

# Cameco: 1Q2020 financial and operational results

Halyk Finance Research — May 07, 2020

In 1Q2020, the company produced 2.1 million pounds (lbs) of uranium, 13% lower than in 1Q2019. Sales volumes increased by 25% yoy to 6 million pounds (lbs). The fuel services segment showed a 3% yoy decrease in production volume.

Over the reporting period, the company's total revenue amounted to \$346 million, which is 16.1% higher than in the previous year. Gross profit doubled to \$35mn. Net loss in the first quarter was \$19 million compared with a loss of \$18 million in 1Q2019. Adjusted net profit (non IFRS) was \$29 million, in particular due to an adjustment of the profit/loss ratio on derivatives by \$70 million.

The average selling price of uranium was \$31.39, down 2% yoy.

	Units	1Q2020	1Q2019	yoy
<b>Uranium</b>				
Production volume	mIn pounds	2.1	2.4	(13)%
Sales volume	mIn pounds	6.0	4.8	25%
Average selling price	USD / pound	31.39	32.05	(2)%
Revenue	USD million	248	207	20%
<b>Gross margin</b>	<b>USD million</b>	<b>5</b>	<b>(3)</b>	<b>(267)%</b>
<b>Fuel services</b>				
Production volume	mIn kgU	3.7	3.8	(3)%
Sales volume	mIn kgU	3.1	3.0	3%
Average selling price	\$Cdn/kgU	29.91	27.26	10%
Revenue	USD mln	94	83	13%
<b>Gross profit</b>	<b>USD mln</b>	<b>30</b>	<b>20</b>	<b>50%</b>

Source: Company Data

The COVID19 led to disruptions in global uranium production, resulting in a suspension of production at the Cigar Lake and McClean Lake mines for an indefinite period, thereby casting doubt on the company's plans to achieve production targets of 18 million pounds in 2020. Due to the growing problems with the implementation of screening protocols COVID-19 in accordance with the directives of public health, the conversion plant in Port Hope and refinery in Blind River suspended their activities according to preliminary data for up to 4 weeks. The company refrains from providing operational forecasts for an indefinite period.

## Our opinion:

Overall, the effect of the reduction in operating activities in response to the impact of the pandemic is in line with our expectations and does not change the outlook for the company's prospects. As of March 31, 2020, finished goods inventories amounted to 6.5 million pounds of uranium (U3O8), which will allow the company to maintain its planned 2020 sales volumes. Significant support for the company will be provided by an increase in the price of uranium from the beginning of the year by 36.7%. We reiterate our Buy recommendation on Cameco.

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