

**THE GLOBE AND MAIL** 

## Time to buy uranium? The best ways to play it

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Special to The Globe and Mail

Published Sunday, Sep. 28 2014, 4:31 PM EDT

Last updated Sunday, Sep. 28 2014, 4:38 PM EDT

Patience could finally start to pay off for investors waiting for a revival of the uranium market that imploded in the aftermath of Japan's nuclear disaster in 2011.

After the spot price hit a nine-year low of \$28 (U.S.) this spring on oversupply concerns, dragging uranium equities down with it, many investors believe the commodity used to fuel nuclear power plants has finally hit bottom, as the demand picture brightens.

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The price has risen about 30 per cent in recent weeks, to \$36.50, driven by additional U.S. and European sanctions against Russia, a major uranium supplier, in its conflict with Ukraine. That threatens to put pressure on the global uranium supply, alongside a recent two-week strike at Cameco Corp.'s McArthur River and Key Lake operations in Saskatchewan.

Meantime, Japan is readying the restart of its nuclear program, while China continues its aggressive nuclear plant build-out as part of its strategy to cut pollution by developing cleaner energy sources.

"I think the worst is behind us in the uranium space," said BMO Nesbitt Burns analyst Edward Sterck.

While he doesn't expect a big rally in uranium and is neutral on the overall sector right now, Mr. Sterck sees investors slowly returning to the space.

Some stocks to consider include Saskatoon-based Cameco, the largest publicly listed producer, and Uranium Participation Corp., which invests in the uranium concentrate known as U3O8.

Among 16 analysts that cover Cameco, six have a “buy” on it and 10 recommend it as a “hold,” according to S&P Capital IQ.

Dundee Capital Markets analyst David Talbot has a “hold” on Cameco, calling it “fairly valued.” He cites risks such as delays at its Cigar Lake project and a tax battle it’s having with Canada Revenue Agency related to its Switzerland-based subsidiary.

Mr. Talbot has “buy” on a handful of other uranium stocks such as Uranium Participation, for its pure exposure to the commodity, and developer Denison Mines Corp., a potential takeover target.

“There is value in a lot of these stocks that is not being represented in their share prices,” he said. “Off the bottom, there is some money to be made.”

Both Cameco and Denison are down more than 20 per cent over the past six months, as is the Global X Uranium ETF, which holds a basket of uranium stocks.

While the uranium price is rising, it’s still far from around \$70 where it sat prior to March, 2011, when the Fukushima nuclear power plant in Japan melted down, triggered by an earthquake and tsunami. Japan eventually shut down all of its reactors amid safety concerns. Other countries, such as Germany, have turned against nuclear power since Fukushima.

While concerns among investors appear to be waning, some aren’t ready to buy into the sector.

Robert Sneddon, president and portfolio manager at CastleMoore Inc., doesn’t own uranium stocks in his funds and says he is neutral on the sector right now.

For investors who do want to get in, he suggests Cameco because it’s the market leader. The Global X ETF is an option for investors looking to play a handful of companies, although Mr. Sneddon notes Cameco accounts for nearly a quarter of that fund. He said investors may be better off buying the stock, thus avoiding Global X ETF’s management fee of 0.69 per cent.

John Stephenson, chief executive at Stephenson & Co. Capital Management, owns Cameco in his funds for its size in the recovering market and its dividend, which yields about 2 per cent. He believes the uranium market has stabilized, but that growth will be slow.

“You don’t have to move fast on this one,” he said. “It’s a long-term play.”

*Disclosure: The author owns the Global X Uranium ETF.*

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**Cameco Corp, Uranium Participation Corporation and Denison Mines Corp per cent performance over one year**

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September 26 4:00 PM EDT

**Cameco Corp CCO-T**  
**19.75 +0.16 +0.82%**

**Uranium Participation  
Corporation**  
**U-T**  
**5.07 -0.12 -2.31%**

**Denison Mines Corp**  
**DML-T**  
**1.29 -0.020 -1.53%**

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