



September 2, 2021

Cameco Corporation

Going with the flow; Revise rating to Sector Perform and PT to \$26

Our view: We believe the combination of a rising spot price and a strong undercurrent of positive sentiment for the uranium sector may support elevated valuation multiples for Cameco for the foreseeable future. We continue to view the S&D between producers and end-users as relatively balanced through mid-2025, with solid contract coverage and inventories. However, renewed financial interest to invest in physical uranium, aided by the Sprott Uranium Trust, has recently pushed spot price higher and is an x factor in our price forecast. We revise our rating to Sector Perform (was Underperform) and increase our PT to \$26, from \$17.

Key points:

Financial interest in physical uranium boosted by Sprott: The recent launch of the Sprott Physical Uranium Trust (SPUT) has magnified financial interest to invest in physical uranium. Since launching an ATM offering on August 17, SPUT has consistently raised funds to purchase uranium in a short period of time, quickly pushing up spot prices to ~\$37/lb, from \$31-32/lb in mid-August. A potential NYSE listing in 2022 may provide access to an even larger pool of capital given strong investor interest in uranium. While the depth of capital available and willing to invest in SPUT is unknown, every pound sequestered in the trust accelerates a uranium market recovery and supports a rising spot price.

Strong investor sentiment, SPUT, and rising spot price combine to keep valuations elevated: We have updated our RBC Elements™ work on uranium social media activity, which shows that while activity slowed recently, it remains elevated relative to historical levels and is indicative of strong investor interest in uranium (details [here](#)). We think the combination of strong investor sentiment and a vehicle to express that interest through SPUT, could result in a positive feedback loop (i.e. strong sentiment drives capital into SPUT which pushes up spot prices which then drives more positive sentiment) that keeps uranium equity valuations elevated for the foreseeable future. However, we note downside risk if/when capital flows into SPUT slow, resulting in less upward pressure on uranium prices.

Contract portfolio has leverage to spot price, but term contracts key: A rising spot price has a moderately positive impact to Cameco, but contract coverage and idled capacity caps near-to-medium term upside. Cameco would benefit most from rising term prices, which requires utilities to return to the market. However, utility contract and inventory coverage remains solid for the next several years, and we do not expect a significant increase in term market activity until at least next year. There is a possibility that rising spot prices entice utilities to re-enter the market sooner than expected, but buyers remain on the sidelines for now.

Revise rating to Sector Perform, from Underperform; raise PT to \$26, from \$17: Cameco's valuation may remain elevated as an incumbent producer with idled capacity, given strong investor sentiment and limited options for exposure to proven uranium operators. We have revised our valuation to 1.75x P/NAV, in line with recent premium valuation levels.

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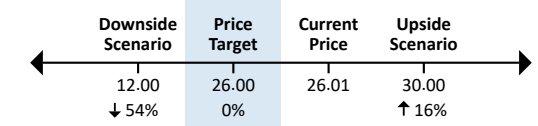
Sector Perform (prev: Underperform)

TSX: CCO; CAD 26.01; NYSE: CCJ

Price Target CAD 26.00 ↑ 17.00

WHAT'S INSIDE	
<input checked="" type="checkbox"/> Rating/Risk Change	<input checked="" type="checkbox"/> Price Target Change
<input type="checkbox"/> In-Depth Report	<input type="checkbox"/> Est. Change
<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):	10,343
Dividend:	0.08	Yield:	0.3%
NAVPS:	14.67	P/NAVPS:	1.77x
		Tr. 12 ROE:	2.90%
		Enterprise Val. (MM):	8,768
		Avg. Daily Volume:	1,483,699
		3-Yr. Est. EPS Growth:	65.00%

RBC Estimates

FY Dec	2020A	2021E	2022E	2023E
EPS, Adj Diluted	(0.17)	(0.23)	0.12	0.39
P/AEPS	NM	NM	NM	66.6x
EBITDA, Adj	190.4	91.7	249.8	541.0
FCFPS	(0.22)	0.11	0.01	0.48
P/FCF	nm	nm	nm	54.1x
EPS, Adj Diluted	Q1	Q2	Q3	Q4
2020	0.07A	(0.16)A	(0.20)A	0.12A
2021	(0.07)A	(0.10)A	(0.05)E	(0.01)E
2022	0.02E	0.02E	0.01E	0.07E
EBITDA, Adj				
2020	65.3A	(2.8)A	(24.0)A	151.9A
2021	17.0A	(2.4)A	19.3E	57.8E
2022	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).



Revise rating to Sector Perform, from Underperform; Raise PT to \$26, from \$17

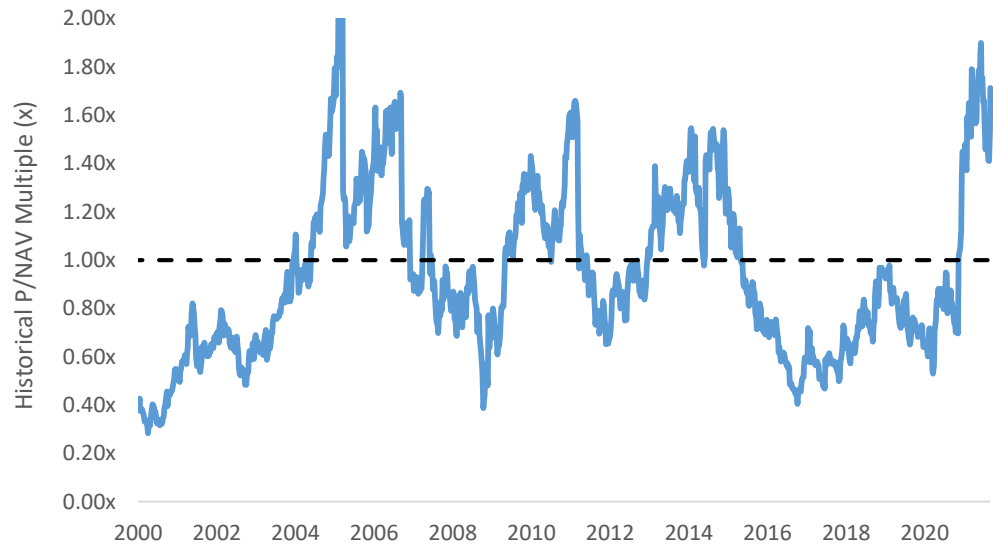
We rate Cameco shares Sector Perform with a \$26 price target. We value the company by applying a 1.75x P/NAV multiple to our NAV estimate. Our P/NAV multiple is above the average historical multiple, but in line with multiples during periods of strong investor interest and rising uranium prices. Our DCF uses an 8% discount rate. Our \$26 price target supports out Sector Perform rating.

Exhibit 1 - Cameco valuation summary

VALUATION (Balance Sheet Items @ End-21E)					
Segments	CAD\$M	US\$M	Balance Sheet (end-21E)	CAD\$M	US\$M
Uranium	\$4,633	\$3,688	Net Debt	\$135	\$108
Fuel Services	\$1,279	\$1,018	Net Curr. Assets (excl. cash)	\$651	\$518
SG&A	(\$890)	(\$708)	Net Asset Value	\$5,809	\$4,624
Shares (M)	396	396	P/NAV Multiple	1.75x	1.75x
NAV (\$/share)	\$14.7	\$11.7	Valuation (\$/share)	\$25.7	\$20.4

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\$26.00								Rating: Sector Perform				
RBC Capital Markets / Andrew Wong (416) 842-7830																				
TSX: CCO		Market Capitalization (C\$M):		\$9,570		Share Price (C\$/sh):		\$24.17		Net Debt (C\$M):		-		\$180						
		Enterprise Value (C\$M):		\$9,390		Implied Return (%):		7.6%		Issued Shares (diluted)		395.9								
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	\$33	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
Uranium Term Price (US\$/lb U3O8)		\$32	\$32	\$34	\$35	\$40	\$40	\$40	\$40	\$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	6.3	12.5	12.5												
Cigar Lake (50%)		9.0	5.1	5.4	9.0	9.0	9.0	9.0												
Inkai (40%)		3.4	2.8	3.6	4.1	4.1	4.1	3.7												
Total Attributable Production		Mlbs	12	8	9	13	19	26	25											
Sales Volume		Mlbs	31.5	30.5	24.0	25.0	25.0	27.6	26.2											
Realized Price		C\$/lb	\$45	\$46	\$42	\$46	\$50	\$51	\$52											
Market Purchases		Mlbs	15.0	29.6	9.5	12.0	4.0	2.0	1.0											
Ending Inventory		Mlbs	6.1	15.3	9.9	9.9	13.7	13.7	13.7											
Cash Production Costs		C\$M	\$164	\$87	\$92	\$135	\$229	\$323	\$323											
Cash Production Costs/lb		C\$/lb	\$20	\$29	\$18	\$15	\$15	\$15	\$15											
Cost of Product Sold			\$878	\$1,068	\$829	\$878	\$699	\$642	\$572											
Royalties			\$32	\$16	\$19	\$37	\$93	\$117	\$122											
Care and Maintenance			\$121	\$150	\$189	\$100	\$20	\$20	\$20											
Other costs			\$11	\$12	\$9	\$10	\$10	\$10	\$10											
Total Cash Costs		C\$M	\$1,042	\$1,245	\$1,045	\$1,025	\$822	\$790	\$724											
D&A			\$175	\$97	\$74	\$75	\$229	\$323	\$323											
Total COGS		C\$M	\$1,217	\$1,342	\$1,119	\$1,100	\$1,050	\$1,112	\$1,046											
Cash COGS/lb (incl. royalties)		C\$/lb	\$33	\$41	\$44	\$41	\$33	\$29	\$28											
Fuel Services Segment																				
Production		M KgU	13.4	11.7	13.3	12.4	12.4	12.4	12.4											
Sales Volume		M KgU	14.2	13.5	13.4	12.4	12.4	12.4	12.4											
Realized Price		C\$/KgU	\$26	\$27	\$30	\$30	\$31	\$31	\$31											
Cash Costs			\$234	\$234	\$227	\$208	\$199	\$199	\$199											
D&A			\$46	\$46	\$49	\$46	\$50	\$50	\$50											
Total COGS		C\$M	\$280	\$280	\$276	\$254	\$249	\$249	\$249											
Cash COGS/KgU		C\$/KgU	\$17	\$17	\$17	\$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	\$1,427	\$1,511	\$1,624	\$1,781	\$1,755												
Operating Costs		\$1,492	\$1,646	\$1,391	\$1,350	\$1,175	\$1,143	\$1,078												
EBITDA		CAD	\$371	\$154	\$36	\$160	\$448	\$638	\$677											
EBITDA (incl. Inkai)		CAD	\$417	\$190	\$92	\$250	\$541	\$730	\$756											
D&A			(\$276)	(\$209)	(\$161)	(\$121)	(\$278)	(\$372)	(\$372)											
EBIT		CAD	\$512	\$136	(\$33)	\$290	\$711	\$996	\$1,061											
Other Income/Expenses			\$423	\$196	\$82	\$229	\$517	\$704	\$741											
EBT (Adj)		CAD	\$89	(\$61)	(\$115)	\$61	\$194	\$292	\$320											
Taxes (Adj)			(\$48)	(\$6)	(\$22)	(\$12)	(\$39)	(\$58)	(\$64)											
Net Income		CAD	\$41	(\$66)	(\$93)	\$49	\$155	\$234	\$256											
Earnings - Adjusted (\$/sh)		CAD	\$0.10	(\$0.17)	(\$0.23)	\$0.12	\$0.39	\$0.59	\$0.64											
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	\$1,131	\$1,105	\$1,264	\$1,469	\$1,706												
Other Current Assets		\$745	\$1,002	\$857	\$881	\$998	\$1,005	\$990												
PP&E and Other		\$5,620	\$5,636	\$5,311	\$5,308	\$5,117	\$5,068	\$5,013												
Total Assets		CAD	\$7,427	\$7,581	\$7,299	\$7,295	\$7,380	\$7,543	\$7,709											
Current Liabilities		\$277	\$304	\$206	\$197	\$191	\$198	\$191												
Long Term Debt		\$997	\$996	\$996	\$996	\$996	\$996	\$996												
Other Long Term Liabilities		\$1,158	\$1,323	\$1,260	\$1,280	\$1,300	\$1,320	\$1,340												
Total Liabilities		CAD	\$2,432	\$2,622	\$2,462	\$2,473	\$2,487	\$2,514	\$2,527											
Non-controlling interest		\$0	\$0	(\$33)	(\$123)	(\$215)	(\$308)	(\$388)												
Shareholder Equity		\$4,995	\$4,959	\$4,871	\$4,944	\$5,108	\$5,337	\$5,570												
Total Liab. & Shareholder Equity		CAD	\$7,427	\$7,581	\$7,299	\$7,295	\$7,380	\$7,543	\$7,709											

URANIUM SEGMENT OPERATIONS BREAKDOWN	
	<p>McArthur River/Key Lake (70% ownership)</p> <p>Cigar Lake/McClean Lake (50%)</p> <p>Inkai (40%, unconsolidated)</p> <p>Cash COGS/lb (incl. royalties)</p>

EBITDA BY SEGMENT (C\$M)	
	<p>Fuel Services</p> <p>Uranium</p> <p>Inkai JV</p> <p>Corporate EBITDA</p>

VALUATION (Balance Sheet Items @ End-21E)					
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SG&A	(\$890)	(\$708)	Net Asset Value	\$5,809	\$4,624
Shares (M)	396	396	P/NAV Multiple	1.75x	1.75x
NAV (\$/share)	\$14.7	\$11.7	Valuation (\$/share)	\$25.7	\$20.4

CASH FLOW STATEMENT (C\$M)		2019A	2020A	2021E	2022E	2023E	2024E	2025E
Cash Flows from Operating Activities								
Net Income			\$74	(\$53)	(\$65)	\$49	\$155	\$234
D&A			\$276	\$209	\$161	\$121	\$278	\$372
Non-Recurring/Other		CAD	\$64	\$102	(\$19)	(\$0)	\$7	\$13
Operating Cash Flow		CAD	\$414	\$258	\$77	\$169	\$440	\$619
Changes in Working Capital			\$113	(\$201)	\$88	(\$33)	(\$123)	(\$0)
Net Operating Cash Flow		CAD	\$527	\$57	\$165	\$136	\$317	\$619
Cash Flows from Investing Activities								
Net Capital Expenditures			(\$75)	(\$77)	(\$100)	(\$131)	(\$126)	(\$382)
Other			\$512	(\$24)	\$69	\$0	\$0	\$0
Net Investing Cash Flow		CAD	\$437	(\$101)	(\$32)	(\$131)	(\$126)	(\$382)
Cash Flows from Financing Activities								
Net Issue/Red. Debt			(\$500)	(\$2)	\$0	\$0	\$0	\$0
Net Sale/Repur. of Stock			\$0	\$5	\$20	\$0	\$0	\$0
Other			(\$107)	(\$101)	(\$54)	(\$32)	(\$32)	(\$32)
Net Financing Cash Flow		CAD	(\$607)	(\$98)	(\$33)	(\$32)	(\$32)	(\$32)
Increase (Decrease) in Cash		CAD	\$351	(\$144)	\$100	(\$26)	\$159	\$205
Financial Metrics		2019A	2020A	2021E	2022E	2023E	2024E	2025E
EV/EBITDA (incl. Inkai)		x	22.5x	49.3x	102.4x	37.6x	17.4x	12.9x
Free Cash Flow		CAD	\$379	(\$86)	\$44	\$5	\$191	\$237
Free Cash Flow per share		CAD	\$0.96	(\$0.22)	\$0.11	\$0.01	\$0.48	\$0.60
Free Cash Flow Yield		%	4.0%	(0.9%)	0.5%	0.1%	2.0%	2.5%

Priced as of market close on 09/01/2021

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 all of these factors – in 2019, the company generated 277kt of CO₂ (scope 1 & 2) in its operations; the average radiation dose was 0.57 mSv, which is well below typical natural background radiation exposure (2-3mSv per Cameco); and had one formal dispute related to Indigenous rights, which was unchanged from 2018.

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.

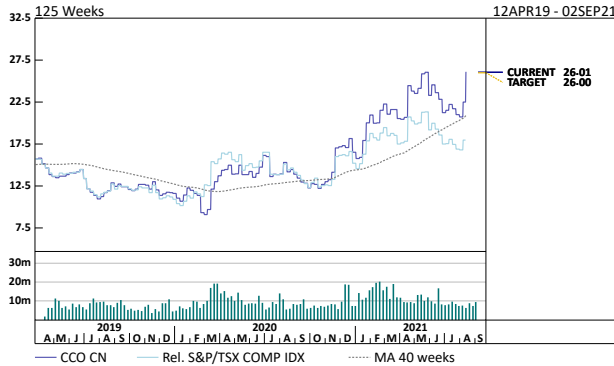
How does Cameco engage the local community?

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 \$26 price target supports our Sector Perform rating.

Upside scenario

Our upside scenario of \$30 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 2022–30 by \$10/lb and use a \$60/lb long-term spot price forecast. 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 \$12 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.

Required disclosures

Non-U.S. analyst disclosure

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A member company of RBC Capital Markets or one of its affiliates received compensation for investment banking services from Cameco Corporation in the past 12 months.

RBC Capital Markets, LLC makes a market in the securities of Cameco Corporation.

A member company of RBC Capital Markets or one of its affiliates received compensation for products or services other than investment banking services from Cameco Corporation during the past 12 months. During this time, a member company of RBC Capital Markets or one of its affiliates provided non-investment banking securities-related services to Cameco Corporation.

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RBC Capital Markets has provided Cameco Corporation with non-investment banking securities-related services in the past 12 months.

RBC Capital Markets has provided Cameco Corporation with non-securities services in the past 12 months.

Explanation of RBC Capital Markets Equity rating system

An analyst's 'sector' is the universe of companies for which the analyst provides research coverage. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12 months relative to the analyst's sector average.

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.

Restricted (R): RBC policy precludes certain types of communications, including an investment recommendation, when RBC is acting as an advisor in certain merger or other strategic transactions and in certain other circumstances.



Not Rated (NR): The rating, price targets and estimates have been removed due to applicable legal, regulatory or policy constraints which may include when RBC Capital Markets is acting in an advisory capacity involving the company.

As of March 31, 2020, RBC Capital Markets discontinued its Top Pick rating. Top Pick rated securities represented an analysts best idea in the sector; expected to provide significant absolute returns over 12 months with a favorable risk-reward ratio. Top Pick rated securities have been reassigned to our Outperform rated securities category, which are securities expected to materially outperform sector average over 12 months.

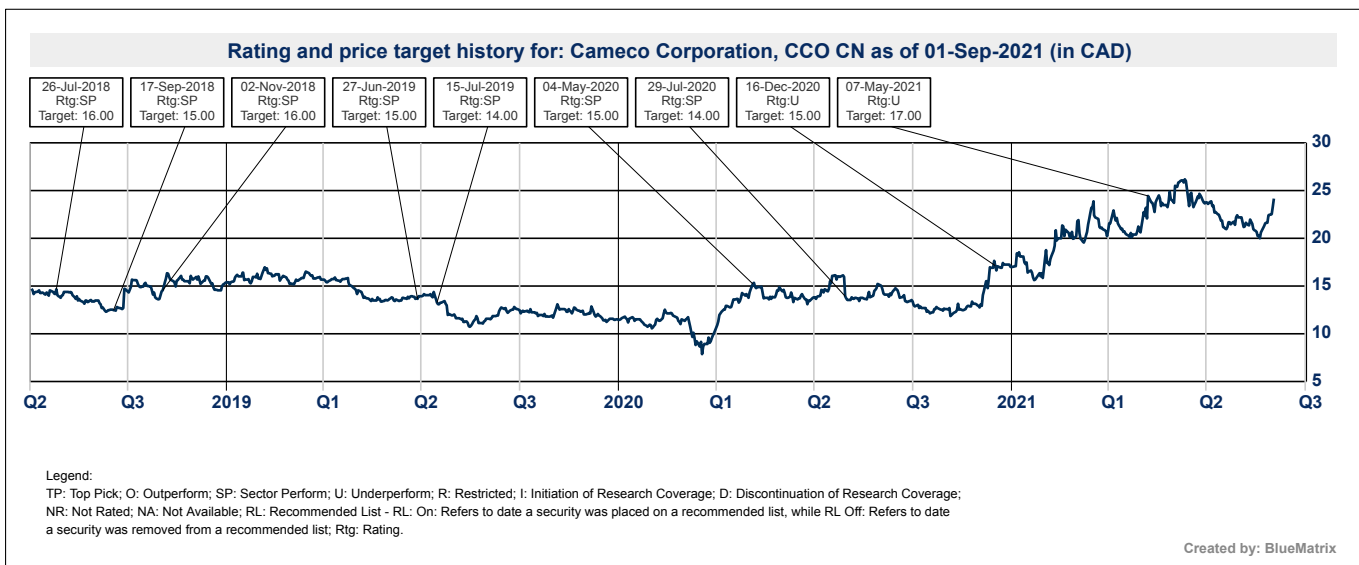
Risk Rating

The **Speculative** risk rating reflects a security's lower level of financial or operating predictability, illiquid share trading volumes, high balance sheet leverage, or limited operating history that result in a higher expectation of financial and/or stock price volatility.

Distribution of ratings

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Distribution of ratings				
RBC Capital Markets, Equity Research				
As of 30-Jun-2021				
Rating	Count	Percent	Investment Banking	
			Serv./Past 12 Mos.	
			Count	Percent
BUY [Outperform]	787	55.70	318	40.41
HOLD [Sector Perform]	575	40.69	173	30.09
SELL [Underperform]	51	3.61	4	7.84



References to a Recommended List in the recommendation history chart may include one or more recommended lists or model portfolios maintained by RBC Wealth Management or one of its affiliates. RBC Wealth Management recommended lists include the Guided Portfolio: Prime Income (RL 6), the Guided Portfolio: Dividend Growth (RL 8), the Guided Portfolio: ADR (RL 10), and the Guided Portfolio: All Cap Growth (RL 12). RBC Capital Markets recommended lists include the Strategy Focus List and the Fundamental Equity Weightings (FEW) portfolios. The abbreviation 'RL On' means the date a security was placed on a Recommended List. The abbreviation 'RL Off' means the date a security was removed from a Recommended List.

Equity valuation and risks



For valuation methods used to determine, and risks that may impede achievement of, price targets for covered companies, please see the most recent company-specific research report at www.rbcinsight.com or send a request to RBC Capital Markets Research Publishing, P.O. Box 50, 200 Bay Street, Royal Bank Plaza, 29th Floor, South Tower, Toronto, Ontario M5J 2W7.

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 \$26 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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