



Contrarian Investors: Should You Add Cameco Corp. to Your TFSA Today?

Description

Contrarian investors are searching for troubled stocks that might be on the cusp of a [recovery](#).

Let's take a look at **Cameco Corp.** ([TSX:CCO](#))([NYSE:CCJ](#)) to see if it deserves to be in your [portfolio](#).

Tough run

In early 2011, uranium fetched US\$70 per pound, and Cameco traded for close to \$40 per share.

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

The Fukushima disaster forced Japan to shut down its entire fleet of nuclear reactors. The country is working hard to get the facilities back online, but only five of the sites have entered commercial operation.

Uranium went into a tailspin after the accident, and the stock prices of the producers followed. Things haven't improved much in the past seven years.

At the time of writing, uranium spot prices are about US\$22 per pound, and Cameco trades for less than \$12 per share.

Looking ahead

Cameco slashed the dividend in late 2017 and announced additional shutdowns, including the suspension of production at its McArthur River mine and Key Lake facility.

These decisions came after the 2016 curtailments at Rabbit Lake and scaled-back operations in the United States.

Management says secondary supplies continue to offset production cuts in the market, and low prices are expected to continue in the near term. Down the road, however, things should improve.

Why?

Secondary supplies will eventually decline and the lack of new investment in development projects means the market could become tight in the coming years.

More than 50 new reactors are under construction right now around the world, and one report suggests annual uranium demand could rise 50% through 2030.

CRA case

Cameco is caught up in a battle with the Canada Revenue Agency (CRA) over taxes owed on earnings generated through a foreign subsidiary. If Cameco loses the case, it could face penalties and taxes of \$2 billion.

Should you put Cameco in your TFSA?

The long-term outlook for uranium is positive, and Cameco is one of the world's top producers with some of the richest resources on the planet.

For the time being, however, there isn't much incentive to buy the stock. 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)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/08/22

Date Created

2018/02/28

Author

aswalker

default watermark