



December 16, 2020

Cameco Corporation

Recent rally well-ahead of fundamentals; Revise rating to Underperform

Our view: We think the recent rally in the share price has run well ahead of fundamentals and has skewed the risk to the downside. We continue to believe Cameco has a very solid financial position to weather any operational and market uncertainties, and remains well positioned to benefit from a long-term recovery in the uranium market.

Key points:

Valuation has run ahead of fundamentals: We believe the recent run in Cameco's shares (+34% since December 1, 2020) have been driven by several factors - catch-up with other commodities, excitement around US support for domestic uranium, expectations for higher prices from Cigar Lake shut-down, increased interest as an ESG/clean energy name. However, we think shares have run well ahead of fundamentals and are now trading at the higher-end of our range of potential outcomes and pricing in an upside scenario, resulting in greater downside risk and limited potential upside.

Near-term upward pressure on uranium, but still a more gradual long-term recovery: We expect Cameco to purchase 13Mlbs uranium in 2021 (with Cigar Lake outage resulting in ~5Mlbs incremental vs. our prior expectations), which could add upward pressure on the uranium market. However, we note that Cameco should be entering 2021 with a much better inventory position than this time last year (we estimate 15Mlbs at end-2020 vs. 6Mlbs at end-2019), and market purchases will likely be less than the 25-30Mlbs purchased by Cameco in 2020.

We have raised our 2021 spot price forecast to \$32/lb, from \$30/lb. We also note rising Covid-19 cases in Kazakhstan as a potential risk for shut-downs from Kazatomprom which could further tighten the near-term market, but would not significantly alter our long-term view. Please see our report [RBCCM Uranium Outlook: Recovery in progress as balance set to turn into L-T deficit](#) published November 11, 2020.

Additional costs from Cigar Lake shut-down buffered by solid financial position: Cameco estimates \$8-10M care-and-maintenance costs per month at Cigar Lake (we estimate ~\$50M extra costs in 2021 from 6 month downtime) and extra costs due to purchasing uranium from the market (we estimate ~\$100-120M additional costs). However, we think Cameco has a strong financial position, with near zero net debt, and can weather through near-term operational uncertainties.

Change rating to Underperform (from Sector Perform), raise PT to \$15 (from \$14): We are lowering our 2021E and 2022E EBITDA to \$83M and \$240M, from \$219M and \$280M. We have raised our EV/EBITDA multiple to 15x, to reflect increased interest in Cameco as an ESG/clean energy investment.

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Underperform (prev: Sector Perform)

TSX: CCO; CAD 17.20; NYSE: CCJ

Price Target CAD 15.00 ↑ 14.00

WHAT'S INSIDE	
<input checked="" 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):	6,808
Dividend:	0.08	Yield:	0.5%
NAVPS:	11.82	P/NAVPS:	1.46x
Float (MM):	395.8	Tr. 12 ROE:	2.90%
Debt to Cap:	18%	Enterprise Val. (MM):	7,065
		Avg. Daily Volume:	2,145,381
		3-Yr. Est. EPS Growth:	65.00%

RBC Estimates

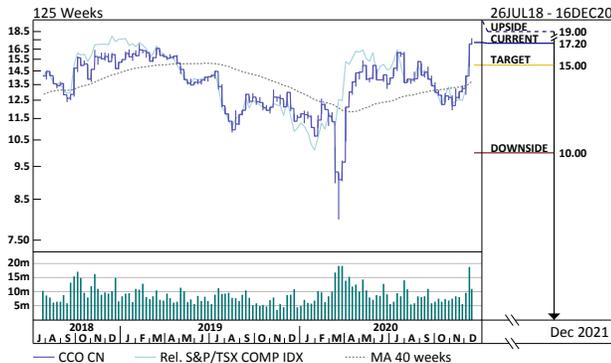
FY Dec	2019A	2020E	2021E	2022E
EPS, Adj Diluted	0.10	(0.35)	(0.19)	0.08
Prev.			(0.04)	0.10
P/AEPS	NM	NM	NM	NM
EBITDA, Adj	416.5	56.6	82.6	239.9
Prev.		81.0	219.2	280.2
FCFPS	0.96	(0.72)	(0.05)	0.58
Prev.		(0.44)	0.28	0.54
P/FCF	17.9x	nm	nm	29.7x
EPS, Adj Diluted	Q1	Q2	Q3	Q4
2019	(0.08)A	(0.04)A	(0.01)A	0.24A
2020	0.07A	(0.16)A	(0.20)A	(0.06)E
2021	(0.09)E	(0.10)E	(0.03)E	0.02E
Prev.	(0.04)E	(0.03)E	(0.01)E	0.04E
EBITDA, Adj				
2019	28.6A	79.6A	38.9A	269.4A
2020	65.3A	(2.8)A	(24.0)A	18.1E
Prev.				42.5E
2021	1.6E	(2.4)E	24.6E	58.7E
Prev.	40.8E	47.7E	50.1E	80.6E

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 Underperform, with a \$15 price target. We value the company by applying an EV/EBITDA multiple to Cameco’s operating assets, a DCF valuation to its McArthur River asset, and then adding the CRA restricted cash. Our EV/EBITDA valuation applies a 15x multiple to 2022 EBITDA estimates — this multiple is above the average multiple post-Fukushima and pre-McArthur shut-down in recognition of greater interest as an ESG and clean energy investment. 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 for 2021 by \$5/lb and 2022–30 by \$10/lb and use a \$60/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 for 2021 forecast by \$5/lb and 2022–30 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 and view the shares as fully valued with downside risk and limited upside.

Potential catalysts

Cameco temporarily suspended production at Cigar Lake in December 2020 due to Covid-19 risks. We expect the mine to re-start in mid-2021 as Covid-19 risks are reduced. In the meantime, the company expects to realize \$8-10M monthly care-and-maintenance costs and to purchase uranium in the spot market to meet delivery commitments.

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) an earlier outcome in the CRA transfer pricing dispute that results in the release of \$300M restricted cash held by the government; 2) stronger-than-expected uranium prices; 3) uranium production disruptions from other producers; 4) an increase in valuation multiples due to rising interest as an ESG/clean energy investment; and 5) currency volatility, primarily CAD/USD.



Exhibit 2: RBC Uranium Supply & Demand Forecast

S&D (Mlbs U3O8)	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	CAGR 20-30E	CAGR 20-35E
Generating Capacity (GWe)	338	346	358	362	371	370	367	370	370	380	381	384	398	405	407	417	1%	1%
North America	52	53	54	55	54	52	52	50	50	49	49	48	48	48	48	48	-1%	0%
South America	1	1	1	1	1	1	1	1	1	1	1	1	1	3	2	3	7%	3%
West & Central Europe	52	50	50	47	48	50	48	45	43	45	44	43	43	42	40	41	-2%	-2%
East Europe	19	20	22	21	25	24	23	23	24	23	23	23	22	24	25	25	0%	0%
Africa	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	2	9%	3%
Central Asia & Middle East	1	1	1	4	2	1	3	2	3	4	8	5	6	5	6	7	17%	10%
East Asia	41	37	49	53	49	39	40	41	43	50	52	53	52	54	54	57	4%	2%
Other Asia	4	4	3	3	4	4	6	8	8	10	10	8	9	9	11	9	8%	6%
Demand	171	167	181	186	183	172	175	173	173	183	188	181	182	185	187	191	1%	0%
Africa	20	19	20	23	23	21	20	19	19	19	18	18	18	18	18	18	-1%	-4%
Australia	15	16	14	17	16	16	12	12	12	12	12	13	14	15	16	16	0%	-2%
Canada	34	36	34	18	18	9	9	18	27	36	36	36	36	24	18	18	7%	5%
Kazakhstan	61	64	61	56	59	47	59	59	62	63	62	62	60	60	60	60	2%	1%
Russia	8	8	8	8	9	9	9	9	9	9	9	9	9	9	9	9	0%	0%
Ukraine	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	0%	0%
Uzbekistan	8	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	0%	0%
United States	3	3	3	1	0	0	0	0	0	0	0	0	0	0	0	0	NA	NA
Other	7	7	6	6	6	7	7	7	7	7	7	7	7	7	7	7	0%	0%
Mine Supply	159	164	157	141	143	121	128	137	149	158	156	157	156	145	140	140	1%	0%
Russia	14	16	18	16	16	15	15	15	15	15	14	13	11	11	11	9	-5%	-4%
United States	8	6	5	4	3	3	1	1	2	1	2	1	2	2	3	1	-11%	-8%
Other	18	17	17	19	18	15	14	12	11	10	9	9	8	9	8	8	-6%	-5%
Secondary Supply	40	39	39	38	36	33	29	29	28	26	25	23	21	21	22	17	-6%	-5%
Mine Supply	159	164	157	141	143	121	128	137	149	158	156	157	156	145	140	140	1%	0%
Secondary Supply	40	39	39	38	36	33	29	29	28	26	25	23	21	21	22	17	-6%	-5%
Total Supply	199	203	196	180	180	154	158	166	177	184	181	180	177	166	162	157	0%	-1%
Surplus/Deficit	29	36	16	-6	-3	-18	-17	-7	4	2	-6	-1	-5	-19	-25	-34		
Supply as % of demand	117%	121%	109%	97%	98%	90%	90%	96%	102%	101%	97%	99%	97%	90%	87%	82%		
Spot Price (US\$/lb)	\$37	\$26	\$22	\$25	\$26	\$29	\$32	\$33	\$33	\$35	\$35	\$35	\$40	\$40	\$40	\$50	5%	6%
Term Price (US\$/lb)	\$47	\$40	\$31	\$31	\$32	\$32	\$34	\$35	\$38	\$40	\$40	\$40	\$50	\$50	\$50	\$50	5%	4%

Source: Company reports, RBC Capital Markets estimates

Change rating to Underperform, raise price target to \$15

We rate Cameco shares **Underperform**, with a **\$15 price target**. We value the company by applying an EV/EBITDA multiple to Cameco's operating assets, a DCF valuation to its McArthur River asset, and then adding the CRA restricted cash. Our EV/EBITDA valuation applies a 15x multiple to 2022 EBITDA estimates — this multiple is above the average multiple post-Fukushima and pre-McArthur shut-down in recognition of greater interest as an ESG and clean energy investment. Our DCF analysis uses an 8% discount rate.

Exhibit 3: Cameco valuation summary

Valuation					
EV/EBITDA valuation	CAD\$M	US\$M	Non-operating assets	CAD\$M	US\$M
Adjusted EBITDA (2022)	\$240	\$180	McArthur River	\$2,255	\$1,689
Multiple	15.0x	15.0x	CRA Restricted Cash	\$303	\$227
Enterprise Value	\$3,599	\$2,695	Total	\$2,558	\$1,916
Balance Sheet (end-21E)			Total Equity Value	\$5,845	\$4,377
Net Debt (CAD\$M)	\$313	\$234	Shares (M)	396	396
EV/EBITDA Market Cap	\$3,286	\$2,461	Valuation Price	\$15	\$11

Source: Company reports, RBC Capital Markets estimates



Model

Exhibit 4: Cameco Uranium Segment Model

Uranium Segment Analysis								2019				2020				2021							
<i>CS millions, unless noted</i>								1QA	2QA	3QA	4QA	1QA	2QA	3QA	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	0.0	6.3	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	4.3	4.5	9.0	9.0	2.4	2.5	1.4	2.7	2.1	0.0	0.2	2.0	0.0	0.0	2.3	2.3				
Inkai (40%), unconsolidated	3.2	2.8	3.4	2.8	3.8	4.1	4.1	0.8	0.8	0.9	0.9	0.6	0.7	0.6	0.8	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				
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				
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				
Total	23.8	12.0	12.4	7.1	8.3	13.1	19.3	3.2	3.3	2.3	3.6	2.7	0.7	0.8	2.8	1.0	1.0	3.2	3.2				
Consolidated Production	23.8	9.2	9.0	4.3	4.5	9.0	15.3	2.4	2.5	1.4	2.7	2.1	0.0	0.2	2.0	0.0	0.0	2.3	2.3				
Realized Price																							
CDN/USD Exchange rate (C\$)	\$1.32	\$1.32	\$1.30	\$1.33	\$1.34	\$1.33	\$1.33	\$1.33	\$1.26	\$1.29	\$1.31	\$1.32	\$1.33	\$1.34	\$1.32	\$1.32	\$1.34	\$1.39	\$1.33				
Uranium Spot Price (US\$/lb U3O8)	\$22	\$25	\$26	\$29	\$32	\$33	\$33	\$28	\$25	\$25	\$25	\$25	\$32	\$31	\$30	\$32	\$32	\$32	\$32				
Uranium Term Price (US\$/lb U3O8)	\$31	\$31	\$32	\$32	\$34	\$35	\$38	\$32	\$32	\$32	\$32	\$32	\$32	\$33	\$33	\$33	\$33	\$35	\$35				
Realized Price (US\$/lb)	\$35	\$36	\$35	\$34	\$35	\$35	\$36	\$32	\$33	\$31	\$36	\$31	\$33	\$34	\$34	\$34	\$34	\$35	\$35				
Realized Price (C\$/lb)	\$47	\$48	\$45	\$45	\$47	\$47	\$48	\$43	\$44	\$41	\$48	\$41	\$46	\$45	\$44	\$45	\$46	\$48	\$46				
Revenue (C\$M)																							
Sales Volumes (Mlbs)	33.6	35.1	31.5	28.9	25.0	25.0	25.0	4.8	6.6	6.1	14.0	6.0	9.2	6.7	7.0	5.0	5.0	6.3	8.8				
Realized Price (C\$/lb)	\$47	\$48	\$45	\$45	\$47	\$47	\$48	\$43	\$44	\$41	\$48	\$41	\$46	\$45	\$44	\$45	\$46	\$48	\$46				
Revenue	\$1,574	\$1,684	\$1,414	\$1,286	\$1,166	\$1,176	\$1,207	\$207	\$293	\$248	\$666	\$248	\$426	\$302	\$310	\$227	\$231	\$302	\$406				
Cost of Goods Sold (C\$M)																							
Cost of Product Sold	\$817	\$944	\$878	\$1,071	\$946	\$834	\$638	\$147	\$190	\$158	\$383	\$168	\$373	\$276	\$254	\$184	\$192	\$240	\$329				
Royalties	\$67	\$39	\$32	\$14	\$18	\$40	\$91	\$3	\$6	\$9	\$14	\$5	\$3	\$0	\$6	\$0	\$0	\$8	\$10				
Care and Maintenance	\$38	\$143	\$121	\$144	\$150	\$100	\$20	\$28	\$27	\$24	\$41	\$26	\$45	\$38	\$35	\$50	\$50	\$25	\$25				
Other costs	\$8	\$13	\$11	\$13	\$10	\$10	\$10	\$3	\$2	\$2	\$4	\$4	\$3	\$4	\$3	\$3	\$3	\$3	\$3				
Total	\$930	\$1,139	\$1,042	\$1,242	\$1,124	\$984	\$759	\$181	\$225	\$193	\$443	\$202	\$424	\$318	\$298	\$237	\$245	\$276	\$366				
Cash COGS	\$930	\$1,139	\$1,042	\$1,242	\$1,124	\$984	\$759	\$181	\$225	\$193	\$443	\$202	\$424	\$318	\$298	\$237	\$245	\$276	\$366				
Cash Costs	\$930	\$1,139	\$1,042	\$1,242	\$1,124	\$984	\$759	\$181	\$225	\$193	\$443	\$202	\$424	\$318	\$298	\$237	\$245	\$276	\$366				
D&A	\$268	\$277	\$208	\$100	\$54	\$75	\$229	\$18	\$45	\$58	\$87	\$31	\$36	\$18	\$15	\$15	\$15	\$12	\$12				
Total COGS	\$1,198	\$1,416	\$1,250	\$1,342	\$1,178	\$1,059	\$987	\$199	\$270	\$251	\$530	\$234	\$460	\$336	\$313	\$252	\$260	\$288	\$378				
COGS per pound	\$36	\$40	\$40	\$46	\$47	\$42	\$39	\$41	\$41	\$41	\$38	\$39	\$50	\$50	\$45	\$50	\$52	\$46	\$43				
Cash COGS per pound (incl. royalties)	\$28	\$32	\$33	\$43	\$45	\$39	\$30	\$38	\$34	\$32	\$32	\$34	\$46	\$47	\$43	\$47	\$49	\$44	\$42				
Cash COGS per pound (excl. royalties)	\$26	\$31	\$32	\$42	\$44	\$38	\$27	\$37	\$33	\$30	\$31	\$33	\$46	\$47	\$42	\$47	\$49	\$43	\$41				
Summary (C\$M)																							
Revenue	\$1,574	\$1,684	\$1,414	\$1,286	\$1,166	\$1,176	\$1,207	\$207	\$293	\$248	\$666	\$248	\$426	\$302	\$310	\$227	\$231	\$302	\$406				
Cash Cost of product sold	(\$930)	(\$1,139)	(\$1,042)	(\$1,242)	(\$1,124)	(\$984)	(\$759)	(\$181)	(\$225)	(\$193)	(\$443)	(\$202)	(\$424)	(\$318)	(\$298)	(\$237)	(\$245)	(\$276)	(\$366)				
D&A	(\$268)	(\$277)	(\$208)	(\$100)	(\$54)	(\$75)	(\$229)	(\$18)	(\$45)	(\$58)	(\$87)	(\$31)	(\$36)	(\$18)	(\$15)	(\$15)	(\$15)	(\$12)	(\$12)				
Gross Profit	\$376	\$268	\$164	(\$56)	(\$11)	\$117	\$220	\$8	\$23	(\$3)	\$136	\$15	(\$34)	(\$34)	(\$3)	(\$25)	(\$29)	\$14	\$28				
Gross Profit (%)	24%	16%	12%	-4%	-1%	10%	18%	4%	8%	-1%	20%	6%	-8%	-11%	-1%	-11%	-12%	5%	7%				
Exploration	(\$30)	(\$20)	(\$14)	(\$12)	(\$30)	(\$30)	(\$30)	(\$4)	(\$3)	(\$3)	(\$2)	(\$4)	(\$2)	(\$2)	(\$4)	(\$8)	(\$8)	(\$8)	(\$8)				
D&A	\$268	\$277	\$208	\$100	\$54	\$75	\$229	\$18	\$45	\$58	\$87	\$31	\$36	\$18	\$15	\$15	\$15	\$12	\$12				
EBITDA	\$614	\$525	\$358	\$32	\$13	\$162	\$418	\$21	\$65	\$52	\$221	\$42	(\$0)	(\$18)	\$8	(\$17)	(\$21)	\$19	\$32				
JV Inkai EBITDA	\$0	\$45	\$64	\$62	\$97	\$109	\$109	\$12	\$12	\$2	\$19	\$14	\$1	\$3	\$9	\$14	\$14	\$15	\$14				
Adjusted EBITDA	\$614	\$569	\$422	\$94	\$109	\$271	\$527	\$34	\$77	\$53	\$240	\$56	\$1	(\$15)	\$17	(\$4)	(\$7)	\$34	\$46				

Source: Company reports, RBC Capital Markets estimates



Exhibit 5: Cameco Earnings Model

Earnings Model <i>C\$ millions, unless noted</i>	2017A							2018A							2019A							2020E							2021E							2022E							2023E						
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q													
Revenue	\$2,157	\$2,092	\$1,863	\$1,639	\$1,517	\$1,523	\$1,555	\$298	\$388	\$303	\$874	\$346	\$525	\$379	\$389	\$323	\$323	\$357	\$513																														
Cost of goods	(\$1,390)	(\$1,468)	(\$1,346)	(\$1,463)	(\$1,326)	(\$1,183)	(\$958)	(\$240)	(\$286)	(\$236)	(\$584)	(\$256)	(\$490)	(\$373)	(\$345)	(\$294)	(\$298)	(\$306)	(\$428)																														
D&A	(\$330)	(\$328)	(\$276)	(\$159)	(\$101)	(\$125)	(\$278)	(\$41)	(\$60)	(\$69)	(\$106)	(\$55)	(\$49)	(\$30)	(\$26)	(\$27)	(\$27)	(\$20)	(\$27)																														
SG&A	(\$163)	(\$142)	(\$125)	(\$130)	(\$130)	(\$130)	(\$130)	(\$36)	(\$30)	(\$24)	(\$34)	(\$34)	(\$36)	(\$30)	(\$30)	(\$33)	(\$33)	(\$33)	(\$33)																														
Exploration	(\$30)	(\$20)	(\$14)	(\$12)	(\$30)	(\$30)	(\$30)	(\$4)	(\$3)	(\$3)	(\$2)	(\$4)	(\$2)	(\$2)	(\$4)	(\$8)	(\$8)	(\$8)	(\$8)																														
Research & development	(\$6)	(\$2)	(\$6)	(\$3)	(\$5)	(\$5)	(\$5)	(\$2)	(\$1)	(\$2)	(\$2)	(\$1)	(\$0)	(\$0)	(\$1)	(\$1)	(\$1)	(\$1)	(\$1)																														
Gain/loss on sale of assets	(\$7)	(\$2)	(\$2)	(\$1)	\$0	\$0	\$0	\$0	(\$0)	(\$0)	(\$2)	\$0	\$0	(\$1)	\$0	\$0	\$0	\$0	\$0																														
Equity income	\$0	\$32	\$45	\$26	\$57	\$65	\$65	\$12	\$12	\$2	\$19	\$14	\$1	\$3.2	\$9	\$14	\$14	\$15	\$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. Inkai)	\$561	\$515	\$417	\$57	\$83	\$240	\$497	\$29	\$80	\$39	\$269	\$65	(\$3)	(\$24)	\$18	\$2	(\$2)	\$25	\$59																														
Margin	26%	23%	20%	2%	2%	11%	28%	6%	17%	12%	29%	15%	-1%	-7%	2%	-4%	-5%	3%	9%																														
EBIT	(\$128)	\$103	\$138	(\$127)	(\$19)	\$115	\$219	(\$14)	(\$4)	(\$33)	\$189	\$17	(\$75)	(\$61)	(\$8)	(\$26)	(\$30)	\$5	\$31																														
Adjusted EBIT	\$230	\$154	\$95	(\$129)	(\$76)	\$50	\$153	(\$24)	\$8	(\$32)	\$145	(\$3)	(\$52)	(\$57)	(\$16)	(\$40)	(\$44)	(\$10)	\$17																														
Margin	11%	7%	5%	-8%	-5%	3%	10%	-8%	2%	-11%	17%	-1%	-10%	-15%	-4%	-12%	-14%	-3%	3%																														
Finance costs	(\$111)	(\$112)	(\$99)	(\$74)	(\$86)	(\$86)	(\$86)	(\$29)	(\$27)	(\$26)	(\$17)	(\$19)	(\$17)	(\$17)	(\$21)	(\$21)	(\$21)	(\$21)	(\$21)																														
Gain/loss on derivatives	\$56	(\$81)	\$32	(\$5)	\$0	\$0	\$0	\$18	\$16	(\$15)	\$13	(\$65)	\$40	\$21	\$0	\$0	\$0	\$0	\$0																														
Finance income	\$5	\$22	\$30	\$11	\$8	\$9	\$10	\$9	\$7	\$10	\$4	\$6	\$2	\$1	\$2	\$2	\$2	\$2	\$2																														
Other income/expense	(\$30)	\$108	\$34	\$21	\$0	\$0	\$0	(\$2)	(\$12)	\$61	(\$13)	\$49	(\$17)	(\$11)	\$0	\$0	\$0	\$0	\$0																														
Pre-tax Income (Adj.)	\$43	\$156	\$89	(\$151)	(\$96)	\$38	\$143	(\$39)	(\$14)	\$9	\$133	\$51	(\$85)	(\$90)	(\$27)	(\$45)	(\$49)	(\$14)	\$12																														
Taxes	\$3	\$126	(\$61)	\$17	\$19	(\$8)	(\$29)	(\$0)	(\$2)	(\$10)	(\$49)	(\$7)	\$14	\$5	\$4	\$9	\$10	\$3	(\$2)																														
Taxes (Adj.)	\$17	\$95	(\$48)	\$14	\$19	(\$8)	(\$29)	\$6	(\$4)	(\$11)	(\$39)	(\$23)	\$20	\$12	\$4	\$9	\$10	\$3	(\$2)																														
Tax rate	-39%	-61%	54%	9%	20%	20%	20%	10%	-27%	128%	29%	44%	24%	14%	15%	20%	20%	20%	20%																														
Net Income	(\$205)	\$166	\$74	(\$156)	(\$77)	\$31	\$114	(\$18)	(\$23)	(\$13)	\$128	(\$19)	(\$53)	(\$61)	(\$23)	(\$36)	(\$39)	(\$11)	\$9																														
Adjusted Net Income	\$59	\$251	\$41	(\$137)	(\$77)	\$31	\$114	(\$33)	(\$18)	(\$2)	\$94	\$29	(\$65)	(\$78)	(\$23)	(\$36)	(\$39)	(\$11)	\$9																														
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	(\$0.35)	(\$0.19)	\$0.08	\$0.29	(\$0.08)	(\$0.04)	(\$0.01)	\$0.24	\$0.07	(\$0.16)	(\$0.20)	(\$0.06)	(\$0.09)	(\$0.10)	(\$0.03)	\$0.02																														
EPS	(\$0.52)	\$0.42	\$0.19	(\$0.39)	(\$0.19)	\$0.08	\$0.29	(\$0.05)	(\$0.06)	(\$0.03)	\$0.32	(\$0.05)	(\$0.13)	(\$0.15)	(\$0.06)	(\$0.09)	(\$0.10)	(\$0.03)	\$0.02																														
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%	-12%	-7%	0%	2%	-32%	16%	-38%	5%	16%	35%	25%	-55%	-6%	-39%	-6%	32%																														
SG&A	-21%	-13%	-12%	4%	0%	0%	0%	3%	-4%	-38%	-4%	-6%	19%	25%	-13%	-4%	-10%	7%	8%																														
EBITDA	1%	-14%	-23%	-92%	-15%	583%	147%	-80%	8%	-57%	0%	213%	-105%	-174%	-96%	-124%	388%	-136%	368%																														
EBIT	24%	-33%	-38%	-235%	-41%	-166%	205%	-207%	-197%	122%	-6%	-86%	-799%	76%	-111%	1096%	-17%	-83%	-206%																														
Net Income	-59%	325%	-84%	-435%	-44%	-140%	274%	-246%	-38%	-104%	-53%	-186%	270%	3053%	-125%	-226%	-40%	-85%	-141%																														
Shares	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%																														
EPS	-59%	325%	-84%	-435%	-44%	-140%	274%	-246%	-38%	-104%	-53%	-186%	269%	3052%	-125%	-226%	-40%	-85%	-141%																														
Margins																																																	
Gross Profit	20%	14%	13%	1%	6%	14%	20%	6%	11%	-1%	21%	10%	-3%	-6%	5%	1%	-1%	9%	11%																														
EBITDA	26%	23%	20%	2%	2%	11%	28%	6%	17%	12%	29%	15%	-1%	-7%	2%	-4%	-5%	3%	9%																														
EBIT	26%	23%	20%	2%	2%	11%	28%	6%	17%	12%	29%	15%	-1%	-7%	2%	-4%	-5%	3%	9%																														
Net Income	3%	12%	2%	-8%	-5%	2%	7%	-11%	-5%	-1%	11%	8%	-12%	-21%	-6%	-11%	-12%	-3%	2%																														

Source: Company reports, RBC Capital Markets estimates



Exhibit 6: Cameco Cash Flow Model

Free Cash Flow (Calc) <i>C\$ millions, unless noted</i>	2017A							2018A							2019A							2020E							2021E							2022E							2023E						
	1QA	2QA	3QA	4QA	1QA	2QA	3QA	4QA	1QA	2QA	3QA	4QA	1QA	2QA	3QA	4QA	1QA	2QA	3QA	4QA	1QA	2QA	3QA	4QA	1QA	2QA	3QA	4QA	1QA	2QA	3QA	4QA	1QA	2QA	3QA	4QA													
Net Income	(\$205)	\$166	\$74	(\$156)	(\$77)	\$31	\$114	(\$18)	(\$23)	(\$13)	\$128	(\$19)	(\$53)	(\$61)	(\$23)	(\$36)	(\$39)	(\$11)	\$9	(\$36)	(\$39)	(\$11)	\$9	(\$36)	(\$39)	(\$11)	\$9	(\$36)	(\$39)	(\$11)	\$9	(\$36)	(\$39)	(\$11)	\$9														
D&A	\$330	\$328	\$276	\$159	\$101	\$125	\$278	\$41	\$60	\$69	\$106	\$55	\$49	\$30	\$26	\$27	\$27	\$20	\$27	\$27	\$27	\$20	\$27	\$27	\$27	\$20	\$27	\$27	\$27	\$20	\$27	\$27	\$27	\$20	\$27														
WC / Other	\$401	\$100	\$105	(\$218)	\$62	\$149	(\$115)	\$43	(\$107)	\$162	\$7	\$147	(\$333)	(\$35)	\$4	\$130	\$29	(\$139)	\$43	\$130	\$29	(\$139)	\$43	\$130	\$29	(\$139)	\$43	\$130	\$29	(\$139)	\$43	\$130	\$29	(\$139)	\$43														
CFFO	\$527	\$595	\$455	(\$215)	\$87	\$304	\$278	\$65	(\$70)	\$218	\$242	\$182	(\$337)	(\$66)	\$7	\$121	\$17	(\$131)	\$80																														
Capex	(\$114)	(\$55)	(\$75)	(\$72)	(\$108)	(\$73)	(\$100)	(\$10)	(\$22)	(\$23)	(\$20)	(\$19)	(\$14)	(\$16)	(\$23)	(\$27)	(\$27)	(\$27)	(\$27)	(\$27)	(\$27)	(\$27)	(\$27)	(\$27)	(\$27)	(\$27)	(\$27)	(\$27)	(\$27)	(\$27)	(\$27)																		
FCF	\$413	\$539	\$379	(\$287)	(\$21)	\$231	\$177	\$55	(\$92)	\$194	\$222	\$163	(\$351)	(\$83)	(\$16)	\$94	(\$10)	(\$158)	\$53																														
Per Share	\$1.04	\$1.36	\$0.96	(\$0.72)	(\$0.05)	\$0.58	\$0.45	\$0.14	(\$0.23)	\$0.49	\$0.56	\$0.41	(\$0.89)	(\$0.21)	(\$0.04)	\$0.24	(\$0.03)	(\$0.40)	\$0.13	\$0.24	(\$0.03)	(\$0.40)	\$0.13	\$0.24	(\$0.03)	(\$0.40)	\$0.13	\$0.24	(\$0.03)	(\$0.40)	\$0.13																		
FCF (N.I. + D&A - CapEx)	\$12	\$439	\$274	(\$69)	(\$84)	\$82	\$293	\$12	\$15	\$33	\$214	\$17	(\$18)	(\$48)	(\$20)	(\$36)	(\$39)	(\$19)	\$10																														
Per Share	\$0.03	\$1.11	\$0.69	(\$0.17)	(\$0.21)	\$0.21	\$0.74	\$0.03	\$0.04	\$0.08	\$0.54	\$0.04	(\$0.05)	(\$0.12)	(\$0.05)	(\$0.09)	(\$0.10)	(\$0.05)	\$0.02	(\$0.09)	(\$0.10)	(\$0.05)	\$0.02	(\$0.09)	(\$0.10)	(\$0.05)	\$0.02	(\$0.09)	(\$0.10)	(\$0.05)	\$0.02																		
Dividends	(\$158)	(\$71)	(\$32)	(\$32)	(\$32)	(\$32)	(\$32)	\$0	\$0	\$0	(\$32)	\$0	\$0	\$0	(\$32)	\$0	\$0	\$0	(\$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	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0																		
FCF post return to shareholders	\$254	\$468	\$348	(\$318)	(\$53)	\$199	\$146	\$55	(\$92)	\$194	\$190	\$163	(\$351)	(\$83)	(\$48)	\$94	(\$10)	(\$158)	\$21																														
Per Share	\$0.64	\$1.18	\$0.88	(\$0.80)	(\$0.13)	\$0.50	\$0.37	\$0.14	(\$0.23)	\$0.49	\$0.48	\$0.41	(\$0.89)	(\$0.21)	(\$0.12)	\$0.24	(\$0.03)	(\$0.40)	\$0.05	\$0.24	(\$0.03)	(\$0.40)	\$0.05	\$0.24	(\$0.03)	(\$0.40)	\$0.05	\$0.24	(\$0.03)	(\$0.40)	\$0.05																		
Acquisitions	\$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																		
Debt Addition / (Reduction)	\$0	\$0	(\$500)	\$0	\$0	\$0	\$0	\$0	\$0	(\$500)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0																		
FCF after Acq and Debt Red.	\$254	\$468	(\$152)	(\$318)	(\$53)	\$199	\$146	\$55	(\$92)	(\$306)	\$190	\$163	(\$351)	(\$83)	(\$48)	\$94	(\$10)	(\$158)	\$21																														
Per Share	\$0.64	\$1.18	(\$0.38)	(\$0.80)	(\$0.13)	\$0.50	\$0.37	\$0.14	(\$0.23)	(\$0.77)	\$0.48	\$0.41	(\$0.89)	(\$0.21)	(\$0.12)	\$0.24	(\$0.03)	(\$0.40)	\$0.05	\$0.24	(\$0.03)	(\$0.40)	\$0.05	\$0.24	(\$0.03)	(\$0.40)	\$0.05	\$0.24	(\$0.03)	(\$0.40)	\$0.05																		

Source: Company reports, RBC Capital Markets estimates

Exhibit 7: Cameco Balance Sheet Model

Balance Sheet <i>C\$ millions, unless noted</i>	2017A							2018A							2019A							2020E							2021E							2022E							2023E						
	1QA	2QA	3QA	4QA	1QA	2QA	3QA	4QA																																									
Assets																																																	
Cash & Investments	\$592	\$1,103	\$1,062	\$814	\$838	\$1,032	\$1,155	\$1,221	\$1,113	\$864	\$1,062	\$1,235	\$878	\$793	\$814	\$946	\$974	\$817	\$838	\$946	\$974	\$817	\$838	\$946	\$974	\$817	\$838	\$946	\$974	\$817	\$838	\$946	\$974	\$817	\$838														
Accounts receivable	\$397	\$402	\$328	\$228	\$211	\$207	\$211	\$133	\$196	\$165	\$328	\$229	\$239	\$298	\$228	\$135	\$118	\$174	\$211	\$135	\$118	\$174	\$211	\$135	\$118	\$174	\$211	\$135	\$118	\$174	\$211	\$135	\$118	\$174	\$211														
Current tax assets	\$11	\$7	\$4	\$3	\$3	\$3	\$3	\$6	\$6	\$6	\$4	\$5	\$5	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3														
Inventories	\$950	\$468	\$321	\$642	\$508	\$339	\$448	\$638	\$700	\$529	\$321	\$348	\$677	\$710	\$642	\$582	\$559	\$585	\$508	\$582	\$559	\$585	\$508	\$582	\$559	\$585	\$508	\$582	\$559	\$585	\$508	\$582	\$559	\$585	\$508														
Supplies & prepaid Expenses	\$150	\$89	\$86	\$97	\$97	\$97	\$97	\$92	\$98	\$99	\$86	\$84	\$96	\$97	\$97	\$97	\$97	\$97	\$97	\$97	\$97	\$97	\$97	\$97	\$97	\$97	\$97	\$97	\$97	\$97	\$97	\$97	\$97	\$97	\$97														
Other	\$36	\$14	\$7	\$9	\$9	\$9	\$9	\$15	\$18	\$23	\$7	\$5	\$7	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9														
Current Assets	\$2,136	\$2,083	\$1,807	\$1,793	\$1,667	\$1,687	\$1,924	\$2,106	\$2,132	\$1,686	\$1,807	\$1,906	\$1,902	\$1,910	\$1,793	\$1,772	\$1,761	\$1,685	\$1,667																														
Property, plant & equipment	\$4,192	\$3,882	\$3,721	\$3,788	\$3,794	\$3,743	\$3,564	\$3,843	\$3,919	\$3,887	\$3,721	\$3,654	\$3,764	\$3,791	\$3,788	\$3,787	\$3,787	\$3,795	\$3,794	\$3,787	\$3,787	\$3,795	\$3,794	\$3,787	\$3,787	\$3,795	\$3,794	\$3,787	\$3,787	\$3,795	\$3,794																		
Goodwill	\$70	\$66	\$60	\$57	\$57	\$57	\$57	\$65	\$62	\$61	\$60	\$63	\$59	\$57	\$57	\$57	\$57	\$57	\$57	\$57	\$57	\$57	\$57	\$57	\$57	\$57	\$57	\$57	\$57	\$57	\$57																		
Receivable related to tax dispute	\$303	\$303	\$303	\$303	\$303	\$303	\$303	\$303	\$303	\$303	\$303	\$303	\$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	\$530	\$454	\$454	\$454	\$628	\$640	\$580	\$580	\$561	\$551	\$538	\$530	\$493	\$454	\$454	\$454	\$493	\$454	\$454	\$454	\$493	\$454	\$454	\$454	\$493	\$454	\$454	\$454																		
Future income tax assets	\$861	\$1,006	\$956	\$972	\$991	\$986	\$963	\$1,009	\$1,010	\$1,000	\$956	\$951	\$963	\$968	\$972	\$981	\$991	\$994	\$991	\$981	\$991	\$994	\$991	\$981	\$991	\$994	\$991	\$981	\$991	\$994	\$991																		
Other	\$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 Assets	\$7,779	\$8,019	\$7,427	\$7,443	\$7,266	\$7,229	\$7,265	\$7,954	\$8,067	\$7,517	\$7,427	\$7,438	\$7,542	\$7,567	\$7,443	\$7,393	\$7,353	\$7,288	\$7,266	\$7,393	\$7,353	\$7,288	\$7,266	\$7,393	\$7,353	\$7,288	\$7,266																						
Liabilities + Shareholders Equity																																																	
Accounts payable and accrued liabilities	\$258	\$225	\$182	\$180	\$159	\$142	\$137	\$191	\$195	\$161	\$182	\$211	\$230	\$238	\$180	\$181	\$197	\$149	\$159	\$181	\$197	\$149	\$159	\$181	\$197	\$149	\$159	\$181	\$197	\$149	\$159																		
Income taxes payable	\$20	\$20	\$6	\$1	\$1	\$1	\$1	\$5	\$6	\$4	\$6	\$2	\$2	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1																						
Bank loans and short term debt	\$0	\$500	\$0	\$92	\$92	\$92	\$92	\$500	\$500	\$0	\$0	\$0	\$0	\$92	\$92	\$92	\$92	\$92	\$92	\$92	\$92	\$92	\$92	\$92	\$92	\$92	\$92																						
Dividends Payable	\$40	\$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																						
Current portion of other liabilities	\$93	\$132	\$89	\$69	\$69	\$69	\$69	\$129	\$123	\$135	\$89	\$129	\$119	\$69	\$69	\$69	\$69	\$69	\$69	\$69	\$69	\$69	\$69	\$69	\$69	\$69	\$69																						
Current Liabilities	\$411	\$876	\$277	\$342	\$320	\$304	\$298	\$826	\$823	\$300	\$277	\$342	\$350	\$399	\$342	\$343	\$359	\$311	\$320	\$343	\$359	\$311	\$320																										
Long-Term Debt	\$1,494	\$996	\$997	\$997	\$997	\$997	\$997	\$996	\$996	\$997	\$997	\$997	\$997	\$997	\$997	\$997																																	



Valuation

We value the company by applying an EV/EBITDA multiple to Cameco's operating assets, a DCF valuation to its McArthur River asset, and then adding the CRA restricted cash. Our EV/EBITDA valuation applies a 15x multiple to 2022 EBITDA estimates — this multiple is above the average multiple post-Fukushima and pre-McArthur shut-down in recognition of greater interest as an ESG and clean energy investment. Our DCF analysis uses an 8% discount rate. The implied return to our \$15 price target supports our Underperform 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) an earlier outcome in the CRA transfer pricing dispute that results in the release of \$300M restricted cash held by the government; 2) stronger-than-expected uranium prices; 3) uranium production disruptions from other producers; 4) an increase in valuation multiples due to rising interest as an ESG/clean energy investment; 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 \$1.9B revenue in 2019, 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.

Required disclosures

Non-U.S. analyst disclosure

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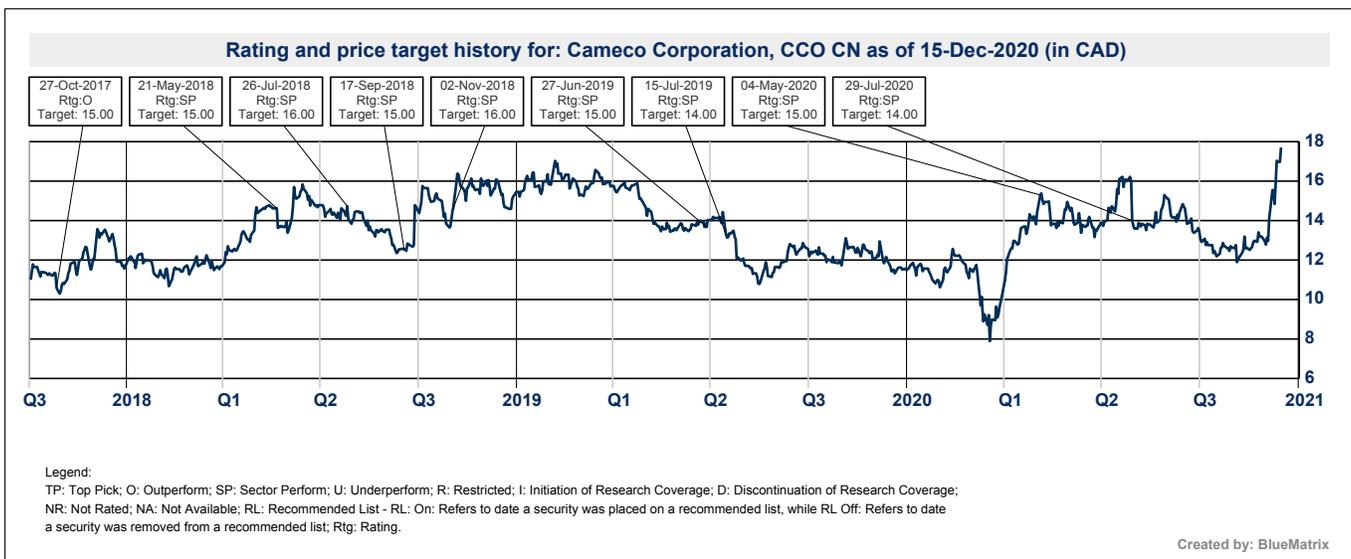
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			Count	Percent
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Cameco Corporation

Valuation

We value the company by applying an EV/EBITDA multiple to Cameco's operating assets, a DCF valuation to its McArthur River asset, and then adding the CRA restricted cash. Our EV/EBITDA valuation applies a 15x multiple to 2022 EBITDA estimates — this



multiple is above the average multiple post-Fukushima and pre-McArthur shut-down in recognition of greater interest as an ESG and clean energy investment. Our DCF analysis uses an 8% discount rate. The implied return to our \$15 price target supports our Underperform 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) an earlier outcome in the CRA transfer pricing dispute that results in the release of \$300M restricted cash held by the government; 2) stronger-than-expected uranium prices; 3) uranium production disruptions from other producers; 4) an increase in valuation multiples due to rising interest as an ESG/clean energy investment; and 5) currency volatility, primarily CAD/USD.

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