



## What Happened to Cameco Corp (TSX:CCO)?

### Description

Remember **Cameco Corp** ([TSX:CCO](#))([NYSE:CCJ](#))? For those investors that may have forgotten, Cameco is one of the largest uranium miners on the planet. Unfortunately, being a major player of a commodity that is decreasing in price doesn't bode well for investors. Here's a recap of what happened to Cameco and why it matters now more than ever.

### A nuclear resurgence is occurring

Nuclear reactors use the uranium that Cameco mines as fuel. This makes the stock an intriguing option from a defensive perspective. Additionally, there is currently a backlog of nuclear reactors under construction around the world. Furthermore, the marketplace for uranium fuel is limited.

As of last month, there are currently 50 reactors under construction around the world. Most of these are in Asian nations where rapid infrastructure growth necessitated a massive uptick in power generation.

When fuel is purchased for those reactors, they are done so subject to long-term contracts, not unlike the power-purchase agreements used by utilities. The agreements include terms on both pricing and duration, adding to the overall appeal of Cameco.

Again, this bodes well for prospective investors.

### What happened to Cameco?

Uranium trades on the market, like other commodities. Back in 2011, the price of uranium was near US\$60 per pound. When the Fukushima disaster occurred, the global demand for nuclear power disappeared almost immediately. This led to the price of uranium beginning a multi-year drop to the US\$20s per pound level.

In the case of Cameco, that drop in price was severe. Cameco was mining a product that was dropping

in price and that nobody wanted, leading to a supply glut. Deep cost-cutting measures were then introduced. As part of those cuts, Cameco shuttered facilities, reduced staff, and slashed its dividend.

The company also resorted to fulfilling existing contracts from its supply glut, with the ultimate goal of bumping uranium prices. That's just the tip of the iceberg in regards to what happened to Cameco. The company has also dealt with a long-standing dispute with Revenue Canada.

Fortunately, uranium prices have started to rebound. As of last month, uranium prices are trading just shy of US\$30 per pound, and long-term prices sit at US\$35 per pound.

Turning to results, that improved uranium price helps Cameco, but not by much. The company still has multiple concerns to address, including debt, resuming operations, and the pandemic. In the most recent quarter, Cameco reported a net loss of \$53 million. By way of comparison, in the previous quarter, Cameco reported a net loss of \$19 million.

In terms of liquidity, Cameco had \$878 million in cash and \$1 billion in undrawn credit during the last quarter. The company also announced a \$400 million debenture offering this month. The proceeds will be allocated to existing unsecured debentures due in 2022. This helps kick the debt down the road but doesn't address the concern of [revenue growth](#).

## What's next for Cameco — and why it matters

Cameco is doing everything it can to weather unprecedented challenges. The company has stood firm on a decade of weakened prices, a supply glut, and now a global health pandemic. In short, the company is not making money, but it is surviving.

There are far better investments on the market over Cameco. That's not to say that the company won't improve; it may yet turnaround and become profitable again- it's just unlikely to happen anytime soon. What happened to Cameco was simply too much, and investors are better served [looking elsewhere](#).

### CATEGORY

1. Investing
2. Metals and Mining Stocks

### TICKERS GLOBAL

1. NYSE:CCJ (Cameco Corporation)
2. TSX:CCO (Cameco Corporation)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

**Category**

1. Investing
2. Metals and Mining Stocks

**Date**

2025/08/14

**Date Created**

2020/10/26

**Author**

dafxentiou

default watermark

default watermark