



Capital  
Markets

July 28, 2022

## Cameco Corporation

### Uranium on-track, increasing focus on future capital allocation plans

**Our view:** We think Cameco and the uranium market remain on-track for improvements over the next several years, supported by rising demand, tightening supply, and increased attention on security of supply by Western utilities. We expect rising cash generation over the next few years could result in >\$1.5B net cash by end-2025, increasing the focus on future capital allocation priorities.

#### Key points:

**Uranium steady for now while utilities focused on securing services:** Uranium market activity slowed through Q2 and continues relatively quiet in early-Q3 as buyers (especially in the Western regions) remain focused on securing downstream services in conversion and enrichment. Cameco noted this dynamic several times during the conference call and cited strong contracting activity in Fuel Services while uranium activity has moved to the back burner — this is in-line with commentary from industry contacts. As downstream services are secured, we expect fuel buyers turn their attention toward securing uranium, which should spur further uranium contracting activity. Additionally, we continue to expect Western utilities de-risk and pivot away from Russian enrichment exposure, which may result in higher uranium demand as prior underfeed turns into overfeed at Western enrichers (see our previous [note](#) on this dynamic). However, the immediate risk from missed deliveries appears lower for now given government allowances for Russian shipments. We have lowered our spot price forecasts in 2022/2023/2024 to \$51/\$60/\$65 per pound, from \$57/\$75/75, and maintain term starting in 2023 at \$65/lb.

**Strong cash position expected to grow:** Cameco is currently in a strong cash position with \$1.4B cash and \$1.0B debt. We expect the cash position to grow over the next several years due to rising cash generation (\$260M, \$509M, and \$633M FCF in 2023, 2024, and 2025) from increased production into a rising price environment, along with the eventual return of ~\$300M cash held by the CRA related to the historical tax dispute. Combined, we see line of sight to >\$1.5B net cash by end-2025.

**Plenty of options for capital allocation:** As the cash balance builds, in addition to capital return, we see several potential options for investment including — 1) GLE (Global Laser Enrichment, currently valued at ~\$1.3B), Cameco has the option to increase ownership in GLE to 75% (currently 49%) starting 2023; 2) expand McArthur/Key capacity to 25Mlbs, from 18Mlbs (100% basis); 3) acquire a developing uranium project in the Athabasca basin; and/or 4) re-start tier 2 assets. We think increasing GLE ownership and expanding McArthur are most likely in the near-to-medium term, while adding a new project in the Athabasca basin is possible long-term.

**Reiterate Outperform rating at \$45 PT:** We maintain our NAV per share estimate and P/NAV multiple at ~\$30/sh and 1.5x.

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

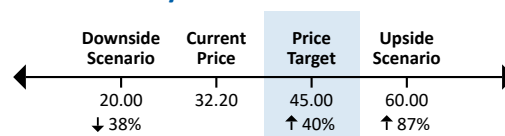
## Outperform

TSX: CCO; CAD 32.20; NYSE: CCJ

Price Target CAD 45.00

WHAT'S INSIDE	
<input type="checkbox"/> Rating/Risk Change	<input 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):	399.6	Market Cap (MM):	12,867
Dividend:	0.12	Yield:	0.4%
NAVPS:	29.88	P/NAVPS:	1.08x
		Tr. 12 ROE:	2.90%
		Enterprise Val. (MM):	12,437
		Avg. Daily Volume:	2,273,952
		3-Yr. Est. EPS Growth:	65.00%

### RBC Estimates

FY Dec	2021A	2022E	2023E	2024E	
EPS, Adj Diluted	(0.25)	0.09	0.44	0.80	
Prev.		0.04	0.62	0.87	
EBITDA, Adj	113.9	292.2	604.7	796.1	
Prev.		258.1	681.2	818.4	
EPS, Adj Diluted		Q1	Q2	Q3	Q4
2021	(0.07)A	(0.10)A	(0.14)A	0.06A	
2022	0.04A	0.18A	(0.12)E	(0.01)E	(0.01)E
Prev.		(0.09)E	(0.01)E	0.09E	
2023	0.08E	0.07E	0.20E	0.09E	
Prev.	0.13E	0.12E	0.23E	0.13E	
EBITDA, Adj					
2021	17.0A	8.8A	(5.1)A	93.3A	
2022	71.6A	152.7A	(1.0)E	69.0E	
Prev.	70.6A	4.6E	56.9E	125.9E	
2023	136.2E	130.9E	138.7E	198.8E	
Prev.	159.3E	153.9E	156.2E	211.9E	

All values in CAD unless otherwise noted.

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



Exhibit 1 - RBC Cameco Model

Cameco Corporation										Price Target: C\$45.00					Rating: Outperform									
RBC Capital Markets / Andrew Wong (416) 842-7830																								
Market Capitalization (C\$M): \$12,867										Share Price (C\$/sh): \$32.20					Net Debt (C\$M): (\$430)									
TSX: CCO; NYSE: CCI										Enterprise Value (C\$M): \$12,437					Implied Return (%): 39.8%					Issued Shares (diluted) 400				
ASSUMPTIONS SUMMARY		2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E	2037E				
USD/CAD		\$0.75	\$0.75	\$0.80	\$0.78	\$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	\$51	\$60	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65				
Uranium Term Price (US\$/lb U3O8)		\$32	\$32	\$35	\$50	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65				
OPERATIONS		2019A	2020A	2021A	2022E	2023E	2024E	2025E																
<b>Uranium Segment</b>																								
McArthur River (70% ownership)		0.0	0.0	0.0	1.2	8.4	10.5	10.5																
Cigar Lake (50%)		9.0	5.1	6.1	9.5	8.2	7.4	7.4																
Inkai (40%)		3.4	2.8	3.6	3.2	4.1	4.1	3.8																
<b>Total Attributable Production</b>		<b>Mlbs</b>	<b>12</b>	<b>8</b>	<b>10</b>	<b>14</b>	<b>21</b>	<b>22</b>																
Sales Volume		Mlbs	31.5	30.5	24.2	25.0	23.9	22.6																
Realized Price		C\$/lb	\$45	\$46	\$43	\$62	\$66	\$74																
Market Purchases		Mlbs	15.0	29.6	5.8	12.0	5.5	2.0	1.0															
Ending Inventory		Mlbs	6.1	15.3	8.0	9.1	10.3	10.3																
Cash Production Costs		C\$M	\$164	\$87	\$92	\$157	\$282	\$304	\$304															
Cash Production Costs/lb		C\$/lb	\$20	\$29	\$16	\$15	\$17	\$17																
Cost of Product Sold			\$878	\$1,068	\$840	\$1,055	\$1,001	\$838	\$716															
Royalties			\$32	\$16	\$15	\$50	\$136	\$166	\$200															
Care and Maintenance			\$121	\$150	\$166	\$189	\$74	\$50	\$50															
Other costs			\$11	\$12	\$6	\$5	\$4	\$4	\$4															
<b>Total Cash Costs</b>		<b>C\$M</b>	<b>\$1,042</b>	<b>\$1,245</b>	<b>\$1,027</b>	<b>\$1,299</b>	<b>\$1,215</b>	<b>\$1,058</b>	<b>\$970</b>															
D&A			\$175	\$155	\$135	\$156	\$260	\$275	\$275															
<b>Total COGS</b>		<b>C\$M</b>	<b>\$1,217</b>	<b>\$1,400</b>	<b>\$1,162</b>	<b>\$1,455</b>	<b>\$1,475</b>	<b>\$1,334</b>	<b>\$1,246</b>															
Cash COGS/lb (incl. royalties)		C\$/lb	\$33	\$41	\$42	\$52	\$49	\$44	\$43															
<b>Fuel Services Segment</b>																								
Production		M KgU	13.4	11.7	12.1	13.0	13.6	13.6	13.6															
Sales Volume		M KgU	14.2	13.5	13.6	10.9	13.6	13.6	13.6															
Realized Price		C\$/KgU	\$26	\$27	\$30	\$34	\$34	\$34	\$34															
Cash Costs			\$234	\$234	\$243	\$196	\$237	\$231	\$231															
D&A			\$46	\$46	\$43	\$40	\$53	\$54	\$54															
<b>Total COGS</b>		<b>C\$M</b>	<b>\$280</b>	<b>\$280</b>	<b>\$286</b>	<b>\$235</b>	<b>\$290</b>	<b>\$285</b>	<b>\$285</b>															
Cash COGS/KgU		C\$/KgU	\$17	\$17	\$18	\$18	\$17	\$17	\$17															
All C\$ millions, unless noted																								
INCOME STATEMENT (C\$M)		2019A	2020A	2021A	2022E	2023E	2024E	2025E																
Revenue		\$1,863	\$1,800	\$1,475	\$1,829	\$2,021	\$2,030	\$2,139																
Operating Costs		\$1,492	\$1,646	\$1,429	\$1,665	\$1,587	\$1,424	\$1,336																
<b>EBITDA</b>		<b>CAD</b>	<b>\$371</b>	<b>\$154</b>	<b>\$46</b>	<b>\$164</b>	<b>\$434</b>	<b>\$606</b>	<b>\$803</b>															
EBITDA (incl. Inkai)		CAD	\$417	\$190	\$114	\$292	\$605	\$796	\$967															
D&A			(\$276)	(\$209)	(\$190)	(\$200)	(\$313)	(\$330)	(\$330)															
<b>EBIT</b>		<b>CAD</b>	<b>\$512</b>	<b>\$136</b>	<b>(\$31)</b>	<b>\$256</b>	<b>\$725</b>	<b>\$1,072</b>	<b>\$1,440</b>															
Other Income/Expenses			\$423	\$196	\$70	\$206	\$505	\$673	\$865															
<b>EBT (Adj)</b>		<b>CAD</b>	<b>\$89</b>	<b>(\$61)</b>	<b>(\$100)</b>	<b>\$50</b>	<b>\$220</b>	<b>\$399</b>	<b>\$575</b>															
Taxes (Adj)			(\$48)	(\$6)	\$2	(\$13)	(\$44)	(\$80)	(\$115)															
<b>Net Income</b>		<b>CAD</b>	<b>\$41</b>	<b>(\$66)</b>	<b>(\$98)</b>	<b>\$37</b>	<b>\$176</b>	<b>\$319</b>	<b>\$460</b>															
<b>Earnings - Adjusted (\$/sh)</b>		<b>CAD</b>	<b>\$0.10</b>	<b>(\$0.17)</b>	<b>(\$0.25)</b>	<b>\$0.09</b>	<b>\$0.44</b>	<b>\$0.80</b>	<b>\$1.15</b>															
Weighted average diluted shares (M)			396	396	398	400	400	400	400															
BALANCE SHEET (C\$M)		2019A	2020A	2021A	2022E	2023E	2024E	2025E																
Cash & Equivalents		\$1,062	\$943	\$1,332	\$1,112	\$1,324	\$1,786	\$2,371																
Other Current Assets		\$745	\$1,002	\$809	\$896	\$951	\$914	\$904																
PP&E and Other		\$5,620	\$5,636	\$5,376	\$5,183	\$4,955	\$4,682	\$4,373																
<b>Total Assets</b>		<b>CAD</b>	<b>\$7,427</b>	<b>\$7,581</b>	<b>\$7,518</b>	<b>\$7,191</b>	<b>\$7,231</b>	<b>\$7,381</b>	<b>\$7,648</b>															
Current Liabilities		\$277	\$304	\$414	\$304	\$311	\$295	\$285																
Long Term Debt		\$997	\$996	\$996	\$997	\$997	\$997	\$997																
Other Long Term Liabilities		\$1,158	\$1,323	\$1,262	\$1,095	\$1,115	\$1,135	\$1,155																
<b>Total Liabilities</b>		<b>CAD</b>	<b>\$2,432</b>	<b>\$2,622</b>	<b>\$2,672</b>	<b>\$2,395</b>	<b>\$2,422</b>	<b>\$2,426</b>	<b>\$2,436</b>															
Non-controlling interest		\$0	\$0	\$0	(\$59)	(\$230)	(\$420)	(\$585)																
Shareholder Equity		\$4,995	\$4,959	\$4,846	\$4,854	\$5,038	\$5,375	\$5,796																
<b>Total Liab. &amp; Shareholder Equity</b>		<b>CAD</b>	<b>\$7,427</b>	<b>\$7,581</b>	<b>\$7,518</b>	<b>\$7,191</b>	<b>\$7,231</b>	<b>\$7,381</b>	<b>\$7,647</b>															
VALUATION (Balance Sheet Items @ End-22E)		2019A	2020A	2021A	2022E	2023E	2024E	2025E																
Segments		CAD\$M	US\$M	Balance Sheet	CAD\$M	US\$M																		
Uranium		\$9,745	\$7,757	Net Debt / (Cash)	\$115	\$92																		
Fuel Services		\$1,651	\$1,314	Net Curr. Assets (excl. cash)	\$887	\$706																		
SG&A		(\$726)	(\$578)	Net Asset Value	\$11,938	\$9,502																		
F.D. Shares O/S (M)		400	400	P/NAV Multiple	1.50x	1.50x																		
NAV (\$/share)		\$29.9	\$23.8	Valuation (\$/share)	\$45	\$36																		
CASH FLOW STATEMENT (C\$M)		2019A	2020A	2021A	2022E	2023E	2024E	2025E																
<b>Cash Flows from Operating Activities</b>																								
Net Income			\$74	(\$53)	(\$103)	\$72	\$176	\$319	\$460															
D&A			\$276	\$209	\$190	\$200	\$313	\$330	\$330															
Non-Recurring/Other		CAD	\$64	\$102	\$68	\$4	(\$51)	(\$25)	(\$21)															
<b>Operating Cash Flow</b>		<b>CAD</b>	<b>\$414</b>	<b>\$258</b>	<b>\$156</b>	<b>\$277</b>	<b>\$438</b>	<b>\$624</b>	<b>\$769</b>															
Changes in Working Capital			\$113	(\$201)	\$310	(\$186)	(\$49)	\$21	\$0															
<b>Net Operating Cash Flow</b>		<b>CAD</b>	<b>\$527</b>	<b>\$57</b>	<b>\$466</b>	<b>\$91</b>	<b>\$389</b>	<b>\$645</b>	<b>\$769</b>															
<b>Cash Flows from Investing Activities</b>																								
Net Capital Expenditures			(\$75)	(\$77)	(\$99)	(\$149)	(\$129)	(\$136)	(\$136)															
Other			\$512	(\$24)	\$18	(\$380)	\$0	\$0	\$0															
<b>Net Investing Cash Flow</b>		<b>CAD</b>	<b>\$437</b>	<b>(\$101)</b>	<b>(\$80)</b>	<b>(\$530)</b>	<b>(\$129)</b>	<b>(\$136)</b>	<b>(\$136)</b>															
<b>Cash Flows from Financing Activities</b>																								
Net Issue/Red. Debt			(\$500)	(\$2)	\$0	\$0	\$0	\$0	\$0															
Net Sale/Repur. of Stock			\$0	\$5	\$27	\$9	\$0	\$0	\$0															
Other			(\$107)	(\$101)	(\$74)	(\$68)	(\$48)	(\$48)	(\$48)															
<b>Net Financing Cash Flow</b>		<b>CAD</b>	<b>(\$607)</b>	<b>(\$98)</b>	<b>(\$47)</b>	<b>(\$59)</b>	<b>(\$48)</b>	<b>(\$48)</b>	<b>(\$48)</b>															
<b>Increase (Decrease) in Cash</b>		<b>CAD</b>	<b>\$351</b>	<b>(\$144)</b>	<b>\$337</b>	<b>(\$507)</b>	<b>\$212</b>	<b>\$462</b>	<b>\$585</b>															
Financial Metrics		2019A	2020A	2021A	2022E	2023E	2024E	2025E																
EV/EBITDA (incl. Inkai)		x	29.9x	65.3x	109.2x	42.6x	20.6x	15.6x	12.9x															
Free Cash Flow		CAD	\$379	(\$86)	\$329	(\$78)	\$260	\$509	\$633															
Free Cash Flow per share		CAD	\$0.96	(\$0.22)	\$0.83	(\$0.20)	\$0.65	\$1.27	\$1.58															
Free Cash Flow Yield		%	2.9%	(0.7%)	2.6%	(0.6%)	2.0%	4.0%	4.9%															

Priced as of market close on July 27, 2022  
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.*

### Our view

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

Cameco produces uranium used to generate nuclear energy. Key ESG considerations are carbon emissions from mining, relations with local indigenous communities in Saskatchewan, and acceptance of nuclear energy. Additionally, a key ESG issue would be employee exposure to radiation. Cameco reports on these factors: in 2021, 274kt of CO<sub>2</sub>e (scope 1 & 2 operational share) was generated, slightly down from 280kt of CO<sub>2</sub>e in 2020; the average radiation dose was 0.60 mSv, which is in line with last year and well below typical natural background radiation exposure (2-3mSv per Cameco); and it reported no Indigenous disputes.

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

Cameco uses SASB, GRI, and TCFD reporting frameworks for ESG indicators, 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 the board/management level?**

33% (3 of 9) of Cameco's Board 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 member be Indigenous. Twenty-percent (1 of 5) of executive officers are female. According to the most recent Proxy Circular, one (20%) of Cameco executive officers is female and one (20%) is a visible minority. Across all of Cameco, 25% of the workforce are female while 32% are indigenous, a visible minority, or persons with disability, according to the most recent sustainability data. 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 regard 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 to be 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.

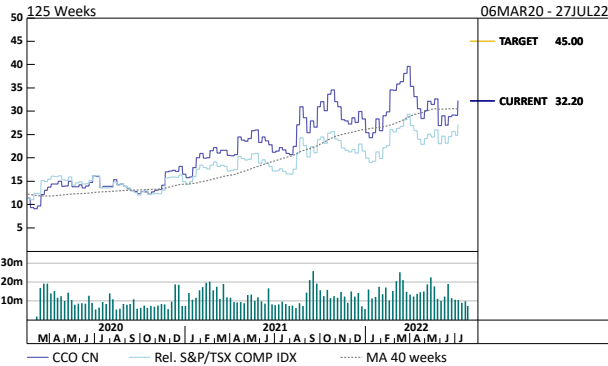
#### **How does Cameco engage the local community?**

Cameco operates primarily in northern Saskatchewan, which has a large Indigenous population. Overall, Cameco has a high employment percentage for Indigenous individuals of Saskatchewan's North (48% per latest sustainability data). Cameco also 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.



### Target/Upside/Downside Scenarios

#### Cameco Corporation



Source: Bloomberg and RBC Capital Markets estimates for Target

#### Valuation

We value the company by applying a 1.5x P/NAV multiple to our NAV estimate. Our target multiple is above the historical average but in line with multiples during periods of strong investor interest and rising uranium prices. Our DCF uses an 8% discount rate. Our \$45 price target supports our Outperform rating.

#### Upside scenario

Our upside scenario of \$60 assumes that uranium markets are tighter than anticipated and prices exceed our expectations in both the near term and long term. In this scenario, we increase our long-term price forecast to \$75/lb. We use a P/NAV multiple at 1.75x, reflecting typical multiples during a positive price environment.

#### Downside scenario

Our downside scenario of \$20 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 long-term price forecast to \$45/lb. 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 a tightening uranium market, especially as a Western-based producer in a market shift toward security of supply. Additionally, we think Cameco has the right mix of assets to meet the coming market needs: proven uranium production with upside, conversion capacity, and potential long-term enrichment technology.

#### Potential catalysts

Cameco is restarting the McArthur River mine, with some production being added in H2/22 and ramping up to 10.5Mlbs production (15Mlbs 100% basis) by 2024. Additionally, the company will be dialing back production at Cigar Lake to 6.8Mlbs (13.5Mlbs 100% basis) to remain aligned with a disciplined production strategy.

Longer-term, Cameco may increase McArthur River production to 13.5Mlbs (25Mlbs 100% basis). The company also has idled Tier 2 uranium assets in Rabbit Lake and US ISR that could potentially be restarted at higher uranium prices, but we do not currently include these assets in our valuation.

Cameco has a 49% interest in the Global Laser Enrichment project with the option to increase ownership to 75%. GLE is an advanced enrichment technology that could be deployed in the future to re-enrich depleted uranium tails and produce high-assay low-enriched uranium that may be used in future advanced reactor designs.

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.

#### 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 \$1.5B revenue in 2021, with a 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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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.



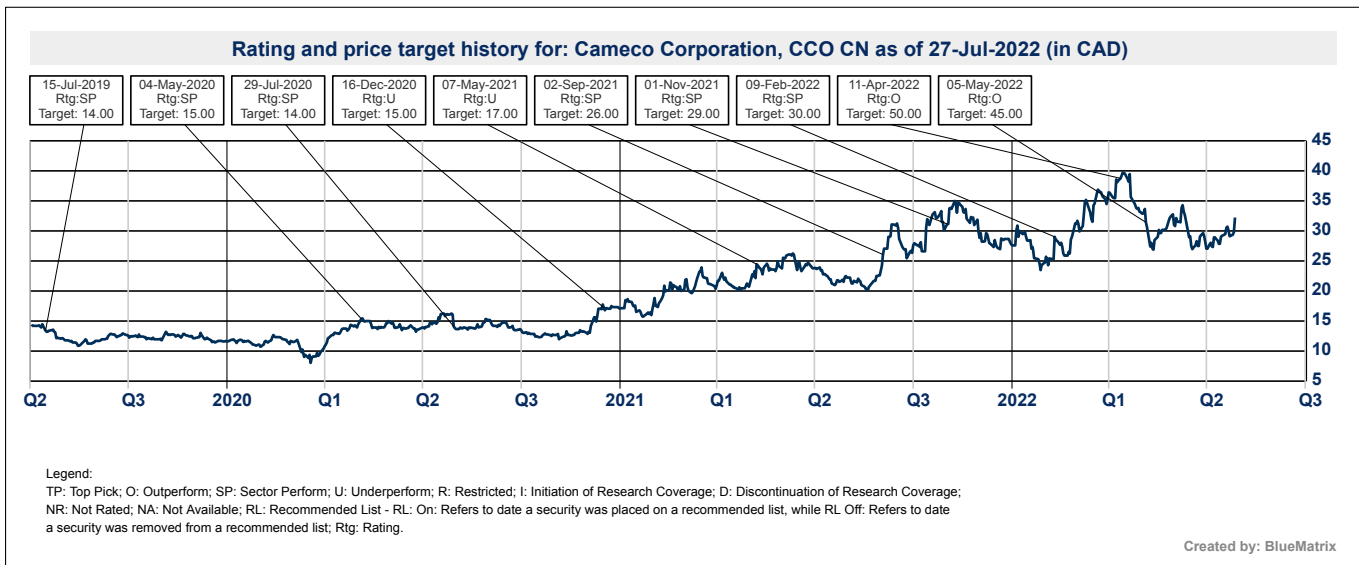
**Risk Rating**

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**

For the purpose of ratings distributions, regulatory rules require member firms to assign ratings to one of three rating categories - Buy, Hold/Neutral, or Sell - regardless of a firm's own rating categories. Although RBC Capital Markets' ratings of Outperform (O), Sector Perform (SP), and Underperform (U) most closely correspond to Buy, Hold/Neutral and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis.

Distribution of ratings				
RBC Capital Markets, Equity Research				
As of 30-Jun-2022				
Rating	Count	Percent	Investment Banking	
			Serv./Past 12 Mos.	
			Count	Percent
<b>BUY [Outperform]</b>	<b>851</b>	<b>58.41</b>	<b>290</b>	<b>34.08</b>
<b>HOLD [Sector Perform]</b>	<b>560</b>	<b>38.44</b>	<b>169</b>	<b>30.18</b>
<b>SELL [Underperform]</b>	<b>46</b>	<b>3.16</b>	<b>6</b>	<b>13.04</b>



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.

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**Cameco Corporation**

**Valuation**

We value the company by applying a 1.5x P/NAV multiple to our NAV estimate. Our target multiple is above the historical average





but in line with multiples during periods of strong investor interest and rising uranium prices. Our DCF uses an 8% discount rate. Our \$45 price target supports our Outperform 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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