



October 31, 2021

# Cameco Corporation

## Contracting activity the next milestone to watch

**Our view:** We continue to expect a recovery in uranium prices, driven by a combination of investor purchases and an eventual return of utility demand tightening the market balance. We expect Cameco to maintain a premium valuation, which is reflected in the current share price, due to potential upside from current uranium prices and strong uranium sector sentiment.

### Key points:

**Long-term contract activity in focus:** We believe the next key milestone under close watch will be term market activity driven by utility end-user demand. According to UxC, term market activity has improved year/year with total transacted volumes YTD at ~53Mlbs, up from ~40Mlbs this time last year, but this figure is slightly below levels in 2017-2019. Management indicated that long-term contract interest has increased recently and noted that many of these conversations are happening off-market and may not be captured in on-market data. Notably, management stated that utility end-users are asking for delivery time frames ranging from the next couple years to as far out as 20 years. Specific to Cameco, the company added an additional 4Mlbs to the long-term contract portfolio, bringing this year's total new contracted volume to 20Mlbs YTD.

**McArthur remains on hold until volumes contracted:** We continue to wait for news on re-start timing at the McArthur River mine, which has been idled since 2018. Management has stated that it would like to contract a majority of McArthur's production volumes before re-starting operations, as the company's strategy is to place pounds into end-user homes instead of into the spot market. The mine remains on care-and-maintenance at a cost of \$100-120M annually and a re-start may take 18-24 months. Given this timing and the gradual ramp of contracting activity, we have pushed our McArthur re-start to 2024, from 2023.

**Investor-driven uranium market recovery will need to pass baton to utilities:** The recovery in uranium prices was accelerated this year by investor-driven demand, primarily due to the Sprott Physical Uranium Trust. We think these actions have helped reduce the significant excess supply overhang, but the depth of excess supply still remains unknown and can be seen when prices weaken during periods with less Sprott fund purchases. We believe for the uranium market recovery to be sustained, demand from end-user utilities will be required. Given increased activity on long-term contracting, we are encouraged that this may be on the horizon, although note that utilities remain generally comfortable with inventory and contract coverage. We have raised our 2022-2026 uranium price forecast to \$45/lb, up from \$40/lb, to account for investor demand and maintain our long-term price at \$50/lb.

**Reiterate Sector Perform, raise PT to \$29 (from \$26):** We have raised our NAV estimate to \$17, from \$15, primarily due to higher uranium prices, and maintain our 1.75x P/NAV valuation multiple.

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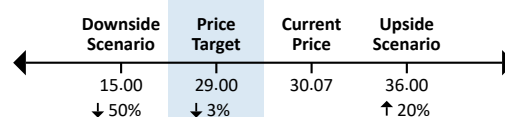
## Sector Perform

TSX: CCO; CAD 30.07; NYSE: CCJ

**Price Target CAD 29.00** ↑ 26.00

WHAT'S INSIDE	
<input type="checkbox"/> Rating/Risk Change	<input checked="" type="checkbox"/> Price Target Change
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<input type="checkbox"/> Preview	<input checked="" type="checkbox"/> News Analysis

### Scenario Analysis\*



\*Implied Total Returns

### Key Statistics

Shares O/S (MM):	397.7	Market Cap (MM):	11,958
Dividend:	0.08	Yield:	0.3%
NAVPS:	16.83	P/NAVPS:	1.79x
		Tr. 12 ROE:	2.90%
		Enterprise Val. (MM):	11,798
		Avg. Daily Volume:	3,027,596
		3-Yr. Est. EPS Growth:	65.00%

### RBC Estimates

FY Dec	2020A	2021E	2022E	2023E
<b>EPS, Adj Diluted</b>	(0.17)	(0.29)	(0.05)	(0.10)
Prev.		(0.23)	0.12	0.39
<b>P/AEPS</b>	NM	NM	NM	NM
<b>EBITDA, Adj</b>	190.4	81.4	184.1	227.8
Prev.		91.7	249.8	541.0
<b>FCFPS</b>	(0.22)	0.26	(0.11)	0.40
Prev.		0.11	0.01	0.48
<b>P/FCF</b>	nm	nm	nm	76.0x
<b>EPS, Adj Diluted</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
2020	0.07A	(0.16)A	(0.20)A	0.12A
2021	(0.07)A	(0.10)A	(0.14)A	0.02E
Prev.			(0.05)E	(0.01)E
2022	(0.03)E	(0.02)E	(0.02)E	0.02E
Prev.	0.02E	0.02E	0.01E	0.07E
<b>EBITDA, Adj</b>				
2020	65.3A	(2.8)A	(24.0)A	151.9A
2021	17.0A	(2.4)A	(0.8)A	67.6E
Prev.			19.3E	57.8E
2022	35.6E	40.6E	42.7E	65.1E
Prev.	60.1E	55.8E	47.9E	85.9E

All values in CAD unless otherwise noted.

Priced as of prior trading day's market close, EST (unless otherwise noted).



## Reiterate Sector Perform rating; Raise PT to \$29, from \$26

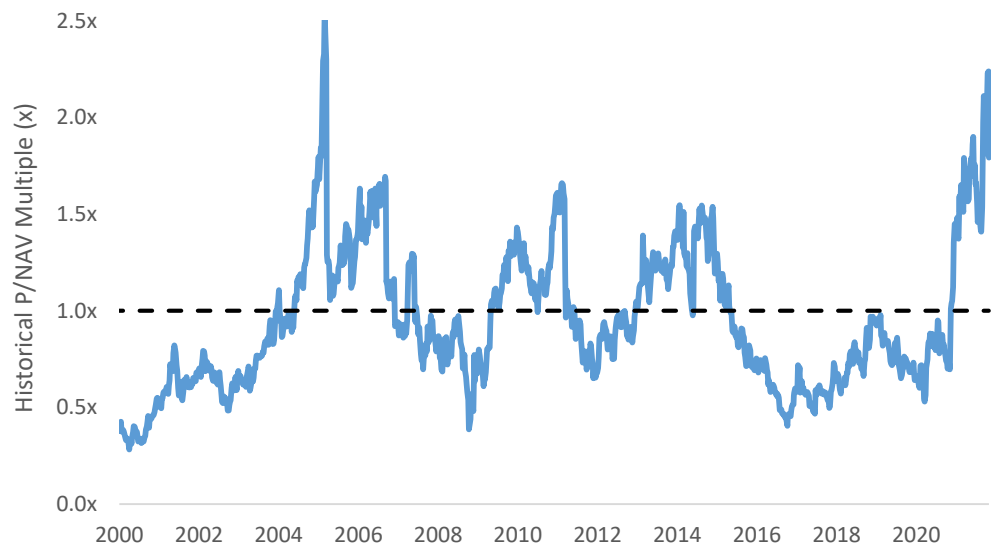
We rate Cameco shares Sector Perform with a \$29 price target. We value the company by applying a 1.75x P/NAV multiple to our NAV estimate. Our P/NAV multiple is above the average historical multiple, but in line with multiples during periods of strong investor interest and rising uranium prices. Our DCF uses an 8% discount rate. Our \$29 price target supports our Sector Perform rating.

### Exhibit 1 - Cameco valuation summary

VALUATION (Balance Sheet Items @ End-22E)					
<b>Segments</b>	CAD\$M	US\$M	<b>Balance Sheet (end-21E)</b>	CAD\$M	US\$M
Uranium	\$5,120	\$4,075	Net Debt	\$104	\$82
Fuel Services	\$1,368	\$1,089	Net Curr. Assets (excl. cash)	\$830	\$661
SG&A	(\$726)	(\$578)	Net Asset Value	\$6,696	\$5,330
Shares (M)	398	398	P/NAV Multiple	1.75x	1.75x
NAV (\$/share)	\$16.8	\$13.4	Valuation (\$/share)	\$29	\$23

Source: Company reports, RBC Capital Markets estimates

### Exhibit 2 - Historical P/NAV multiple based on RBCCM NAV estimates – Cameco is trading in line with historical P/NAV multiples during times of premium valuations



Source: Company reports, RBC Capital Markets estimates



Exhibit 3 - RBC Cameco Model

Cameco Corporation								Price Target: C\$29.00								Rating: Sector Perform							
RBC Capital Markets / Andrew Wong (416) 842-7830																							
TSX: CCO								Market Capitalization (C\$M): \$11,962				Share Price (C\$/sh): \$30.07				Net Debt (C\$M): -\$180							
								Enterprise Value (C\$M): \$11,782				Implied Return (%): (3.6%)				Issued Shares (diluted) 397.8							
ASSUMPTIONS SUMMARY		2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E	2037E			
USD/CAD		\$0.75	\$0.75	\$0.80	\$0.80	\$0.77	\$0.77	\$0.77	\$0.77	\$0.77	\$0.77	\$0.77	\$0.77	\$0.77	\$0.77	\$0.77	\$0.77	\$0.77	\$0.77	\$0.77			
Uranium Spot Price (US\$/lb U3O8)		\$26	\$29	\$35	\$45	\$45	\$45	\$45	\$45	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50			
Uranium Term Price (US\$/lb U3O8)		\$32	\$32	\$35	\$45	\$45	\$45	\$45	\$45	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50			
OPERATIONS		2019A	2020A	2021E	2022E	2023E	2024E	2025E															
Uranium Segment																							
McArthur River (70% ownership)		0.0	0.0	0.0	0.0	0.0	6.3	12.5															
Cigar Lake (50%)		9.0	5.1	5.6	9.0	9.0	9.0	9.0															
Inkai (40%)		3.4	2.8	3.6	4.1	4.1	4.1	3.7															
<b>Total Attributable Production</b>		<b>Mlbs</b>	<b>12</b>	<b>8</b>	<b>9</b>	<b>13</b>	<b>13</b>	<b>19</b>	<b>25</b>														
Sales Volume		Clbs	31.5	30.5	24.0	25.0	25.0	21.3	26.2														
Realized Price		C\$/lb	\$45	\$46	\$44	\$50	\$53	\$53	\$57														
Market Purchases		Mlbs	15.0	29.6	8.2	12.0	7.0	2.0	1.0														
Ending Inventory		Mlbs	6.1	15.3	8.9	9.0	9.5	9.5	9.5														
Cash Production Costs		C\$M	\$164	\$87	\$87	\$135	\$135	\$229	\$323														
Cash Production Costs/lb		C\$/lb	\$20	\$29	\$16	\$15	\$15	\$15	\$15														
Cost of Product Sold			\$878	\$1,068	\$888	\$1,047	\$1,094	\$482	\$597														
Royalties			\$32	\$16	\$21	\$42	\$45	\$77	\$143														
Care and Maintenance			\$121	\$150	\$159	\$130	\$130	\$60	\$20														
Other costs			\$11	\$12	\$7	\$10	\$10	\$10	\$10														
<b>Total Cash Costs</b>		<b>C\$M</b>	<b>\$1,042</b>	<b>\$1,245</b>	<b>\$1,075</b>	<b>\$1,229</b>	<b>\$1,279</b>	<b>\$629</b>	<b>\$770</b>														
D&A			\$175	\$155	\$124	\$95	\$155	\$238	\$326														
<b>Total COGS</b>		<b>C\$M</b>	<b>\$1,217</b>	<b>\$1,400</b>	<b>\$1,199</b>	<b>\$1,323</b>	<b>\$1,433</b>	<b>\$867</b>	<b>\$1,095</b>														
Cash COGS/lb (incl. royalties)		C\$/lb	\$33	\$41	\$45	\$49	\$51	\$29	\$29														
Fuel Services Segment																							
Production		M KgU	13.4	11.7	12.1	13.6	13.6	13.6	13.6														
Sales Volume		M KgU	14.2	13.5	13.3	13.6	13.6	13.6	13.6														
Realized Price		C\$/KgU	\$26	\$27	\$30	\$29	\$30	\$30	\$30														
Cash Costs			\$234	\$234	\$236	\$233	\$217	\$217	\$217														
D&A			\$46	\$46	\$45	\$48	\$54	\$54	\$54														
<b>Total COGS</b>		<b>C\$M</b>	<b>\$280</b>	<b>\$280</b>	<b>\$281</b>	<b>\$281</b>	<b>\$272</b>	<b>\$272</b>	<b>\$272</b>														
Cash COGS/KgU		C\$/KgU	\$17	\$17	\$18	\$17	\$16	\$16	\$16														
All C\$ millions, unless noted																							
INCOME STATEMENT (C\$M)		2019A	2020A	2021E	2022E	2023E	2024E	2025E															
Revenue		\$1,863	\$1,800	\$1,468	\$1,655	\$1,747	\$1,554	\$1,911															
Operating Costs		\$1,492	\$1,646	\$1,444	\$1,579	\$1,631	\$981	\$1,122															
<b>EBITDA</b>		<b>CAD</b>	<b>\$371</b>	<b>\$154</b>	<b>\$24</b>	<b>\$76</b>	<b>\$115</b>	<b>\$573</b>	<b>\$789</b>														
<b>EBITDA (incl. Inkai)</b>		<b>CAD</b>	<b>\$417</b>	<b>\$190</b>	<b>\$81</b>	<b>\$184</b>	<b>\$228</b>	<b>\$685</b>	<b>\$885</b>														
D&A			(\$276)	(\$209)	(\$180)	(\$142)	(\$209)	(\$292)	(\$380)														
<b>EBIT</b>		<b>CAD</b>	<b>\$512</b>	<b>\$136</b>	<b>(\$74)</b>	<b>\$118</b>	<b>\$134</b>	<b>\$965</b>	<b>\$1,294</b>														
Other Income/Expenses			\$423	\$196	\$55	\$144	\$185	\$640	\$854														
<b>EBT (Adj)</b>		<b>CAD</b>	<b>\$89</b>	<b>(\$61)</b>	<b>(\$130)</b>	<b>(\$26)</b>	<b>(\$50)</b>	<b>\$326</b>	<b>\$440</b>														
Taxes (Adj)			(\$48)	(\$6)	\$14	\$5	\$10	(\$65)	(\$88)														
<b>Net Income</b>		<b>CAD</b>	<b>\$41</b>	<b>(\$66)</b>	<b>(\$115)</b>	<b>(\$21)</b>	<b>(\$40)</b>	<b>\$261</b>	<b>\$352</b>														
<b>Earnings - Adjusted (\$/sh)</b>		<b>CAD</b>	<b>\$0.10</b>	<b>(\$0.17)</b>	<b>(\$0.29)</b>	<b>(\$0.05)</b>	<b>(\$0.10)</b>	<b>\$0.66</b>	<b>\$0.88</b>														
Weighted average diluted shares (M)			396	396	398	398	398	398	398														
BALANCE SHEET (C\$M)		2019A	2020A	2021E	2022E	2023E	2024E	2025E															
Cash & Equivalents		\$1,062	\$943	\$1,177	\$1,100	\$1,225	\$1,297	\$1,611															
Other Current Assets		\$745	\$1,002	\$753	\$760	\$611	\$675	\$717															
PP&E and Other		\$5,620	\$5,636	\$5,317	\$5,311	\$5,222	\$5,216	\$5,129															
<b>Total Assets</b>		<b>CAD</b>	<b>\$7,427</b>	<b>\$7,581</b>	<b>\$7,247</b>	<b>\$7,170</b>	<b>\$7,059</b>	<b>\$7,187</b>	<b>\$7,457</b>														
Current Liabilities		\$277	\$304	\$222	\$233	\$244	\$181	\$206															
Long Term Debt		\$997	\$996	\$996	\$996	\$996	\$996	\$996															
Other Long Term Liabilities		\$1,158	\$1,323	\$1,234	\$1,254	\$1,274	\$1,294	\$1,314															
<b>Total Liabilities</b>		<b>CAD</b>	<b>\$2,432</b>	<b>\$2,622</b>	<b>\$2,451</b>	<b>\$2,483</b>	<b>\$2,514</b>	<b>\$2,471</b>	<b>\$2,516</b>														
Non-controlling interest		\$0	\$0	(\$24)	(\$132)	(\$244)	(\$357)	(\$452)															
Shareholder Equity		\$4,995	\$4,959	\$4,819	\$4,820	\$4,789	\$5,073	\$5,393															
<b>Total Liab. &amp; Shareholder Equity</b>		<b>CAD</b>	<b>\$7,427</b>	<b>\$7,581</b>	<b>\$7,247</b>	<b>\$7,170</b>	<b>\$7,059</b>	<b>\$7,187</b>	<b>\$7,457</b>														

URANIUM SEGMENT OPERATIONS BREAKDOWN				
Uranium Production (Mlbs)	2019A	2020A	2021E	2022E
McArthur River/Key Lake (70% ownership)	9.0	5.1	5.6	9.0
Cigar Lake/McClean Lake (50%)	3.4	2.8	3.6	4.1
Inkai (40%, unconsolidated)	3.4	2.8	3.6	4.1
Cash COGS/lb (incl. royalties)	\$33	\$41	\$45	\$49

EBITDA BY SEGMENT (C\$M)				
EBITDA	2019A	2020A	2021E	2022E
Fuel Services	\$280	\$280	\$281	\$272
Uranium	\$371	\$154	\$24	\$76
Inkai JV	\$417	\$190	\$81	\$184
Corporate EBITDA	\$512	\$136	(\$74)	\$118

VALUATION (Balance Sheet Items @ End-22E)					
Segments	CAD\$M	US\$M	Balance Sheet (end-21E)	CAD\$M	US\$M
Uranium	\$5,120	\$4,075	Net Debt	\$104	\$82
Fuel Services	\$1,368	\$1,089	Net Curr. Assets (excl. cash)	\$830	\$661
SG&A	(\$726)	(\$578)	Net Asset Value	\$6,696	\$5,330
Shares (M)	398	398	P/NAV Multiple	1.75x	1.75x
NAV (\$/share)	\$16.8	\$13.4	Valuation (\$/share)	\$29	\$23

CASH FLOW STATEMENT (C\$M)								
		2019A	2020A	2021E	2022E	2023E	2024E	2025E
Cash Flows from Operating Activities								
Net Income			\$74	(\$53)	(\$105)	(\$21)	(\$40)	\$261
D&A			\$276	\$209	\$180	\$142	\$209	\$292
Non-Recurring/Other		CAD	\$64	\$102	\$15	(\$40)	(\$60)	\$27
<b>Operating Cash Flow</b>		<b>CAD</b>	<b>\$414</b>	<b>\$258</b>	<b>\$90</b>	<b>\$81</b>	<b>\$108</b>	<b>\$580</b>
Changes in Working Capital			\$113	(\$201)	\$170	\$4	\$160	(\$126)
<b>Net Operating Cash Flow</b>		<b>CAD</b>	<b>\$527</b>	<b>\$57</b>	<b>\$261</b>	<b>\$85</b>	<b>\$268</b>	<b>\$454</b>
Cash Flows from Investing Activities								
Net Capital Expenditures			(\$75)	(\$77)	(\$136)	(\$131)	(\$111)	(\$350)
Other			\$512	(\$24)	\$21	\$0	\$0	\$0
<b>Net Investing Cash Flow</b>		<b>CAD</b>	<b>\$437</b>	<b>(\$101)</b>	<b>(\$115)</b>	<b>(\$131)</b>	<b>(\$111)</b>	<b>(\$350)</b>
Cash Flows from Financing Activities								
Net Issue/Red. Debt			(\$500)	(\$2)	\$0	\$0	\$0	\$0
Net Sale/Repur. of Stock			\$0	\$5	\$24	\$0	\$0	\$0
Other			(\$107)	(\$101)	(\$55)	(\$32)	(\$32)	(\$32)
<b>Net Financing Cash Flow</b>		<b>CAD</b>	<b>(\$607)</b>	<b>(\$98)</b>	<b>(\$31)</b>	<b>(\$32)</b>	<b>(\$32)</b>	<b>(\$32)</b>
<b>Increase (Decrease) in Cash</b>		<b>CAD</b>	<b>\$351</b>	<b>(\$144)</b>	<b>\$115</b>	<b>(\$77)</b>	<b>\$126</b>	<b>\$72</b>
Financial Metrics								
EV/EBITDA (incl. Inkai)			x	28.3x	61.9x	144.8x	64.0x	51.7x
Free Cash Flow		CAD	\$379	(\$86)	\$103	(\$45)	\$157	\$104
Free Cash Flow per share		CAD	\$0.95	(\$0.22)	\$0.26	(\$0.11)	\$0.40	\$0.26
Free Cash Flow Yield		%	3.2%	(0.7%)	0.9%	(0.4%)	1.3%	0.9%

Source: Company reports, RBC Capital Markets estimates



## Key ESG questions

*This section is intended to highlight key ESG discussion points relevant to this company, as well as our views on the outlook. Both the questions we highlight and our responses will evolve over time as the dialogue between management, analysts and investors continues to advance. We welcome any feedback on the topics.*

### **What are the most material ESG issues facing this company?**

#### **Our view**

Cameco produces uranium used to generate nuclear energy. Key ESG considerations are carbon emissions from mining and tailings management, relations with the local indigenous community in Saskatchewan, and acceptance of nuclear as a clean energy source. Additionally, a key ESG issue facing the company would be employee exposure to radiation, given the company's operations. Cameco reports on these factors – in 2020, the company generated 280kt of CO<sub>2</sub>e (scope 1 & 2, operational share) which was down from 311kt of CO<sub>2</sub>e in 2019; the average radiation dose was 0.59 mSv, which is well below typical natural background radiation exposure (2-3mSv per Cameco); and reported no indigenous disputes in 2020.

### **How does the company integrate ESG considerations into its strategy?**

Cameco uses the GRI Global framework, in addition to two corporate indicators that are unique to the company (Public Perception & Employee Radiation Exposure) to measure sustainability performance. Executive compensation is tied to ESG performance through the use of short-term incentives, 50% of which is tied to performance in community initiatives, safety, and environmental goals. Cameco utilizes a Safety, Health, Environment and Quality management system that is governed by one policy, which can be found on the company's website.

### **What is diversity like at board / management level?**

33% (3 of 9) of Cameco's Board of Directors are female while 11% (1 of 9) are Indigenous. Additionally, Cameco has a policy that mandates at least 30% of the BoD be female, and at least one be Indigenous. 20% (1 of 5) of executive officers are female. According to the 2021 Proxy Circular, 28% of the senior management team is female and 6% identify as a visible minority. Across all of Cameco, 25% of the company's workforce are female while 46% are Indigenous. We also note that Cameco has policies in place to promote women in leadership.

### **Is nuclear, and by extension uranium, considered a clean energy source?**

ESG considerations with regards to nuclear energy are, by extension, also relevant to uranium as it is the primary fuel source for nuclear energy generation. Nuclear reactors produce no greenhouse gas emissions, although there are slight emissions from other parts of the nuclear fuel cycle including construction, mining, conversion, and enrichment. Many countries have incorporated nuclear as a critical part of their overall energy mix and consider nuclear as a clean and sustainable energy source that is key to meeting climate goals. However, opponents to nuclear as a clean and sustainable energy source cite the potential risk from nuclear accidents, challenges with nuclear waste disposal, and proliferation concerns.

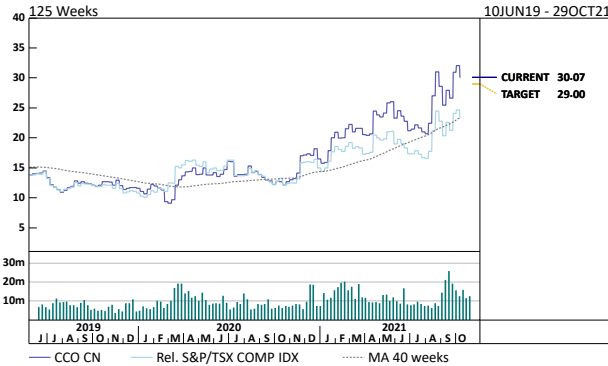
### **How does Cameco engage the local community?**

Cameco operates primarily in northern Saskatchewan, which has a large Indigenous population and ~45% of the workforce is made up of First Nations and Metis people. Cameco has formal agreements with communities in northern Saskatchewan based on – workforce development, business development, community investment, community engagement, and environmental stewardship. In 2020, Cameco received the "Towards Sustainable Mining" Excellence Award from the Mining Association of Canada for the Community Based Environmental Monitoring Program, which is part of a collaboration between Cameco, Orano, and local communities to engage the local population in environmental monitoring.



### Target/Upside/Downside Scenarios

#### Cameco Corporation



Source: Bloomberg and RBC Capital Markets estimates for Target

#### Valuation

We value the company by applying a 1.75x P/NAV multiple to our NAV estimate. Our P/NAV multiple is above the average historical multiple, but in line with multiples during periods of strong investor interest and rising uranium prices. Our DCF uses an 8% discount rate. Our \$29 price target supports our Sector Perform rating.

#### Upside scenario

Our upside scenario of \$36 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 2022+ to \$65/lb. We decrease our P/NAV multiple to 1.5x to account for peak market conditions, and we also assume that the CRA restricted cash is returned, which adds \$1/sh to our valuation.

#### Downside scenario

Our downside scenario of \$15 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 2022–30 by \$5/lb and use a \$40/lb long-term spot price forecast. We decrease our P/NAV multiple to 1.0x to account for more normalized conditions.

#### 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.

#### Potential catalysts

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 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) contract cancellations; 3) potential production disruptions; 4) weaker-than-expected uranium prices; 5) currency volatility, primarily CAD/USD; and 6) a decline in uranium investor sentiment resulting in lower valuation multiples.



## Company description

Cameco, headquartered in Saskatoon, Saskatchewan, is focused on uranium mining and nuclear fuel services. The company generated \$1.8B revenue in 2020, 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 increase production over the long term as uranium prices improve.

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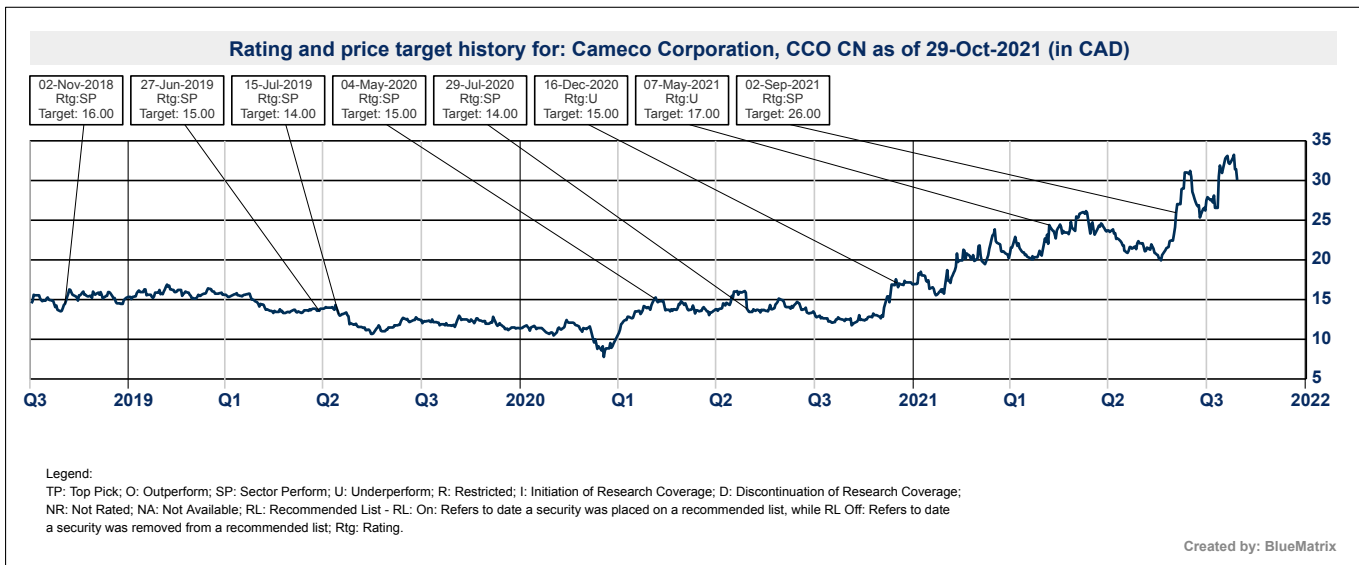
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Distribution of ratings				
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As of 30-Sep-2021				
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			Serv./Past 12 Mos.	
			Count	Percent
<b>BUY [Outperform]</b>	<b>800</b>	<b>56.58</b>	<b>341</b>	<b>42.62</b>
<b>HOLD [Sector Perform]</b>	<b>562</b>	<b>39.75</b>	<b>172</b>	<b>30.60</b>
<b>SELL [Underperform]</b>	<b>52</b>	<b>3.68</b>	<b>3</b>	<b>5.77</b>



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## Cameco Corporation

### Valuation

We value the company by applying a 1.75x P/NAV multiple to our NAV estimate. Our P/NAV multiple is above the average historical multiple, but in line with multiples during periods of strong investor interest and rising uranium prices. Our DCF uses an 8% discount rate. Our \$29 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) contract cancellations; 3) potential production disruptions; 4) weaker-than-expected uranium prices; 5) currency volatility, primarily CAD/USD; and 6) a decline in uranium investor sentiment resulting in lower valuation multiples.

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