressure.

### Cameco's outlook

In November, Cameco cut its dividend and announced the suspension of activities at its McArthur River and Key Lake operations. This came after shutdowns or production cuts at other sites located in Canada and the United States.

The near-term outlook remains challenging, as Cameco expects secondary supplies to continue to

offset production cuts.

However, the company says it is cautiously optimistic about the outlook. In fact, Cameco thinks the uranium available in the spot market is not sufficient to satisfy demand in the long run.

More than 50 new reactors are under construction globally, and Japan is expected to eventually get the majority of its 48 reactors back in service.

Developing a new mine takes years, so there's a chance the market could see a supply squeeze at some point in the future.

### **CRA situation**

Cameco is caught up in a battle with the Canada Revenue Agency over taxes owed on income generated through a foreign subsidiary. If Cameco loses the case it could incur taxes and penalties of more than \$2 billion.

### **Should you buy?**

The stock is up a bit in recent days, but a quick look at the five-year chart suggests that investors shouldn't get too excited.

I would at least wait for some clarity on the CRA situation before adding Cameco to the portfolio.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

1. NYSE:CCJ (Cameco Corporation)
2. TSX:CCO (Cameco Corporation)

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