



Should You Buy Cameco Corp. or Nutrien Ltd. Today?

Description

Cameco Corp. ([TSX:CCO](#))([NYSE:CCJ](#)) and **Nutrien Ltd.** ([TSX:NTR](#))([NYSE:NTR](#)) are both based in Saskatchewan, but that's pretty much where the similarity ends from the perspective of investors.

Let's take a look at the two mining firms to see if on deserves to be in your [portfolio](#) today.

Cameco

In early 2011, uranium traded for US\$70 per pound, and Cameco was a \$40 stock. Then the tsunami hit the coast of Japan, and everything changed.

The Fukushima nuclear disaster forced the country to shut down its entire fleet of reactors, and countries around the world took a step back to evaluate their nuclear energy programs. As a result, uranium went into a multi-year slump, dragging the producers along for the ride.

Today, uranium remains near the lows, with spot prices hovering around US\$22 per pound. Cameco currently trades for \$13.70 per share.

Fans of the stock say the long-term outlook for uranium is positive, and there is a chance the market could see a supply squeeze in the coming years. More than 50 new reactors are under construction around the globe, and Japan is slowly getting its reactors back in service.

At the same time, the rout has forced producers to cut production and shelve development plans, so the bulls might have a point.

That said, secondary supplies are filling demand gaps, and Cameco remains cautious. The company slashed the dividend last fall and has suspended a number of operations in an effort to preserve cash flow in these difficult times.

In addition, the company is caught up in a tax battle with the Canada Revenue Agency over taxes owed on earnings generated by a foreign subsidiary. If Cameco loses the case, the miner could be on the hook for more than \$2 billion in taxes and penalties.

Nutrien

Nutrien was formed through the recent merger of Potash Corp. and Agrium. The marriage brought together the wholesale potash, nitrogen, and phosphate operations of the two companies as well as Agrium's retail business.

Nutrien has more negotiating clout than the other companies had separately and is arguably better balanced from a revenue perspective, given the combination of both the wholesale and retail businesses.

Crop nutrient prices have been through a rough patch in recent years, but it looks like the things are getting better. Nutrien recently increased its target for global potash shipments and raised the lower end of its earnings guidance for 2018.

The company has already achieved US\$150 million of the expected US\$500 million in annual synergies it identified leading up to the merger.

Nutrien pays a quarterly dividend of US\$0.40 per share. That's good for a [yield](#) of 3.1%.

Is one more attractive?

Cameco rallied from \$11 per share in early February to a recent high of \$14.80 on some political noise and possible short covering, but the stock is starting to give back the gains, and there isn't any fundamental reason for the price to move higher. As such, I would avoid the uranium producer today.

Nutrien, however, might be an attractive pick for buy-and-hold investors. The fertilizer market appears to have bottomed, and Nutrien should continue to benefit from synergies, as the integration of Potash Corp. and Agrium continues.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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1. Editor's Choice

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