



Cameco (TSX:CCO): Bet on the #1 Future Trend!

Description

Cameco ([TSX:CCO](#))([NYSE:CCO](#)) is a uranium mining stock that operates in Canada, the U.S., and Kazakhstan. It has been mining for uranium for more than 60 years and was profitable in its most recent quarter.

In [the first quarter](#), CCO did \$40 million in profit and added several long-term supply contracts. The profit was a major boon to those who already hold the stock, while the long-term contracts pointed to the possibility of new revenue being added in the future. When a company gains a long-term supply contract, it enters an agreement to sell to another company over the long term. Therefore, we can expect Cameco's new contracts to provide some sales growth.

Having said that, Cameco's historical business results are not the main reason to get interested in it. It's a decently profitable company but nothing special. What is very interesting about it is the fact that it supplies uranium for nuclear power plants. This year, oil prices are rising, and people are getting interested in nuclear energy as an alternative to oil. For example, a few weeks ago, the E.U. changed its rules for designating nuclear energy as "green," citing the energy crisis.

According to Google Trends, the number of searches for "nuclear energy" rose 614% between January 1 and May 1 — the peak of the energy crisis. Since May, oil prices have fallen quite a bit, but [green energy](#) remains a major priority for the world.

In this article, I'll look at some factors driving the adoption of nuclear energy and what they mean for Cameco.

Nuclear energy by the numbers

Nuclear energy is already one of the biggest power sources in the world. As of July 25, it boasted

- 440 power plants worldwide;
- 10% of the world's electricity generation (more than wind but less than hydro); and
- Adoption by 50 countries.

Put simply, nuclear is already one of the world's primary ways of generating electricity. And if oil prices keep rising, it could become even more prominent. The 2022 energy price crisis prompted a massive re-thinking on nuclear power. In addition to the E.U. reversing course, other countries, like China, have pledged to increase investments in nuclear.

This is all very bullish for Cameco. Uranium is the fuel used to feed nuclear power plants, and CCO's whole business is about supplying that fuel. If more countries adopt nuclear power, then that could mean higher uranium prices and more sales for CCO. However, there is one major risk factor that investors need to be aware of.

One disadvantage

One disadvantage of nuclear power for investors is the fact that uranium is just so abundant. Recently, *Scientific American* claimed that there's enough uranium in the ocean to feed our energy needs for 60,000 years! This isn't exactly what you'd call a scarce commodity. Sure, the price of uranium is going up, but the more uranium mining companies that emerge, the greater the supply will be. It's quite possible, then, that uranium mining will never become the vast global behemoth that oil and gas is today. The supply of uranium is quite abundant given humanity's energy needs.

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