



Are You Considering an Investment in Cameco Corporation (TSX:CCO)?

Description

Over the past 12-month period, **Cameco** ([TSX:CCO](#))([NYSE:CCJ](#)) has seen its share price appreciate over 25%, becoming one of the [top movers](#) on the market. That may come as a surprise to many, particularly as the uranium miner has struggled with depressed demand over the past decade, as utilities have shied away from nuclear reactors for their electricity needs.

Let's take a look at some of the events over the past year that have helped propel Cameco up and see if there is room for the stock to continue growing.

Market update

Uranium is primarily used for fuel in nuclear reactors, and Cameco sells that uranium to clients around the world through long-term supply agreements that are similar in many ways to the lucrative PPAs that utilities sign. Those contracts, which span upwards of a decade, have shielded Cameco in some respects from the prolonged weakness in the uranium market that we've seen the years following the Fukushima disaster back in 2011.

By way of reference, uranium spot prices are hovering near the mid-US\$20s per pound, while longer-term prices are just north of US\$30 per pound; prior to the Fukushima disaster, prices were near US\$60 per pound.

Fortunately, the uranium market is now seeing strong growth on multiple fronts. Fifty reactors are now under construction around the world, and a further nine have come into operation within the past year. Of those 50 reactors currently under construction, China, India, and Russia are leading that growth. Further to this, the Japanese market, which shuttered its reactors in the aftermath of the Fukushima disaster, has gradually restarted nine reactors and has plans to restart twice as many more.

Efficiency update

One of the ways in which Cameco sought to help kickstart the uranium market as well as deal with a

massive supply glut was to shutter a number of production facilities and, in turn, fulfill existing contracts from its overwhelming supply. Any gaps from those contracts could then be purchased on the open market at a rate that was still lower than the contracted price.

The efforts also allowed Cameco to maintain a strong balance sheet — something that the company sees continuing into the next fiscal quarter, where Cameco CEO Tim Gitzel noted that the company will keep a strong balance sheet while continuing to generate cash from operations.

In the most recent quarter, Cameco earned \$160 million, or \$0.40 per diluted share, which was a significant improvement over the \$62 million loss, or \$0.62-per-share loss, posted in the same period last year.

What should you do?

There's no denying the fact that Cameco has improved drastically over the past year, and that improvement cannot be attributed to any one event but rather the culmination of everything that the company has done as well as the improving market conditions. Specifically, Cameco's dedication to reduce its supply glut through supply cuts as well as slashing costs around the company are finally bearing fruit.

Further to this, a favourable decision from both the CRA dispute as well as potential award damages of US\$700 million stemming from the TEPCO dispute could provide a further boost to the company's books.

That's not to say that Cameco is a [screaming buy](#) at the moment; there's still a considerable amount of risk, but for those long-term investors that have an appetite for risk, a small position in Cameco may be warranted.

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