



Top Uranium Stock in the World Could Be Greatly Undervalued

Description

Cameco ([TSX:CCO](#))([NYSE:CCO](#)) is one of the largest uranium producers in the world based out of Canada and could be [significantly undervalued](#) at current market prices..

Well-positioned to benefit from the global commodity boom

The COVID-19 pandemic has disrupted [global uranium production](#), adding to the supply curtailments that have occurred in the industry for many years. The duration and extent of these disruptions are still not fully known. However, Cameco appears very well-positioned to benefit from the global commodity boom.

Increasing focus on electrification

The average uranium spot price ended fiscal 2020 at \$30.20 per pound more than 20% higher than the average uranium spot price at the end of 2019. Across the globe, there appears to be an increasing focus on electrification for various reasons. Some countries looking to install baseload power, while others are looking for a reliable replacement for fossil fuel sources.

Need for nuclear to sustainably achieve electrification and de-carbonization goals

Finally, there is new demand for things such as the electrification of transportation at precisely the same time that countries and companies globally are committing to net-zero carbon targets. This has led to the recognition, from a policy point of view that nuclear will be needed in the toolbox to sustainably achieve electrification and de-carbonization goals.

Ensuring the availability of long-term supply to fuel nuclear

reactors

In the current environment, Cameco appears to believe the risk to uranium supply is greater than the risk to uranium demand. The company expects that it will create a renewed focus on ensuring the availability of long-term supply to fuel nuclear reactors.

More flexibility in the production rate

Over time, Cameco management also appears to expect that this renewed focus on the security of supply will provide the market indicators that producers need. Cameco appears to be taking the steps today and incurring the costs that the company believes will allow it to restart the company's tier-one assets with more flexibility in the production rate.

Benefitting from the favourable life-of-mine economics

This will also eliminate the care and maintenance costs incurred while Cameco's tier-one production is suspended and benefit from the favourable life-of-mine economics that the company's assets provide.

Negotiating favourable supply agreements

Cameco's market leadership provides it with the ability to negotiate favourable supply agreements, which means the company is one of the lowest-cost producers of uranium in the world.

Maintain a decent level of profitability throughout the pandemic

The recent pandemic also reinforced the importance of keeping costs low. Cameco's agility and flexibility in running the business were admirable as the company kept overhead costs to the minimum throughout the pandemic. This helped ensure that the company maintains a decent level of profitability.

Building a sustainable business and build long-term value

Throughout, Cameco appears set to continue to focus on delivering the company's products responsibly and addressing the environmental, social, and governance risks and opportunities that it believes will make the company's business sustainable and will build long-term value.

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