1 Potentially Explosive Stock for Instant Nuclear Exposure

Description

With renewed interest in nuclear energy as an alternative to fossil fuels, and with more nuclear reactors being built by producers, it's possible to quantify demand in this area of energy production for the foreseeable future to some extent.

That said, while demand can be calculated to some extent, the question of uranium supply still remains, however. How certain are resources, and are they shrinking? The short answer is that reduced production and declining inventories are causing a bottleneck in uranium, which in turn may be intensifying demand. The longer answer might be that investing in uranium is a smart play right now.

This uranium stock radiates good quality

Any Canadian investors seeking mining and energy stocks to watch on the TSX index could do far worse than to put a pin in **Cameco** (TSX:CCO)(NYSE:CCJ). While it might not be the best value for money, indicated at a brief glance by a PEG of 2.8 times growth, it's a fairly healthy ticker, carrying debt 30.2% of net worth – well within the safe zone of acceptable risk.

More shares have been bought than sold by Cameco insiders in the last three months, and in significantly large volumes, too. In fact, over $1.5 million worth of shares have changed hands through insider trading. If you can look past a P/E of 59.6 times earnings, you may want to join these insiders in stacking Cameco shares – though a value-focused investor may be quick to point out that a P/B of 1.1 times book illustrates a fairly priced stock in terms of assets.

In terms of quality, investors may want to look at competitors in the uranium space such as **Uranium Participation** (TSX:U). Indeed, Uranium Participation saw a five-year average past earnings growth of 11.7% that beats the same characteristic in Cameco's stats, while a past-year ROE of 26% is significantly high for the TSX index. All told, carrying zero debt, Uranium Participation is a solid buy.

Looking at Cameco's own ROE of 2% over the past year, it doesn't show the best use of shareholder's input; however, concerned would-be investors with little to no appetite for drama should be pleased to know that a seasoned and experienced management team with an average tenure of 7.1 years runs the Cameco show, with an appropriately tenured board of directors to match.

Having shed a disconcerting 5.69% in the last five days at the time of writing, the stock is a steal for any nuclear power bulls who may have been sitting on the fence. Capital gains investors may not be too enamoured with this one just at the moment, however, with a beta of 0.64 compared to the market indicating fairly low volatility, and a share price discounted by more than 50% compared to its future cash flow value.

The bottom line

A dividend yield of 0.56% and 21.5% expected annual growth in earnings add to this stock's buy signal. While there are a few issues to be found here, such as that low return on equity, and several indicators of overvaluation, Cameco is still well positioned to enjoy a resurgent nuclear market, and its stock has a lot going for it. Indeed, if production bottlenecks drive uranium prices higher, this is one stock that could get a significant boost.

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vhetherington