



Cameco Corporation (TSX:CCO): Buy or Dump?

Description

Cameco Corporation ([TSX:CCO](#))([NYSE:CCJ](#)) is one of a handful of companies on the market today that has benefited from a rally, albeit a small one over the course of the past few months following what can only be described as a dismal past few years. The stock began a multi-year tumble in 2011 following the Fukushima disaster, and reached new lows in 2016 and again in the fall of 2017. Since then, Cameco has been engaged in a series of deep cost-cutting programs that included both staffing and production cuts, as well as even shuttering facilities and opting to fulfill contracts from the massive glut of uranium inventory.

What few investors realize is that in the period since that last major drop in 2017, Cameco has actually clawed itself back up, with the stock rising over 45% in less than years, with a growing number of pundits now seeing a bright future for the uranium miner.

Let's take a look at whether that stands true by answering a few questions about the uranium market, Cameco's market, and future opportunities.

Have uranium markets improved?

In the period following the Fukushima disaster, demand for nuclear power, and by extension uranium, all but evaporated. Plans for new nuclear reactors around the world were shelved, and in the case of Japan, the reactors were shuttered indefinitely (and not all of them have yet been reactivated). This sent a shockwave across the uranium market, driving the cost down from near US\$60 per pound well into the low US\$20s per pound.

Fortunately, uranium has risen over the course of the past year and is now flirting with the US\$30 per pound level (and in the case of long-term pricing, exceeds that level). This can be traced back to two key developments – the concerted effort by some of the largest uranium miners in the world to slash production and fulfill orders from inventories, and the resurgence in demand for nuclear power being witnessed in several developing economies around the world.

Are Cameco's troubles over?

Cameco has a slew of ongoing issues, ranging from contract, taxation and labour issues. While several of those matters could ultimately come out in favour of Cameco, overall the company's troubles are still far from over.

Starting with Cameco's long-standing CRA dispute, the best answer would be "maybe." Following a decision made in favour of Cameco last fall, the CRA appealed the decision, meaning that Cameco and investors will likely need to wait another two years or more for the outcome of the matter. Cameco is slated to receive a \$38 million reimbursement this year to cover the costs from the longstanding dispute.

Cameco's other long-standing dispute is with Japan-based TEPCO over a multi-year contract that has a value of \$1.3 billion. Cameco is currently seeking US\$700 million in damages, not including interest and costs. Hearings over the dispute completed in January, but a decision on the matter is not fully expected until May.

Should you buy?

While there is certainly a case to be made for continued [long-term growth](#) opportunity for investors, at this point Cameco remains a far too risky investment option for most, particularly when the market is littered with a slew of impressive [growth and income-producing options](#) at the moment.

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