



Cameco Corp (TSX:CCO) Got the Best News in Nearly a Decade

Description

Are you invested in **Cameco Corp** ([TSX:CCO](#))([NYSE:CCJ](#))? If not, you may want to reconsider, as a recent announcement by the company could signal a massive shift for the uranium miner.

For those that are unaware, Cameco is one of the world's largest uranium miners, and the company, much like the entire uranium industry, is traversing through a supply glut and prolonged weak demand. That weak demand can be traced back to the weeks following the Fukushima disaster in Japan back in 2011, where a damaged reactor effectively evaporated all demand for nuclear power around the world.

In the near decade since then, Cameco and other miners have persevered, planning for the eventual recovery of uranium prices that has yet to materialize in any substantial form. By way of example, prior to Fukushima, uranium prices were approaching US\$60 per pound, whereas since then prices have struggled to push towards US\$30. As of earlier this month, the spot price hovered just above US\$27 per pound.

In addition to this, miners, who viewed the slump in demand as a temporary blip on the radar, continued producing and stockpiling uranium, which was decreasing in value, not unlike [precious metals miners](#) when that market dropped sharply also in 2011. It wasn't until several years later when miners had a severe glut of uranium that meaningful production cuts were applied to try to clear the supply and save costs.

More recently, Cameco took those cuts a step further and effectively slashed production further, choosing to fulfill existing orders through its already burgeoning supply, with any gaps to be purchased on the open market. As Cameco and other miners typically contract out multi-year uranium supply agreements that span upwards of a decade, the price of those agreements was still higher than the market rate it would be purchasing at to fulfill the order.

Cameco's tax problems

In addition to the supply glut and depressed market, Cameco had another dark cloud looming over the company in the form of a much-publicized legal spat with the CRA. The disagreement was over Cameco's 2003, 2005, and 2006 tax years, and a ruling against Cameco could have found the

company liable for a \$2 billion tax bill, excluding interest and penalties.

Because of the often-mentioned tax issue, investors were even more wary of the company, and by many accounts that potential tax bill was already priced into the depressed stock price that has plagued Cameco for the past few years.

A decision was finally handed down late last month in favour of Cameco. The CRA can appeal the decision, but the window to file that appeal with the Federal Court of Appeal will close on October 26.

Is Cameco a viable investment option?

The CRA matter was always viewed as an additional reason to be extremely cautious about investing in Cameco. With a favourable decision now passed by the court and an appeal window closing by the day, Cameco could be viewed by some investors as an opportunity for long-term growth. In fact, the market has already responded positively to the news, with Cameco's stock rising over 20% since the announcement.

There's also the uranium market to consider.

While the US\$27.50 price I mentioned earlier does seem significantly lower than the US\$60 per ounce price that was common before the Fukushima incident, the current price signifies an over 10% gain since last summer, which may indicate that a surge in demand led by new reactors being constructed around the world is beginning to gain traction.

While the stock is still volatile, [growth-minded investors](#) looking firmly at the long term may want to consider a small position in Cameco.

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