



May 4, 2020

Cameco Corporation

Model update

Our view: We believe Cameco continues to maintain a very strong financial position with net cash on hand, which should allow the company to weather current market uncertainty due to COVID-19. We expect Cameco to benefit from the long-term recovery in the uranium market, but continue to view shares as fairly valued.

Key points:

Model update: We have updated our model to include reported 1Q/20 financial and operating results along with several model changes.

- Lowered production at Cigar Lake, Inkai and Port Hope to account for COVID-19 related suspensions. We are conservatively assuming Cigar Lake production re-starts in 2021, Inkai slowly ramps up in 2H/20, and Port Hope in 2H/20, but uncertainty remains around timing and will depend on global recovery from the virus - total 2020 production (including JV Inkai portion) reduced to 5.2Mlbs U3O8, from 12.7Mlbs. We increased market purchases to offset lost production.
- Increased costs as a result of higher market purchases and reduced production, including care and maintenance costs for Cigar Lake. We also lowered capex spending in 2020 to \$93M, from \$120M.
- Updated uranium supply and demand forecast to include reduced global production in 2020 due to mine production suspensions in Canada, Namibia, Kazakhstan, and Uzbekistan. We have also updated our demand forecast based on reactor builds through 2030. We expect a 30M and 10M deficit in 2020 and 2021, a surplus in 2022 and 2023 as McArthur re-starts, a balanced market in 2024-2026, and a deepening deficit starting in 2027 due to continued demand growth and mine closures. See exhibit 2 on page 3.
- Increased uranium realized prices in 2020-2022 on near-term uranium market tightness due to Covid-19 related shut-downs. Reduced CAD/USD exchange rate, which is positive to our valuation as production costs are generally in CAD while sales are in USD. Management noted that increase in buying was driven by producers looking to cover commitments.

Strong financial position: At end-1Q-20 Cameco had \$1.2B of cash and equivalents and a \$1.0B undrawn credit facility, while long-term debt remains very manageable at \$1.0B. We think the company is well positioned to ride out the current uncertainty due to Covid-19 and should benefit from the long-term uranium market recovery. We expect Cameco to generate slight negative FCF in 2020 (-\$32M) due to the temporary Cigar Lake shut-down, but to return to positive cash flow in 2021 (\$95M).

Reiterate Sector Perform, Raise PT to \$15: We have reduced 2020E EBITDA to \$143M, from \$165M, but increased 2021E and 2022E EBITDA to \$290M and \$532M, from \$277M and \$492M.

RBC Dominion Securities Inc.
Andrew D. Wong (Analyst)
(416) 842-7830
andrew.d.wong@rbccm.com

Sector Perform

TSX: CCO; CAD 14.42; NYSE: CCJ

Price Target CAD 15.00 ↑ 14.00

WHAT'S INSIDE

<input type="checkbox"/> Rating/Risk Change	<input checked="" type="checkbox"/> Price Target Change
<input type="checkbox"/> In-Depth Report	<input checked="" type="checkbox"/> Est. Change
<input type="checkbox"/> Preview	<input type="checkbox"/> News Analysis

Scenario Analysis*



*Implied Total Returns

Key Statistics

Shares O/S (MM):	395.8	Market Cap (MM):	5,707
Dividend:	0.08	Yield:	0.6%
NAVPS:	16.98	P/NAVPS:	0.85x
Float (MM):	395.8	Tr. 12 ROE:	2.90%
Debt to Cap:	18%	Enterprise Val. (MM):	4,466
		Avg. Daily Volume:	2,896,060
		3-Yr. Est. EPS Growth:	65.00%

RBC Estimates

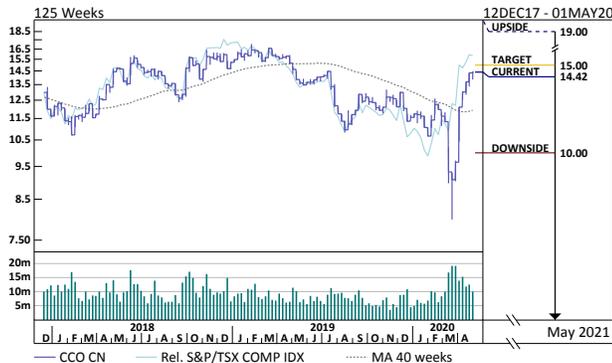
FY Dec	2019A	2020E	2021E	2022E
EPS, Adj Diluted	0.10	0.06	0.09	0.46
Prev.		(0.23)	0.07	
P/AEPS	NM	NM	NM	31.3x
EBITDA, Adj	416.5	143.4	290.2	532.1
Prev.		164.7	276.6	
FCFPS	0.96	(0.08)	0.24	0.99
Prev.	0.41	0.08	0.55	
P/FCF	15.0x	nm	60.1x	14.6x
EPS, Adj Diluted	Q1	Q2	Q3	Q4
2019	(0.08)A	(0.04)A	(0.01)A	0.24A
2020	0.07A	(0.03)E	0.02E	0.00E
Prev.	(0.09)E	(0.06)E	(0.05)E	(0.03)E
2021	(0.02)E	(0.01)E	0.01E	0.11E
Prev.	(0.03)E	(0.02)E		0.10E
EBITDA, Adj				
2019	28.6A	79.6A	38.9A	269.4A
2020	65.3A	8.6E	37.6E	31.9E
Prev.	29.2E	39.7E	38.8E	57.0E
2021	57.8E	60.4E	57.0E	115.1E
Prev.	52.3E	56.6E	56.4E	111.2E

All values in CAD unless otherwise noted.



Target/Upside/Downside Scenarios

Exhibit 1: Cameco Corporation



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Price target/base case

We rate Cameco shares Sector Perform, with a \$15 price target. We value the company by attributing an equal weighting to our EV/EBITDA and DCF valuation, and adding ~\$1/sh for the CRA restricted cash. Our EV/EBITDA valuation applies a 14x multiple to 2021 EBITDA estimates—this multiple is consistent with historical peak post-Fukushima valuation and a premium to diversified mining equities, but in line with Cameco trough valuation. We think a trough multiple is appropriate as uranium prices have bottomed and enter a recovery phase. Our DCF analysis uses an 8% discount rate.

Upside scenario

Our upside scenario of \$19 assumes that uranium prices recover earlier than expected and higher prices are required to incentivize new mine supply. In this scenario, we increase our price forecasts from 2020-2023 by \$5/lb, 2024-2027 by \$10/lb and use a \$75/lb long-term spot price forecast. We also assume that the CRA restricted cash is returned, which adds \$1/sh to our valuation.

Downside scenario

Our downside scenario of \$10 assumes that uranium prices take longer than expected to recover and less new mine supply is required due to weak demand. In this scenario, we decrease our price forecasts from 2020-2027 by \$10/lb and use a \$40/lb long-term spot price forecast. We also assume that the CRA restricted cash is not returned.

Investment summary

We believe the company is well positioned to benefit from an eventual long-term recovery in uranium prices, while strong operations support a very robust financial position in the near term. However, we expect a uranium price recovery to be gradual.

Potential catalysts

Starting 2Q/20, due to Covid-19 concerns, Cameco suspended production at Cigar Lake and Port Hope Fuel Services while Kazatomprom suspended production at Inkai (40% JV owned by Cameco). We currently model Cigar Lake back online in 2021, Port Hope Fuel Services in 2H/20, and Inkai in 2H/20.

Cameco suspended production at McArthur River mine and Key Lake mill starting January 2018 and announced an indefinite extension of the curtailment in July 2018. The company expects to draw down inventories and make spot market purchases to meet sales commitments. Management has stated that McArthur River would come on-line when the company can sign contracts at prices that would provide acceptable returns—we view this price level as ~\$40/lb.

Cameco currently has ~\$300M in restricted cash set aside (along with lines of credit) for the CRA dispute to satisfy rules that require companies to remit or secure 50% of a tax reassessment. Given the positive ruling for Cameco, we think it is reasonably likely that the company would eventually be able to recover the restricted cash.

Cameco and Kazatomprom have restructured the Inkai JV to provide longer-term stability and potential production increases. Production at Inkai JV may increase according to the resource use contract, although the actual production plan is set annually.

Risks to our investment thesis

We highlight several key risks and sensitivities that could be potentially material to our thesis on Cameco including: 1) a negative outcome in the ongoing CRA transfer pricing dispute; 2) further contract cancellations; 3) potential production disruptions; 4) weaker-than-expected uranium prices; and 5) currency volatility, primarily CAD/USD.



Exhibit 2: RBC Uranium Supply & Demand Forecast

S&D ('000 lbs U3O8)	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	CAGR 19-30E
North America	52,091	52,588	54,174	54,642	53,747	51,916	52,268	52,217	51,918	51,362	50,709	49,800	49,912	49,856	49,856	49,544	-1%
South America	1,414	1,427	1,342	1,466	1,466	1,414	1,414	1,414	1,414	1,414	1,414	1,414	1,414	3,072	2,025	3,499	8%
West & Central Europe	51,615	49,962	49,590	47,115	47,952	49,794	49,984	45,616	44,062	42,770	42,271	42,827	43,791	41,865	40,870	40,582	-2%
East Europe	19,301	20,363	22,037	20,984	23,865	24,204	23,376	23,099	23,534	23,444	23,368	22,853	22,362	24,234	24,733	25,709	1%
Africa	790	801	725	764	764	776	776	776	776	776	776	776	776	776	776	2,141	10%
Central Asia & Middle East	692	692	608	2,439	1,438	1,256	3,076	2,075	3,622	4,181	7,730	5,011	5,884	5,026	6,352	6,794	15%
East Asia	34,462	34,113	38,762	45,687	47,176	40,125	40,256	40,904	44,760	54,678	55,909	56,257	54,786	56,760	56,580	59,309	2%
Other Asia	3,286	4,426	3,102	3,107	3,736	4,043	6,257	8,522	9,125	10,270	9,755	8,522	9,181	9,838	10,360	9,386	9%
Demand	163,652	164,371	170,340	176,204	180,145	173,527	177,407	174,622	179,211	188,894	191,933	187,460	188,106	191,426	191,552	196,963	0.8%
Africa	19,683	18,944	20,025	22,879	23,720	19,520	20,320	19,820	20,400	20,900	20,900	20,900	20,900	20,900	20,900	15,400	-3.9%
Australia	14,702	16,333	13,867	16,561	16,325	16,000	14,000	15,500	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	-0.2%
Canada	34,400	36,300	34,143	18,143	18,000	4,200	18,000	26,929	35,857	35,857	35,857	35,857	35,857	17,857	17,857	17,857	-0.1%
Kazakhstan	60,591	63,483	60,159	56,412	59,257	47,591	59,960	63,165	65,268	65,982	64,856	64,856	60,099	60,099	60,099	56,735	-0.4%
Russia	7,943	7,834	7,904	8,060	8,060	8,310	8,710	8,710	8,710	8,710	8,710	8,710	8,710	8,710	8,710	8,710	0.7%
Ukraine	3,120	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	0.0%
Uzbekistan	6,250	6,250	6,250	6,250	6,250	5,000	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	0.0%
United States	3,223	2,886	2,625	1,000	215	180	130	130	130	130	130	130	130	130	130	130	-4.5%
Other	6,828	6,583	6,436	6,310	6,440	7,030	7,030	7,030	7,030	7,030	7,030	7,030	7,030	7,030	7,030	7,030	0.8%
Mine Supply	156,740	161,213	154,010	138,215	140,867	110,431	137,000	150,134	162,245	163,459	162,334	162,334	157,576	139,576	139,576	130,712	-0.7%
Mine Supply	156,740	161,213	154,010	138,215	140,867	110,431	137,000	150,134	162,245	163,459	162,334	162,334	157,576	139,576	139,576	130,712	-0.7%
Secondary Supply	39,994	38,604	39,153	38,631	36,091	33,137	30,473	28,854	28,293	25,166	27,707	25,492	22,873	19,588	20,239	16,945	-6.6%
Total Supply	196,734	199,817	193,163	176,846	176,958	143,568	167,473	178,988	190,538	188,625	190,041	187,826	180,449	159,164	159,815	147,657	-1.6%
Surplus/Deficit	33,083	35,446	22,823	642	-3,186	-29,959	-9,934	4,366	11,327	-269	-1,892	366	-7,657	-32,262	-31,737	-49,306	
Demand as % of supply	83%	82%	88%	100%	102%	121%	106%	98%	94%	100%	101%	100%	104%	120%	120%	133%	
Spot Price (US\$/lb)	\$37	\$26	\$22	\$25	\$26	\$32	\$33	\$33	\$33	\$35	\$40	\$50	\$50	\$65	\$65	\$65	9%
Term Price (US\$/lb)	\$47	\$40	\$31	\$31	\$32	\$34	\$39	\$40	\$40	\$45	\$50	\$60	\$60	\$65	\$65	\$65	7%

Source: Company reports, RBC Capital Markets estimates

Maintain Sector perform and \$15 price target

We rate Cameco shares **Sector Perform**, with a **\$15 price target**. We value the company by attributing an equal weighting to our EV/EBITDA and DCF valuation, and adding ~\$1/sh for the CRA restricted cash. Our EV/EBITDA valuation applies a 14x multiple to 2021 EBITDA estimates—this multiple is consistent with historical peak post-Fukushima valuation and a premium to diversified mining equities, but in line with Cameco trough valuation. We think a trough multiple is appropriate as uranium prices have bottomed and enter a recovery phase. Our DCF analysis uses an 8% discount rate.

Exhibit 3: Cameco valuation summary

EV/EBITDA Valuation			Cameco Valuation Summary		
EV/EBITDA Valuation	CAD\$M	US\$M	Net Asset Value	CAD\$M	US\$M
Adjusted EBITDA (2021)	\$290	\$206	Segments		
Multiple	14.0x	14.0x	Uranium	\$6,271	\$4,455
Enterprise Value	\$4,063	\$2,886	Fuel Services	\$1,062	\$754
			SG&A	(\$987)	(\$701)
Balance Sheet (end-20E)			Balance Sheet (end-19E)		
Net Debt (CAD\$M)	(\$60)	(\$42)	Net Debt	\$60	\$42
Market Cap	\$4,123	\$2,929	Net Curr. Assets (excl. cash)	\$320	\$227
Shares (M)	396	396	Net Asset Value	\$6,725	\$4,777
EV/EBITDA Valuation Price	\$10	\$7	Shares (M)	396	396
			NAV (\$/share)	\$17	\$12

Source: Company reports, RBC Capital Markets estimates



Model

Exhibit 4: Cameco Uranium Segment Model

Uranium Segment Analysis								2019				2020				2021											
<i>C\$ millions, unless noted</i>								1QA	2QA	3QA	4QA	1QA	2QE	3QE	4QE	1QE	2QE	3QE	4QE								
Production (M lbs U3O8)																											
McArthur River/Key Lake (70% ownership)	11.3	0.1	0.0	0.0	0.0	6.3	12.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cigar Lake/McClean Lake (50%)	9.0	9.0	9.0	2.1	9.0	9.0	9.0	2.4	2.5	1.4	2.7	2.1	0.0	0.0	0.0	0.0	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Inkai (40%), unconsolidated	3.2	2.8	3.4	3.1	3.8	4.1	4.1	0.8	0.8	0.9	0.9	0.6	0.8	0.8	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Rabbit Lake (100%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Smith Ranch-Highland (100%)	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Crow Butte/Cluff	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	23.8	12.0	12.4	5.2	12.8	19.3	25.6	3.2	3.3	2.3	3.6	2.7	0.8	0.8	0.9	3.2											
Consolidated Production	23.8	9.2	9.0	2.1	9.0	15.3	21.5	2.4	2.5	1.4	2.7	2.1	0.0	0.0	0.0	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Realized Price																											
CDN/USD Exchange rate (C\$)	\$1.30	\$1.30	\$1.33	\$1.34	\$1.32	\$1.32	\$1.30	\$1.33	\$1.34	\$1.32	\$1.32	\$1.34	\$1.39	\$1.33	\$1.32	\$1.32	\$1.32	\$1.32	\$1.32	\$1.32	\$1.32	\$1.32	\$1.32	\$1.32	\$1.32	\$1.32	\$1.32
Uranium Spot Price (US\$/lb U3O8)	\$22	\$24	\$26	\$32	\$33	\$33	\$33	\$28	\$25	\$25	\$25	\$25	\$33	\$35	\$35	\$33	\$33	\$33	\$33	\$33	\$33	\$33	\$33	\$33	\$33	\$33	\$33
Uranium Term Price (US\$/lb U3O8)	\$31	\$31	\$32	\$34	\$39	\$40	\$40	\$32	\$32	\$32	\$32	\$32	\$33	\$35	\$35	\$38	\$38	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40
Realized Price (US\$/lb)	\$36	\$37	\$34	\$35	\$36	\$36	\$36	\$32	\$33	\$31	\$36	\$31	\$34	\$36													
Realized Price (C\$/lb)	\$47	\$48	\$45	\$46	\$48	\$48	\$47	\$43	\$44	\$41	\$48	\$41	\$47	\$48													
Revenue (C\$M)																											
Sales Volumes (Mlbs)	33.6	35.1	31.5	28.1	25.0	25.0	27.6	4.8	6.6	6.1	14.0	6.0	6.2	7.6	8.4	5.0	5.0	6.3	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Realized Price (C\$/lb)	\$47	\$48	\$45	\$46	\$48	\$48	\$47	\$43	\$44	\$41	\$48	\$41	\$47	\$48	\$48	\$48	\$48	\$48	\$48	\$48	\$48	\$48	\$48	\$48	\$48	\$48	\$48
Revenue	\$1,574	\$1,684	\$1,414	\$1,305	\$1,204	\$1,194	\$1,292	\$207	\$293	\$248	\$666	\$248	\$289	\$366	\$402	\$238	\$239	\$303	\$424								
Cost of Goods Sold (C\$M)																											
Cost of Product Sold	\$799	\$848	\$867	\$989	\$817	\$600	\$537	\$147	\$177	\$158	\$386	\$166	\$209	\$282	\$332	\$163	\$155	\$206	\$293	\$293	\$293	\$293	\$293	\$293	\$293	\$293	\$293
Royalties	\$67	\$39	\$32	\$5	\$39	\$90	\$127	\$3	\$6	\$9	\$14	\$5	\$0	\$0	\$0	\$8	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10
Care and Maintenance	\$38	\$143	\$121	\$211	\$100	\$20	\$20	\$28	\$27	\$24	\$41	\$26	\$62	\$62	\$62	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25
Other costs	\$8	\$13	\$11	\$11	\$10	\$10	\$10	\$3	\$2	\$2	\$4	\$4	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3
Total	\$912	\$1,043	\$1,031	\$1,216	\$965	\$720	\$695	\$181	\$212	\$192	\$446	\$201	\$273	\$346	\$396	\$198	\$193	\$244	\$331								
Cash COGS	\$930	\$1,139	\$1,042	\$1,217	\$965	\$720	\$695	\$181	\$225	\$193	\$443	\$202	\$273	\$346	\$396	\$198	\$193	\$244	\$331								
Cash Costs	\$930	\$1,139	\$1,042	\$1,217	\$965	\$720	\$695	\$181	\$225	\$193	\$443	\$202	\$273	\$346	\$396	\$198	\$193	\$244	\$331	\$331	\$331	\$331	\$331	\$331	\$331	\$331	\$331
D&A	\$268	\$277	\$208	\$31	\$122	\$183	\$258	\$18	\$45	\$58	\$87	\$31	\$0	\$0	\$0	\$34	\$34	\$27	\$27	\$27	\$27	\$27	\$27	\$27	\$27	\$27	\$27
Total COGS	\$1,198	\$1,416	\$1,250	\$1,248	\$1,087	\$903	\$953	\$199	\$270	\$251	\$530	\$234	\$273	\$346	\$396	\$232	\$227	\$271	\$358								
COGS per pound	\$36	\$40	\$40	\$44	\$43	\$36	\$35	\$41	\$41	\$41	\$38	\$39	\$44	\$46	\$47	\$46	\$45	\$43	\$41								
Cash COGS per pound (incl. royalties)	\$28	\$32	\$33	\$43	\$39	\$29	\$25	\$38	\$34	\$32	\$32	\$34	\$44	\$46	\$47	\$40	\$39	\$39	\$38								
Cash COGS per pound (excl. royalties)	\$26	\$31	\$32	\$43	\$37	\$25	\$21	\$37	\$33	\$30	\$31	\$33	\$44	\$46	\$47	\$38	\$37										
Summary (C\$M)																											
Revenue	\$1,574	\$1,684	\$1,414	\$1,305	\$1,204	\$1,194	\$1,292	\$207	\$293	\$248	\$666	\$248	\$289	\$366	\$402	\$238	\$239	\$303	\$424	\$424	\$424	\$424	\$424	\$424	\$424	\$424	\$424
Cash Cost of product sold	(\$930)	(\$1,139)	(\$1,042)	(\$1,217)	(\$965)	(\$720)	(\$695)	(\$181)	(\$225)	(\$193)	(\$443)	(\$202)	(\$273)	(\$346)	(\$396)	(\$198)	(\$193)	(\$244)	(\$331)	(\$331)	(\$331)	(\$331)	(\$331)	(\$331)	(\$331)	(\$331)	(\$331)
D&A	(\$268)	(\$277)	(\$208)	(\$31)	(\$122)	(\$183)	(\$258)	(\$18)	(\$45)	(\$58)	(\$87)	(\$31)	\$0	\$0	\$0	(\$34)	(\$34)	(\$27)	(\$27)	(\$27)	(\$27)	(\$27)	(\$27)	(\$27)	(\$27)	(\$27)	(\$27)
Gross Profit	\$376	\$268	\$164	\$57	\$117	\$291	\$339	\$8	\$23	(\$3)	\$136	\$15	\$16	\$21	\$5	\$7	\$12	\$32	\$66								
Gross Profit (%)	24%	16%	12%	4%	10%	24%	26%	4%	8%	-1%	20%	6%	5%	6%	1%	3%	5%	11%	16%	16%	16%	16%	16%	16%	16%	16%	16%
Exploration	(\$30)	(\$20)	(\$14)	(\$16)	(\$30)	(\$30)	(\$30)	(\$4)	(\$3)	(\$3)	(\$2)	(\$4)	(\$4)	(\$4)	(\$4)	(\$8)	(\$8)	(\$8)	(\$8)	(\$8)	(\$8)	(\$8)	(\$8)	(\$8)	(\$8)	(\$8)	(\$8)
D&A	\$268	\$277	\$208	\$31	\$122	\$183	\$258	\$18	\$45	\$58	\$87	\$31	\$0	\$0	\$0	\$34	\$34	\$27	\$27	\$27	\$27	\$27	\$27	\$27	\$27	\$27	\$27
EBITDA	\$614	\$525	\$358	\$72	\$209	\$444	\$567	\$21	\$65	\$52	\$221	\$42	\$12	\$17	\$2	\$33	\$38	\$52	\$86								
JV Inkai EBITDA	\$0	\$45	\$63	\$72	\$97	\$108	\$106	\$12	\$12	\$2	\$19	\$14	\$9	\$13	\$14	\$14	\$14	\$14	\$14	\$14	\$14	\$14	\$14	\$14	\$14	\$14	\$14
Adjusted EBITDA	\$614	\$570	\$421	\$144	\$306	\$552	\$674	\$34	\$77	\$53	\$240	\$56	\$21	\$29	\$16	\$47	\$53	\$66	\$100								

Source: Company reports, RBC Capital Markets estimates



Exhibit 5: Cameco Earnings Model

Earnings Model <i>C\$ millions, unless noted</i>	2017A							2019							2020				2021			
	2017A	2018A	2019A	2020E	2021E	2022E	2023E	1QA	2QA	3QA	4QA	1QA	2QE	3QE	4QE	1QE	2QE	3QE	4QE			
Revenue	\$2,157	\$2,092	\$1,863	\$1,651	\$1,562	\$1,551	\$1,644	\$298	\$388	\$303	\$874	\$346	\$334	\$462	\$510	\$338	\$332	\$358	\$534			
Cost of goods	(\$1,390)	(\$1,468)	(\$1,346)	(\$1,414)	(\$1,164)	(\$919)	(\$894)	(\$240)	(\$286)	(\$236)	(\$584)	(\$256)	(\$300)	(\$402)	(\$457)	(\$253)	(\$245)	(\$274)	(\$392)			
D&A	(\$330)	(\$328)	(\$276)	(\$87)	(\$171)	(\$233)	(\$308)	(\$41)	(\$60)	(\$69)	(\$106)	(\$55)	(\$5)	(\$12)	(\$15)	(\$48)	(\$47)	(\$35)	(\$42)			
SG&A	(\$163)	(\$142)	(\$125)	(\$124)	(\$130)	(\$130)	(\$130)	(\$36)	(\$30)	(\$24)	(\$34)	(\$34)	(\$30)	(\$30)	(\$33)	(\$33)	(\$33)	(\$33)	(\$33)			
Exploration	(\$30)	(\$20)	(\$14)	(\$16)	(\$30)	(\$30)	(\$30)	(\$4)	(\$3)	(\$3)	(\$2)	(\$4)	(\$4)	(\$4)	(\$4)	(\$8)	(\$8)	(\$8)	(\$8)			
Research & development	(\$6)	(\$2)	(\$6)	(\$5)	(\$5)	(\$5)	(\$5)	(\$2)	(\$1)	(\$2)	(\$2)	(\$1)	(\$1)	(\$1)	(\$1)	(\$1)	(\$1)	(\$1)	(\$1)			
Gain/loss on sale of assets	(\$7)	(\$2)	(\$2)	\$0	\$0	\$0	\$0	\$0	(\$0)	(\$0)	(\$2)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0			
Equity income	\$0	\$32	\$45	\$50	\$58	\$65	\$64	\$12	\$12	\$2	\$19	\$14	\$9	\$13	\$14	\$14	\$14	\$14	\$14			
Other operating expense (Adj.)	(\$0)	(\$3)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$1)	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0			
Adjusted EBITDA (incl. Inkal)	\$561	\$515	\$417	\$143	\$290	\$532.1	\$648	\$29	\$80	\$39	\$269	\$65	\$9	\$38	\$32	\$58	\$60	\$57	\$115			
Margin	26%	23%	20%	6%	15%	30%	36%	6%	17%	12%	29%	15%	0%	5%	3%	13%	14%	12%	19%			
EBIT	(\$128)	\$103	\$138	\$63	\$119	\$299	\$341	(\$14)	(\$4)	(\$33)	\$189	\$17	\$3	\$26	\$17	\$10	\$14	\$22	\$73			
Adjusted EBIT	\$230	\$154	\$95	\$7	\$61	\$235	\$277	(\$24)	\$8	(\$32)	\$145	(\$3)	(\$6)	\$13	\$2	(\$4)	(\$1)	\$8	\$58			
Margin	11%	7%	5%	0%	4%	15%	17%	-8%	2%	-11%	17%	-1%	-2%	3%	0%	-1%	0%	2%	11%			
Finance costs	(\$111)	(\$112)	(\$99)	(\$82)	(\$84)	(\$84)	(\$84)	(\$29)	(\$27)	(\$26)	(\$17)	(\$19)	(\$21)	(\$21)	(\$21)	(\$21)	(\$21)	(\$21)	(\$21)			
Gain/loss on derivatives	\$56	(\$81)	\$32	(\$65)	\$0	\$0	\$0	\$18	\$16	(\$15)	\$13	(\$65)	\$0	\$0	\$0	\$0	\$0	\$0	\$0			
Finance income	\$5	\$22	\$30	\$15	\$11	\$13	\$18	\$9	\$7	\$10	\$4	\$6	\$3	\$3	\$3	\$3	\$3	\$3	\$3			
Other income/expense	(\$30)	\$108	\$34	\$49	\$0	\$0	\$0	(\$2)	(\$12)	\$61	(\$13)	\$49	\$0	\$0	\$0	\$0	\$0	\$0	\$0			
Pre-tax Income (Adj.)	\$43	\$156	\$89	\$43	\$46	\$228	\$274	(\$39)	(\$14)	\$9	\$133	\$51	(\$15)	\$8	(\$2)	(\$8)	(\$5)	\$4	\$54			
Taxes	\$3	\$126	(\$61)	(\$5)	(\$9)	(\$46)	(\$55)	(\$0)	(\$2)	(\$10)	(\$49)	(\$7)	\$2	(\$1)	\$0	\$2	\$1	(\$1)	(\$11)			
Taxes (Adj.)	\$17	\$95	(\$48)	(\$21)	(\$9)	(\$46)	(\$55)	\$6	(\$4)	(\$11)	(\$39)	(\$23)	\$2	(\$1)	\$0	\$2	\$1	(\$1)	(\$11)			
Tax rate	-39%	-61%	54%	49%	20%	20%	20%	10%	-27%	128%	29%	44%	15%	15%	15%	20%	20%	20%	20%			
Net Income	(\$205)	\$166	\$74	(\$26)	\$37	\$183	\$219	(\$18)	(\$23)	(\$13)	\$128	(\$19)	(\$12)	\$7	(\$1)	(\$7)	(\$4)	\$3	\$44			
Adjusted Net Income	\$59	\$251	\$41	\$22	\$37	\$183	\$219	(\$33)	(\$18)	(\$2)	\$94	\$29	(\$12)	\$7	(\$1)	(\$7)	(\$4)	\$3	\$44			
Diluted shares	396	396	396	396	396	396	396	396	396	396	396	396	396	396	396	396	396	396	396			
Adjusted EPS	\$0.15	\$0.63	\$0.10	\$0.06	\$0.09	\$0.46	\$0.55	(\$0.08)	(\$0.04)	(\$0.01)	\$0.24	\$0.07	(\$0.03)	\$0.02	(\$0.00)	(\$0.02)	(\$0.01)	\$0.01	\$0.11			
EPS	(\$0.52)	\$0.42	\$0.19	(\$0.07)	\$0.09	\$0.46	\$0.55	(\$0.05)	(\$0.06)	(\$0.03)	\$0.32	(\$0.05)	(\$0.03)	\$0.02	(\$0.00)	(\$0.02)	(\$0.01)	\$0.01	\$0.11			
Dividend/share	\$0.40	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08	\$0.00	\$0.00	\$0.00	\$0.08	\$0.00	\$0.00	\$0.00	\$0.08	\$0.00	\$0.00	\$0.00	\$0.08			
Change YOY																						
Revenue	-11%	-3%	-11%	-11%	-5%	-1%	6%	-32%	16%	-38%	5%	16%	-14%	52%	-42%	-2%	-1%	-22%	5%			
SG&A	-21%	-13%	-12%	-1%	5%	0%	0%	3%	-4%	-38%	-4%	-6%	-1%	23%	-13%	-4%	8%	8%	8%			
EBITDA	1%	-14%	-23%	-75%	149%	101%	25%	-80%	8%	-57%	0%	213%	-100%	-32%	-93%	-15%	-14046%	70%	476%			
EBIT	24%	-33%	-38%	-93%	811%	284%	18%	-207%	-197%	122%	-6%	-86%	-175%	-142%	-98%	24%	-86%	-42%	2579%			
Net Income	-59%	325%	-84%	-47%	69%	397%	20%	-246%	-38%	-104%	-53%	-186%	-29%	-381%	-101%	-123%	-71%	-51%	-3181%			
Shares	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%			
EPS	-59%	325%	-84%	-47%	69%	397%	20%	-246%	-38%	-104%	-53%	-186%	-29%	-381%	-101%	-123%	-71%	-51%	-3181%			
Margins																						
Gross Profit	20%	14%	13%	9%	14%	26%	27%	6%	11%	-1%	21%	10%	9%	11%	7%	11%	12%	14%	19%			
EBITDA	26%	23%	20%	6%	15%	30%	36%	6%	17%	12%	29%	15%	0%	5%	3%	13%	14%	12%	19%			
EBIT	26%	23%	20%	6%	15%	30%	36%	6%	17%	12%	29%	15%	0%	5%	3%	13%	14%	12%	19%			
Net Income	3%	12%	2%	1%	2%	12%	13%	-11%	-5%	-1%	11%	8%	-4%	2%	0%	-2%	-1%	1%	8%			

Source: Company reports, RBC Capital Markets estimates



Exhibit 6: Cameco Cash Flow Model

Free Cash Flow (Calc) <i>C\$ millions, unless noted</i>								2019				2020				2021			
	2017A	2018A	2019A	2020E	2021E	2022E	2023E	1QA	2QA	3QA	4QA	1QA	2QE	3QE	4QE	1QE	2QE	3QE	4QE
Net Income	(\$205)	\$166	\$74	(\$26)	\$37	\$183	\$219	(\$18)	(\$23)	(\$13)	\$128	(\$19)	(\$12)	\$7	(\$1)	(\$7)	(\$4)	\$3	\$44
D&A	\$330	\$328	\$276	\$87	\$171	\$233	\$308	\$41	\$60	\$69	\$106	\$55	\$5	\$12	\$15	\$48	\$47	\$35	\$42
WC / Other	\$401	\$100	\$105	\$0	(\$5)	\$65	(\$20)	\$43	(\$107)	\$162	\$7	\$147	\$64	(\$167)	(\$44)	\$46	(\$13)	(\$106)	\$69
CFFO	\$527	\$595	\$455	\$61	\$203	\$481	\$507	\$65	(\$70)	\$218	\$242	\$182	\$57	(\$148)	(\$30)	\$87	\$30	(\$68)	\$155
Capex	(\$114)	(\$55)	(\$75)	(\$93)	(\$108)	(\$89)	(\$132)	(\$10)	(\$22)	(\$23)	(\$20)	(\$19)	(\$25)	(\$25)	(\$27)	(\$27)	(\$27)	(\$27)	(\$27)
FCF	\$413	\$539	\$379	(\$32)	\$95	\$392	\$376	\$55	(\$92)	\$194	\$222	\$163	\$32	(\$173)	(\$54)	\$60	\$3	(\$95)	\$128
Per Share	\$1.04	\$1.36	\$0.96	(\$0.08)	\$0.24	\$0.99	\$0.95	\$0.14	(\$0.23)	\$0.49	\$0.56	\$0.41	\$0.08	(\$0.44)	(\$0.14)	\$0.15	\$0.01	(\$0.24)	\$0.32
FCF (N.I. + D&A - CapEx)	\$12	\$439	\$274	(\$33)	\$100	\$327	\$395	\$12	\$15	\$33	\$214	\$17	(\$32)	(\$6)	(\$11)	\$14	\$16	\$11	\$59
Per Share	\$0.03	\$1.11	\$0.69	(\$0.08)	\$0.25	\$0.83	\$1.00	\$0.03	\$0.04	\$0.08	\$0.54	\$0.04	(\$0.08)	(\$0.02)	(\$0.03)	\$0.04	\$0.04	\$0.03	\$0.15
Dividends	(\$158)	(\$71)	(\$32)	(\$32)	(\$32)	(\$32)	(\$32)	\$0	\$0	\$0	(\$32)	\$0	\$0	\$0	(\$32)	\$0	\$0	\$0	(\$32)
Stock Buyback	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
FCF post return to shareholders	\$254	\$468	\$348	(\$64)	\$64	\$360	\$344	\$55	(\$92)	\$194	\$190	\$163	\$32	(\$173)	(\$86)	\$60	\$3	(\$95)	\$96
Per Share	\$0.64	\$1.18	\$0.88	(\$0.16)	\$0.16	\$0.91	\$0.87	\$0.14	(\$0.23)	\$0.49	\$0.48	\$0.41	\$0.08	(\$0.44)	(\$0.22)	\$0.15	\$0.01	(\$0.24)	\$0.24
Acquisitions	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Debt Addition / (Reduction)	\$0	\$0	(\$500)	\$0	\$0	\$0	\$0	\$0	\$0	(\$500)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
FCF after Acq and Debt Red.	\$254	\$468	(\$152)	(\$64)	\$64	\$360	\$344	\$55	(\$92)	(\$306)	\$190	\$163	\$32	(\$173)	(\$86)	\$60	\$3	(\$95)	\$96
Per Share	\$0.64	\$1.18	(\$0.38)	(\$0.16)	\$0.16	\$0.91	\$0.87	\$0.14	(\$0.23)	(\$0.77)	\$0.48	\$0.41	\$0.08	(\$0.44)	(\$0.22)	\$0.15	\$0.01	(\$0.24)	\$0.24

Source: Company reports, RBC Capital Markets estimates

Exhibit 7: Cameco Balance Sheet Model

Balance Sheet <i>C\$ millions, unless noted</i>								2019				2020				2021			
	2017A	2018A	2019A	2020E	2021E	2022E	2023E	1QA	2QA	3QA	4QA	1QA	2QE	3QE	4QE	1QE	2QE	3QE	4QE
Assets																			
Cash & Investments	\$592	\$1,103	\$1,062	\$1,057	\$1,198	\$1,559	\$1,903	\$1,221	\$1,113	\$864	\$1,062	\$1,235	\$1,273	\$1,118	\$1,057	\$1,155	\$1,198	\$1,102	\$1,198
Accounts receivable	\$397	\$402	\$328	\$229	\$217	\$215	\$228	\$133	\$196	\$165	\$328	\$229	\$155	\$252	\$229	\$137	\$137	\$192	\$217
Current tax assets	\$11	\$7	\$4	\$5	\$5	\$5	\$5	\$6	\$6	\$6	\$4	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5
Inventories	\$950	\$468	\$321	\$383	\$335	\$274	\$317	\$638	\$700	\$529	\$321	\$348	\$354	\$369	\$383	\$409	\$443	\$435	\$335
Supplies & prepaid Expenses	\$150	\$89	\$86	\$84	\$84	\$84	\$84	\$92	\$98	\$99	\$86	\$84	\$84	\$84	\$84	\$84	\$84	\$84	\$84
Other	\$36	\$14	\$7	\$5	\$5	\$5	\$5	\$15	\$18	\$23	\$7	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5
Current Assets	\$2,136	\$2,083	\$1,807	\$1,763	\$1,844	\$2,142	\$2,542	\$2,106	\$2,132	\$1,686	\$1,807	\$1,906	\$1,876	\$1,833	\$1,763	\$1,795	\$1,871	\$1,824	\$1,844
Property, plant & equipment	\$4,192	\$3,882	\$3,721	\$3,696	\$3,633	\$3,489	\$3,313	\$3,843	\$3,919	\$3,887	\$3,721	\$3,654	\$3,674	\$3,687	\$3,696	\$3,676	\$3,656	\$3,648	\$3,633
Goodwill	\$70	\$66	\$60	\$63	\$63	\$63	\$63	\$65	\$62	\$61	\$60	\$63	\$63	\$63	\$63	\$63	\$63	\$63	\$63
Receivable related to tax dispute	\$303	\$303	\$303	\$303	\$303	\$303	\$303	\$303	\$303	\$303	\$303	\$303	\$303	\$303	\$303	\$303	\$303	\$303	\$303
L-T Receivables, Investments & Other	\$217	\$679	\$580	\$513	\$435	\$435	\$435	\$628	\$640	\$580	\$580	\$561	\$555	\$537	\$513	\$474	\$435	\$435	\$435
Future income tax assets	\$861	\$1,006	\$956	\$952	\$943	\$897	\$842	\$1,009	\$1,010	\$1,000	\$956	\$951	\$953	\$952	\$952	\$953	\$954	\$954	\$943
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Assets	\$7,779	\$8,019	\$7,427	\$7,290	\$7,220	\$7,328	\$7,497	\$7,954	\$8,067	\$7,517	\$7,427	\$7,438	\$7,424	\$7,374	\$7,290	\$7,264	\$7,282	\$7,226	\$7,220
Liabilities + Shareholders Equity																			
Accounts payable and accrued liabilities	\$258	\$225	\$182	\$167	\$148	\$128	\$133	\$191	\$195	\$161	\$182	\$211	\$224	\$191	\$167	\$166	\$205	\$153	\$148
Income taxes payable	\$20	\$20	\$6	\$2	\$2	\$2	\$2	\$5	\$6	\$4	\$6	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2
Bank loans and short term debt	\$0	\$500	\$0	\$0	\$0	\$0	\$0	\$500	\$500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividends Payable	\$40	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Current portion of other liabilities	\$93	\$132	\$89	\$129	\$129	\$129	\$129	\$129	\$123	\$135	\$89	\$129	\$129	\$129	\$129	\$129	\$129	\$129	\$129
Current Liabilities	\$411	\$876	\$277	\$298	\$279	\$259	\$264	\$826	\$823	\$300	\$277	\$342	\$354	\$322	\$298	\$296	\$336	\$283	\$279
Long-Term Debt	\$1,494	\$996	\$997	\$997	\$997	\$997	\$997	\$996	\$996	\$997	\$997	\$997	\$997	\$997	\$997	\$997	\$997	\$997	\$997
Other Liabilities	\$126	\$142	\$154	\$187	\$187	\$187	\$187	\$157	\$151	\$149	\$154	\$187	\$187	\$187	\$187	\$187	\$187	\$187	\$187
Provisions	\$875	\$1,011	\$1,004	\$1,018	\$1,038	\$1,058	\$1,078	\$1,015	\$1,162	\$1,168	\$1,004	\$1,003	\$1,008	\$1,013	\$1,018	\$1,023	\$1,028	\$1,033	\$1,038
Deferred Taxes	\$12	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Liabilities	\$2,919	\$3,025	\$2,432	\$2,499	\$2,501	\$2,500	\$2,526	\$2,993	\$3,132	\$2,613	\$2,432	\$2,528	\$2,546	\$2,518	\$2,499	\$2,503	\$2,548	\$2,500	\$2,501
Shareholder's Equity	\$4,859	\$4,993	\$4,995	\$4,826	\$4,813	\$4,986	\$5,193	\$4,961	\$4,935	\$4,904	\$4,995	\$4,909	\$4,886	\$4,877	\$4,826	\$4,811	\$4,799	\$4,805	\$4,813
Non-controlling interest	\$0	\$0	\$0	(\$36)	(\$94)	(\$158)	(\$222)	\$0	\$0	\$0	\$0	\$0	(\$9)	(\$21)	(\$36)	(\$50)	(\$65)	(\$79)	(\$94)
Liabilities + Equity	\$7,779	\$8,019	\$7,427	\$7,290	\$7,220	\$7,328	\$7,497	\$7,954	\$8,067	\$7,517	\$7,427	\$7,438	\$7,424	\$7,374	\$7,290	\$7,264	\$7,282	\$7,226	\$7,220
Net Debt	\$903	\$393	(\$66)	(\$60)	(\$202)	(\$562)	(\$906)	\$275	\$383	\$132	(\$66)	(\$238)	(\$276)	(\$121)	(\$60)	(\$158)	(\$201)	(\$106)	(\$202)
Change	(\$270)	(\$510)	(\$459)	\$6	(\$142)	(\$360)	(\$344)	(\$118)	(\$108)	(\$251)	(\$198)	(\$173)	(\$38)	\$155	\$62	(\$99)	(\$42)	\$95	(\$96)
Net Debt / LTM EBITDA	1.6x	0.8x	-0.2x	-0.6x	-0.9x	-1.2x	-1.5x	0.7x	0.9x	0.4x	-0.2x	-0.6x	-0.8x	-0.4x	-0.6x	-1.9x	-1.5x	-0.7x	-0.9x
Debt / Tangible Net Worth	0.4x	0.4x	0.3x	0.3x	0.3x	0.3x	0.3x	0.4x	0.4x	0.3x									
Working Capital	\$1,088	\$645	\$467	\$446	\$403	\$361	\$411	\$580	\$702	\$533	\$467	\$366	\$286	\$430	\$446	\$381	\$374	\$475	\$403
Working Capital, as % of Sales	50%	31%	25%	27%	26%	23%	25%	195%	181%	176%	53%	106%	85%	93%	87%	113%	113%	133%	76%
Change	(\$129)	(\$443)	(\$178)	(\$21)	(\$43)	(\$42)	\$50	(\$66)	\$122	(\$168)	(\$66)	(\$101)	(\$81)	\$144	\$16	(\$65)	(\$6)	\$100	(\$71)

Source: Company reports, RBC Capital Markets estimates



Valuation

We value the company by attributing an equal weighting to our EV/EBITDA and DCF valuation, and adding ~\$1/sh for the CRA restricted cash. Our EV/EBITDA valuation applies a 14x multiple to 2021 EBITDA estimates—this multiple is consistent with historical peak post-Fukushima valuation and a premium to diversified mining equities, but in line with Cameco trough valuation. We think a trough multiple is appropriate as uranium prices have bottomed and enter a recovery phase. Our DCF analysis uses an 8% discount rate. The implied return to our \$15 price target supports our Sector Perform rating.

Risks to rating and price target

We highlight several key risks and sensitivities that could be potentially material to our thesis on Cameco including: 1) a negative outcome in the ongoing CRA transfer pricing dispute; 2) further contract cancellations; 3) potential production disruptions; 4) weaker-than-expected uranium prices; and 5) currency volatility, primarily CAD/USD.

Company description

Cameco is headquartered in Saskatoon, Saskatchewan and has three primary segments: uranium mining and sales, nuclear fuel services, and nuclear fuel trading. The company generated \$2.1B revenue and \$515M EBITDA in 2018, with the vast majority coming from the uranium segment. Cameco produces uranium from three major properties that are considered among the best assets globally due to high grades and low costs, and it has potential to significantly increase production over the long term as uranium prices improve.



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Ratings

Outperform (O): Expected to materially outperform sector average over 12 months.

Sector Perform (SP): Returns expected to be in line with sector average over 12 months.

Underperform (U): Returns expected to be materially below sector average over 12 months.

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Risk Rating

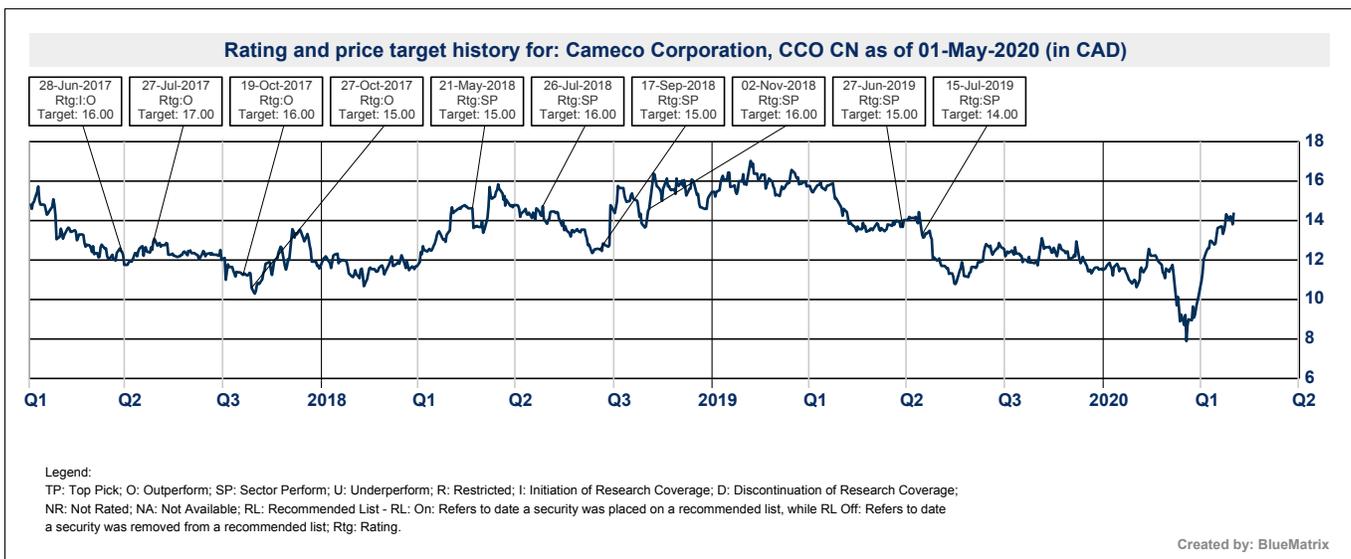
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			Count	Percent
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Cameco Corporation

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