

**Cameco Corp.**  
CCO-T: C\$35.62

October 12, 2022

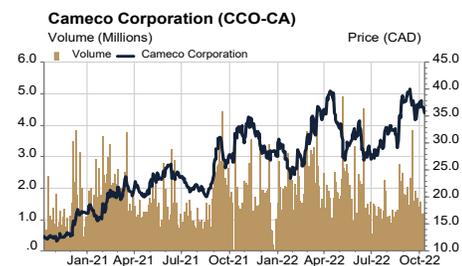
**BUY**  
Target: C\$46.00

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**A Strategic JV to Acquire Westinghouse Electric Co.**

	Current			
Rating:	BUY			
Target:	C\$46.00			
<b>Company Data</b>				
Last Price (TSX)	C\$35.62			
52-Week Range:	C\$19.68 - C\$41.05			
Market Capitalization (C\$Mln):	14,192			
Enterprise Value (C\$Mln):	14,125			
Shares Outstanding - Basic (Mln):	398			
Shares Outstanding - Diluted (Mln):	398			
Dividend Yield:	0.3%			
Cash (C\$Mln):	1,064			
Net Debt (C\$Mln):	-68			
Fiscal Year End:	Dec 31			
<b>Sales Summary</b>				
	2021 A	2022 E	2023 E	2024 E
Uranium (Mln lbs)	30.7	24.3	24.4	26.0
Fuel Services (Mln kgU)	13.5	13.6	12.0	12.0
NUKEM (Mln lbs)	1.3	1.3	1.3	1.3
<b>Financial Summary</b>				
	2021 A	2022 E	2023 E	2024 E
P/E	n/a	76x	138.8x	45.0x
EV/EBITDA	129.8x	257.2x	41.1x	43.4x
CFPS	0.49	0.30	0.97	0.57
P/CF	72.2x	117.1x	36.7x	62.1x
Net Debt/ EBITDA	n/a	0.7x	n/a	n/a
<b>Quarterly EBITDA</b>				
	2021 A	2022 E	2023 E	2024 E
Q1	18 A	48 A	102 E	156 E
Q2	2 A	145 A	107 E	170 E
Q3	-14 A	36 E	73 E	142 E
Q4	48 A	116 E	43 E	127 E
FY	54 A	344 E	325 E	596 E
<b>Quarterly EPS</b>				
	2021 A	2022 E	2023 E	2024 E
Q1	-0.08 A	0.04 A	0.14 E	0.23 E
Q2	-0.10 A	0.18 A	0.13 E	0.25 E
Q3	-0.14 A	0.05 E	0.06 E	0.19 E
Q4	0.06 A	0.20 E	-0.07 E	0.11 E
FY	-0.26 A	0.47 E	0.26 E	0.79 E

Note: All values are in C\$, unless otherwise stated  
Source: Company Reports, FactSet, Eight Capital Estimates



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**Company Description**

Cameco is one of the world's largest uranium producers with mines in Canada, the U.S. and Kazakhstan, and is also a leading provider of nuclear fuel processing services and uranium trading.

**Strategic JV to acquire Westinghouse Electric Co.** With the announcement of Cameco and Brookfield Renewable Partners (BEP.UN-T, not rated) forming a strategic JV partnership to acquire Westinghouse Electric Co. (WEC), we believe there is now an even more compelling rationale for a barbell approach to investing in uranium equities, where we continue to like Cameco based on size and trading liquidity, rising FCF potential on expectations of tightening uranium markets in the medium and long-term, accretive uranium contract book, increased vertical integration, uranium market leadership (based on production, market share and reserves), and high industry barriers to entry, which is likely to keep valuation at a scarcity premium. In addition, we believe exposure to NexGen (NXE, BUY, TP C\$11.50 - covered by Puneet Singh) offers investors a high-quality greenfield project in Arrow, which is slated to produce close to 30Mln lbs of uranium in the early years of the mine plan (which would represent over 15% of global supply) at pre-production capex over a 4Yr build-up estimated at C\$1.3Bln at an average annual operating cost of US\$5.69/lb according to the 2021 Feasibility Study. NXE has signed Benefit Agreements with three different communities covering all phases of the project and is well on its way to further operational and financial de-risking.

**WEC is an established industry leader in the nuclear services segment.** WEC services about half the nuclear power generation sector and is the original equipment manufacturer to more than half the global nuclear reactor fleet. WEC operates through three key segments: (1) Operating Plant Services (OPS); (2) Environmental Services, and (3) Energy Systems. OPS is WEC's largest segment, accounting for approx. US\$2.7Bln of WEC's FY21 revenue (81% of total), which provides fabricated fuel assemblies and critical maintenance and operations services for existing nuclear reactors during scheduled refueling and maintenance outages driven by regulatory requirements.

**We estimate WEC is 6-7% dilutive to CFPS at US\$60/lb realized price in 2027, when we include McArthur River and Cigar Lake returning to full production.** We see Cameco's acquisition of WEC as a strategic move to diversify and vertically integrate along the nuclear value chain as a complement to its high-quality, Tier-one uranium asset base and Fuel Services segment, which combines CANDU fuel manufacturing for heavy water reactors with WEC's global nuclear fuel and plant services platform for light water reactors. **The total Enterprise Value (EV) for Westinghouse of US\$7.875Bln represents a transaction multiple of 11.3x FY21 EV/EBITDA (11.2x EV/EBITDA based on trailing 12Mth ended June 30, 2022).** Westinghouse's existing debt structure will remain in place, leaving an estimated US\$4.5Bln in equity value to be allocated proportionately between Cameco (approx. US\$2.2Bln) and BEP (approx. US\$2.3Bln).

**Cameco sees up to US\$50Mln in new revenue opportunities.** Additional revenue potential in the year following the closing includes: (1) new customers in Eastern Europe (Bulgaria & Slovakia) as well as existing customers (Czechia, Ukraine, and Finland) seeking integrated fuel supply solutions; (2) additional optionality to source nuclear fuel supplies from North America & Europe; and (3) increased access to uranium and conversion services. In the long term, Cameco sees opportunities at WEC's Springfields Fuels site, in environmental services and in fuel fabrication for light water reactors. In addition, Cameco will be positioned for the rollout of next-generation advanced nuclear technology and long-term nuclear energy storage solutions, including modular baseload generation through WEC's eVinci micro-reactor technology.

**Maintain BUY; TP C\$46.00.** Cameco will partially fund the WEC acquisition through an underwritten (bought-deal) for the sale of 29.615Mln common shares at US\$21.95/share for gross proceeds of US\$650Mln + an over-allotment option for an additional 15% of shares sold (4.442Mln shares) for additional proceeds of US\$97.5Mln. We now estimate Cameco shares are pricing in a US\$77/lb uranium price at 1.0x P/NAV, which represents a 61% premium to the current spot price (US\$49.00/lb) and a 57% premium to the long-term price (US\$49.00/lb). Our TP of C\$46 is based on 1.8x P/NAV (C\$25.46/share), reflecting the historical peak P/NAV multiple during uranium "bull markets" of 1.6-1.8x. CCO ended Q2/22 with cash and short-term investments of C\$1,426Mln, total debt of C\$997Mln and C\$1.0Bln of undrawn credit facilities. Key risks to our target price and valuation include commodity price risks (uranium), mining operations and technical risks, cost inflation, reserve estimation risk, and geopolitical and regulatory risks associated with nuclear power and exposed jurisdictions.

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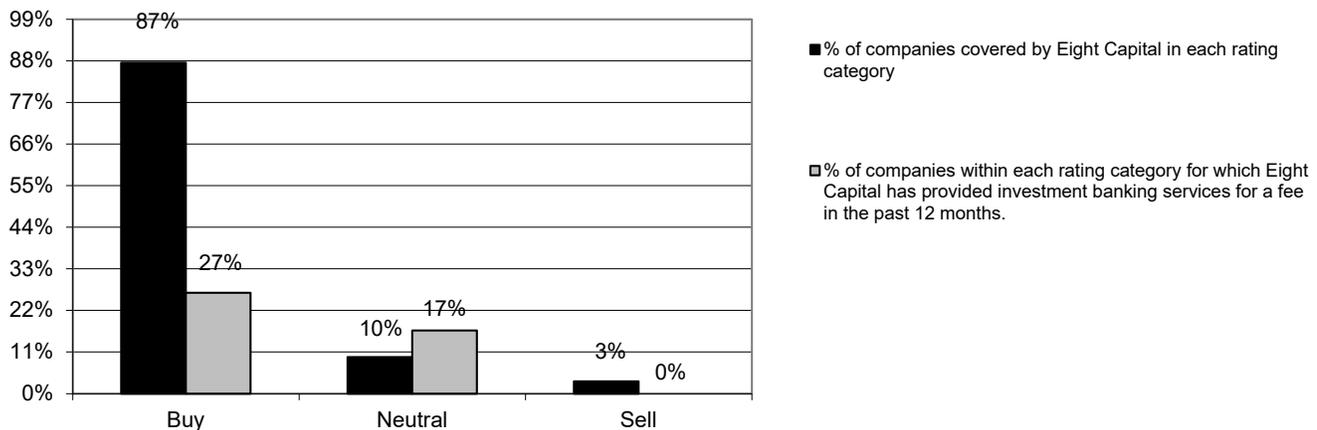
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*As at September 30, 2022*

*Source: Eight Capital*

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