



World's Top Uranium Stock Could Shoot Higher

Description

During the COVID-19 pandemic, even while production was suspended, **Cameco** ([TSX:CCO](#))([NYSE:CCJ](#)) kept and continued to pay all the company's employees. Partially off-setting these additional costs was the receipt of about \$37 million under the Canada Emergency Wage Subsidy program and [volatility in foreign exchange rates](#) that resulted in foreign exchange gains.

Adding to a portfolio of long-term uranium contracts

On the contracting front, long-term contracting was delayed in 2020 due to ongoing market access and trade policy issues and the impact of the COVID-19 pandemic on Cameco's customers' operations. However, in Cameco's uranium segment, Cameco was successful in adding 12.5 million pounds to the company's portfolio of long-term uranium contracts.

Growing pipeline of uranium business

Market signals could take time to [impact contracting](#) in Cameco's business as it has seen with the transition in the company's fuel services segment. With Cameco's pipeline of uranium business continuing to grow and larger than the company has seen since 2011, Cameco is patiently waiting to capture as much value as possible in the company's contract portfolio.

Broader demand for long-term contracting

Further, Cameco has indicated that it continues to see off-market interest, which it believes tends to be a leading indicator of a broader demand for long-term contracting. In Cameco's fuel services segment, the company had a very successful year, replacing the volumes it delivered under contract and adding another 17.1 million kilograms of UF₆ to the company's long-term contract portfolio that reflects the price transition that began in 2017 in the conversion market.

Disciplined execution of a robust strategy

In addition, Cameco expects that this will allow it to continue to profitably operate and consistently support the long-term fuel services needs of the company's customers. Cameco has ensured a disciplined execution of the company's strategy. This has led to a strong balance sheet and Cameco expects it will enable Cameco to see out the company's strategy as well as self-manage risk.

Impact of disruptions to global financial markets

As of December 31, 2020, Cameco had \$943 million in cash and short-term investments and \$1.0 billion in long-term debt. During the year, the impacts of the COVID-19 pandemic caused disruptions to global financial markets, and incited government stimulus packages and significant interest rate reductions.

Conservative financial management

On October 21, 2020, consistent with Cameco's policy of conservative financial management, and to take advantage of the low-interest-rate environment resulting from the COVID-19 pandemic, Cameco issued debentures in the amount of \$400 million, at an interest rate of 2.95% per annum and used the proceeds to redeem the company's outstanding \$400 million debenture bearing interest of 3.75%, resetting the maturity from 2022 to 2027 and extending the company's maturity profile.

The early redemption resulted in a cost of \$24 million. Cameco's next maturity is in 2024. In addition, Cameco appears to have a \$1.0 billion undrawn credit facility.

Higher uranium prices

The uranium spot price increased by more than 35% following the announcement of the initial supply disruptions due to the COVID-19 pandemic in March and April, reaching a high of about US\$34 per pound in 2020. Higher uranium prices are expected in 2022, which should work in the company's favour.

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Date

2025/07/04

Date Created

2021/08/22

Author

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