CAMECO Q2 RESULTS

When Cameco reports their results, the uranium market listens and that is why, as is honestly tradition at this point, it deserves it's own update as I want to make sure you all have the full picture of what they have been doing over the past quarter. Strap in, because there is a lot to go through. I will refrain from going through all the ‘boring’ numbers, which you can find in their own results if you are interested, but it doesn't materially add things to this report beyond just adding filling in my view, so let's get to the more interesting stuff and as for a portfolio update, I plan to issue an update next week to provide more macro data and carefully consider whether to raise cash or to use some of the cash in some of our key holding based on what I described I yesterday's newsletter surrounding the macro framework update. Please go ahead and read that if you have not done so already, because it well help put prevailing price action into perspective. Now, moving on.

Sales volumes came down on purpose. Cameco delivered 7.1 million pounds in the quarter against 8.7 million a year ago, an 18% drop, and management keeps tying that to contracting discipline and lower planned 2026 deliveries and customers can sometimes pick when in the year they take delivery so the quarterly pattern jumps around regardless. Production was 3.9 million pounds their share against 4.6 million, down 15%, and that is mostly timing too because the annual Cigar Lake maintenance outage fell in the second quarter this year rather than the third. Average unit cost of sales in the uranium segment jumped 26% to CAD$70.81 per pound for the quarter, and three things pushed it, much heavier purchases at market prices with 2.8 million pounds bought against just 0.7 million a year ago, the product loans that get revalued to the weighted average cost of inventory each period, and that Cigar Lake outage hitting cost of sales in the second quarter rather than the third. JV Inkai produced 2.8 million pounds on a 100% basis in the quarter and 5.3 million for the half, both ahead of last year, and it is still targeting 10.4 million pounds for the full year, of which Cameco's purchase allocation is 4.2 million pounds and only 0.8 million came through in the first half, so the flow is weighted to the back end. Because Cameco equity accounts the stake it books its share of Inkai production as a purchase at a 5% discount to spot, and the real benefit shows up separately in equity earnings and only turns into cash when Inkai declares a dividend, and on that front Cameco took in a $124 million dividend net of withholdings in April tied to Inkai's 2025 performance, while the benefit of 2026 output becomes cash in 2027 once that dividend is declared.

Cameco raised its 2026 guidance across price and revenue, so maybe it is time for a tsunami of numbers after all (my apologies) so here we go, lifting the uranium realized price range to C$91.00 to C$96.00 per pound from C$85.00 to C$89.00, taking uranium revenue to C$2,700 to C$2,910 million from C$2,540 to C$2,730 million, nudging fuel services revenue to C$610 to C$650 million from C$590 to C$630 million, and moving consolidated revenue to C$3,320 to C$3,570 million from C$3,130 to C$3,370 million. Higher year-to-date uranium prices and a stronger USD drive the raise, and Cameco pushed its full-year dollar assumption to 1.35 from 1.33. The stronger dollar cuts both ways though as you can imagine, so the uranium unit cost of sales guide rose too, to C$63.00 to C$67.50 per pound from C$61.50 to C$65.00, and fuel services unit cost moved to C$33.50 to C$35.80 per kgU. Production guidance held and delivery volume for the year stays at 29 to 32 million pounds, so this is a price and currency revision and not a volume one. Cameco held its 2026 outlook for its share of Westinghouse adjusted EBITDA at $370 to $430 million, and management still expects a weak first half and a stronger fourth quarter, which is exactly how the year was framed from the start, so the first-half loss is on script as far as I can tell.

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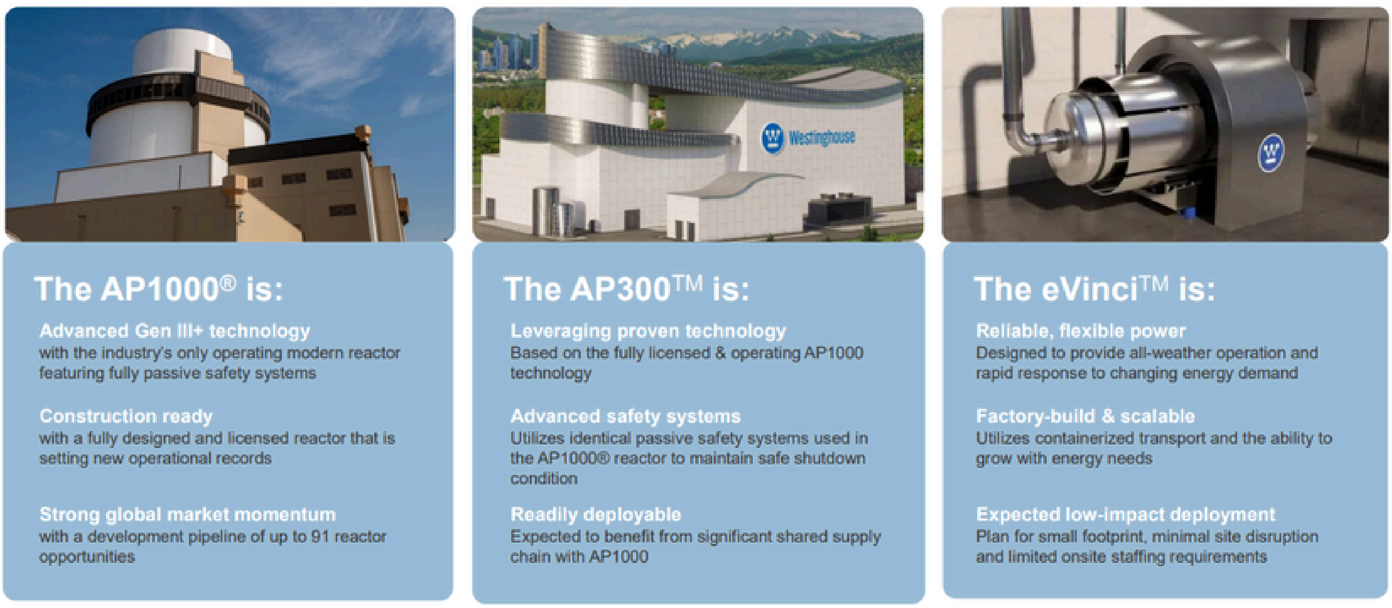
The forward picture has not changed and if anything it firmed, with the AP1000 pipeline now framed at up to 91 potential reactors, the Department of Energy's conditional $17.5 billion financing commitment for long-lead items on up to 10 reactors, and the Department of Commerce partnership that vests a participation interest for the government if it puts at least $80 billion into US reactor projects before 2029. None of that is 2026 cash flow of course, but it is the reason the Westinghouse stake is so highly valued by the market.

Alongside the results Cameco disclosed that Westinghouse has confidentially submitted a draft registration statement on Form S-1 with the SEC for a proposed initial public offering of its common stock. The share count and price range are not set and the whole thing is subject to market conditions, so there is no valuation to point at and I am not going to invent one, but the direction of travel fits what Brookfield tends to do with an asset it has built up, which is find a route to monetize it, and it rhymes with the partnership terms where the government stake and the option to force a listing come alive if a Westinghouse IPO is valued at $30 billion or more before 2029. There is not enough concrete on the table yet to say what a listing would do to how the Westinghouse stake is carried on Cameco's books, so I am leaving it there and watching it. What I would say though, is that I would rather have Westinghouse stay on Cameco's book, because it makes more sense to have it as one nuclear power and fuel cycle giant that will in turn command a higher multiple for Cameco.

The way I read it, the at first seemingly ugly headline is a Westinghouse comparison artifact and little else, the core uranium business is running ahead of last year on a half-year basis with realized prices climbing and guidance moving up, and the balance sheet is in good shape once you pull the CRA remittances back out of the cash flow line. The things that would actually worry me, real production trouble or a crack in demand, are not in this quarterly update so that is good and the pressure that is there comes from Cameco choosing to sell fewer pounds this year and from ceiling prices holding the realized number below spot, both of which are features of the contract book that unwind in Cameco's favor as the older vintages roll off and they capture better prices. You can see that in the company's own sensitivity table, where a portfolio held flat at $100 spot would realize something like $67 per pound in 2026 but closer to $88 by 2030, so the upside is loaded into the back years as the ceiling-capped contracts expire. From where I stand the quarter is a good deal stronger than it may come out if you just throw it into an AI agent and ask for a summary (of which I see *a lot* on Twitter/X) and that brings me to some of the additional information that was provided.



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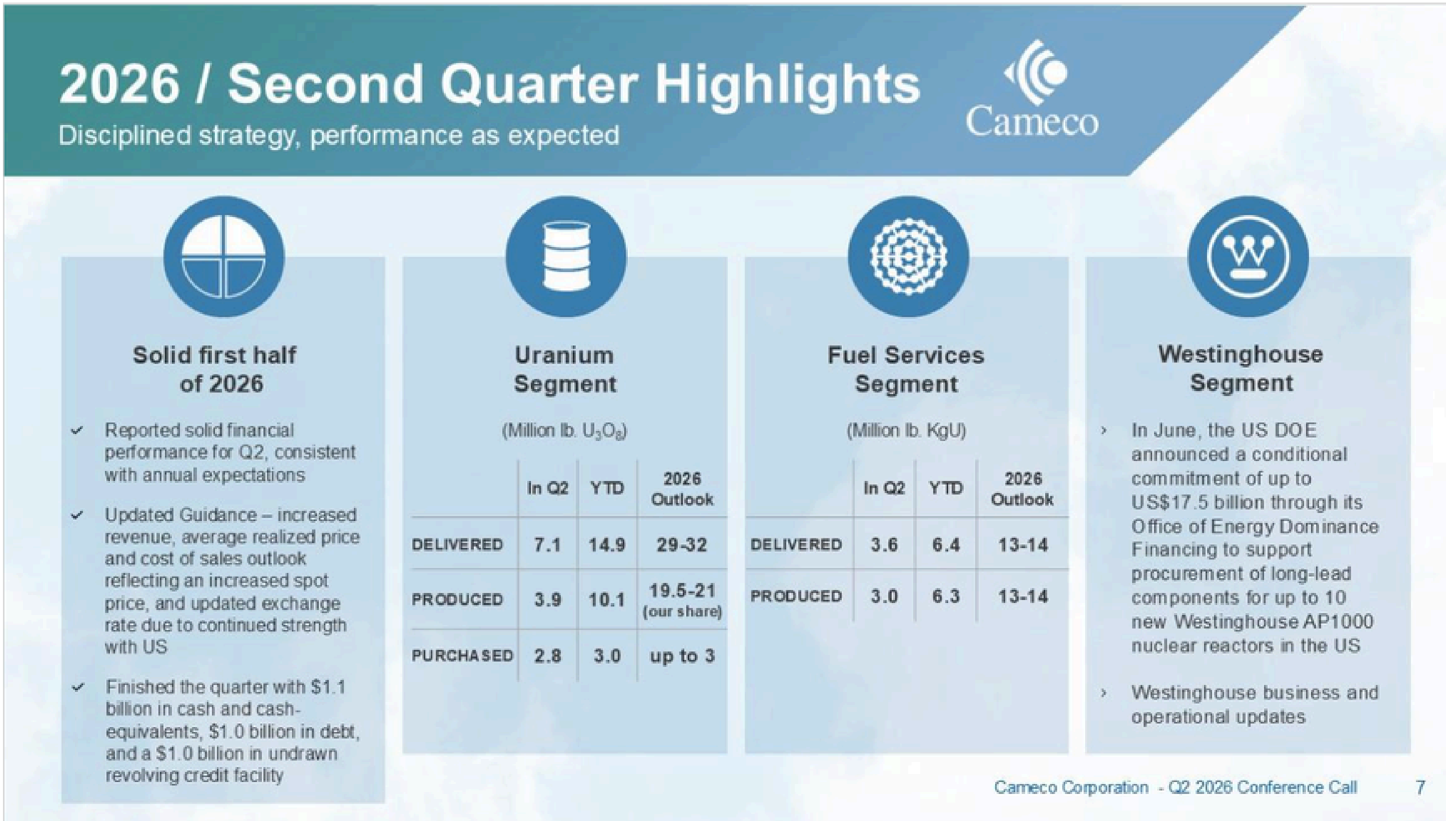

Finally, as for the Q&A on the call, that is where the tone tends to come through and this one leaned almost fully on the AP1000 side of the business, which was honestly not that surprising, and pretty open on contracting as well. My apologies if there is a bit of overlap between this and what I noted earlier, but if there is overlap it's there for a reason because it's important. Management sounded readier to commit volume again, and the interest is still coming in even with the term price at $97 this month, which is the part I keep pointing to, because utility demand showing up while the price climbs is exactly what the higher-for-longer narrative needs, and the price action is validating the story that the supply and demand gap is here to stay. What they are layering in now carries higher floors and higher ceilings with base pricing in the mid to high $90s, and I would expect a good deal more to go in around the triple digit region as the book fills out and for Cameco's realized price to keep rising with it as well.

We are not even at replacement rate contracting yet and the price keeps climbing anyway, and that was the sharpest point the company's COO Grant Isaac made on the call, because uranium has never traded at these levels while contracting ran this far below replacement. His read is that the path from here is likely triple digits, and that every prior time the market reached a point like this it was already on the back end of a contracting cycle, whereas this time it is on the front end, so there is far more still to come. The upward drift in floors and ceilings keeps going, and the supply side is what tilts the whole thing so heavily in Cameco's favor, with brownfield ounces depleting, greenfield projects sliding sideways or backwards rather than forward, and the restarts that were supposed to fill the gap running into trouble. You could just hear Grant smilling as he took note of all this and I look forward to discussing this with him at the upcoming WNA.

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Moving onto the AP1000 part of the Q&A which, again, was most of the Q&A and while a bunch of questions were met with ‘we can't disclose that at this time’ there was still some interesting context provided. The AP1000 pipeline runs to 91 identified opportunities and up to 105 gigawatts, and my read for the rest of this year is patience, because the bulk of that is early stage, with 51 units still in origination, 11 in front-end engineering, 4 on early services contracts, and only a handful into long-lead ordering and construction like the potential V.C. Summer restart and the Polish project at Lubiatowo-Kopalino. What Cameco can say is that as the front of the pipeline gets properly underway they expect an increasingly positive trend in the backlog, and that is the line I am watching, because the New Plants backlog was only $0.8 billion at the end of last year against $13.2 billion in the Operating Plants business, so there is plenty of room for it to build as opportunities convert into firm orders and I believe once this gets going, it will pick up speed and magnitude very quickly.

The near-term catalysts that could land before year-end are tied to the DOE and the government partnership, and I laid out the $17.5 billion conditional loan for long-lead items on up to 10 reactors and the Department of Commerce framework in the earlier piece so I will not repeat the detail, but the thing to watch is those conditional commitments turning into definitive financing documents and the DOE naming which utilities get the money, which is expected over the second half as each loan closes. On whether the DOE aid pulls the guidance or the development forward, the message was that things are moving on schedule and that they are being prudent with what they put out, which to my eye leaves more room for a positive surprise than a negative one.

On the cost guidance, I covered the raised ranges earlier, but just for the people in the back, the driver behind them is foreign exchange, mainly on the purchase side, because a stronger US dollar lifts the cost of everything Cameco buys in dollars, and the purchased pounds are transacted in dollars while the production costs are largely in Canadian dollars. Cameco moved its full-year exchange rate assumption to 1.35 from 1.33, and that shift is most of the difference in the cost of sales guide rather than anything operational going wrong as far as I understand it after reading the report and listening to the call, so the higher cost numbers are a currency story more than an operating one.

The AP300 got a bit of airtime and it'ss a straightforward idea, a scaled down version of the AP1000 that carries over the same proven technology, the same passive safety and the same regulatory foundation. Cameco framed it as a modest step to take the AP1000 down into the AP300 form, aimed at customers and markets that want a smaller design, whether that is grid size, industrial demand, site constraints or financing capacity, and about 80% of the supply chain can be shared with the AP1000, which is why they expect a robust supply chain behind it rather than having to build one from scratch. There are already more than 30 AP300 units in the origination stage with first commercial operation targeted for the mid to late 2030s, so it is early but it is real. Again, and I said this before, none of the AP1000 or AP300 story is 2026 cash flow, again as I noted earlier, but the tone across the whole Q&A pointed the same way, a contracting cycle that is still early, a term price with room to run and a reactor pipeline that has not really started converting yet, and from m perspective things are moving in the right direction for the company. Let's see if the positive price action can hold into market open and close, but for now I hope that this has proven to be informative and I tried to keep it short and to the point. Thanks for reading and the continued support and I hope you have a good and healthy rest of your weekend, cheers! ~Mart

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