



Cameco Corporation

Investor Media Conference Call Transcript

Date: October 11, 2022

Time: 5:00 PM ET

Presenter: **Rachelle Girard**
Vice-President, Investor Relations and Treasury and Tax

Tim Gitzel
President and Chief Executive Officer



OPERATOR: Thank you for standing by. This is the conference operator.

Welcome to the Cameco Corporation Investor Update Conference Call.

As a reminder, all participants are in listen-only mode, and the conference is being recorded. Should you need assistance during the conference call, you may signal an Operator by pressing star then zero.

I would now like to turn the conference over to Rachelle Girard, VP, Investor Relations and Treasury and Tax.

Please go ahead.

RACHELLE GIRARD: Thank you Operator, and good afternoon everyone.

Welcome to Cameco's conference call to discuss the announcement of Cameco's acquisition of a 49% interest in Westinghouse Electric Company through a strategic partnership with Brookfield Renewable Partners.

I would like to acknowledge that we are speaking from our corporate office, which is on Treaty Six territory, the traditional territory of Cree peoples and the homeland of the Métis.

With us today on the call is Tim Gitzel, President and CEO.

I am going to hand it over to Tim to talk about the acquisition announcement.

Please note, there will not be a Q&A session after this call. However, should you have questions that are not addressed on this call, we will be happy to follow up with you after the call. There are a few ways to contact us: You can reach out to the contacts provided in our news release; you can submit a question through the contact tab on our website, or you can use the "Ask a question" form at the bottom of the webcast screen, and we will be happy to follow up after this call.

Today's conference call is open to all members of the investment community including the media.



Please note that this conference call will include forward-looking information, which is based on a number of assumptions, and actual results could differ materially.

You should not place undue reliance on forward-looking statements. Actual results may differ materially from those forward-looking statements, and we do not undertake any obligation to update any forward-looking statements we make today, except as required by law.

Please refer to our news release announcing this transaction, our annual information form and MD&A for more information about the factors that could cause these different results and the assumptions we have made.

With that, I will turn it over to Tim. With that, I will turn it over to Tim.

TIM GITZEL: Well, thank you Rachelle and good afternoon, everyone. Thank you for joining us on what is a momentous day in Cameco's more than 30-year history.

Today, I'm pleased to share with you some exciting news about a joint acquisition of Westinghouse Electric Company. As nuclear energy is back in a durable growth mode, Cameco is also back in a durable growth mode... growth that will be pursued in the same manner as we approach all aspects of our business... in strategic, deliberate, disciplined and responsible fashion.

Today, Cameco is well positioned to grow with its existing suite of assets. With improving demand fundamentals and an unprecedented geopolitical realignment...we believe our uranium and fuel services segments are poised for brownfield organic growth. There is also tremendous demand for western enrichment services and our Global Laser Enrichment development project is seeking to provide a much-needed solution.

Our strong position is anchored on our existing base of operating assets...located in geopolitically important jurisdictions, licensed, and permitted with a proven track record ...making these assets even more strategic in the current global environment.

With the joint acquisition of Westinghouse... a company that plays a critical role in the nuclear reactor life cycle... we are extending the base of our strategic operating assets.



First, I would like to touch on the highlights of the transaction. We are entering into a joint venture with Brookfield Renewable to acquire 100% of Westinghouse Electric Company. Cameco's share is 49%.

The joint venture will be structured in a manner that recognizes Cameco is bringing strategic capability and capacity to the table.

We are reserving the ability to have a say in key decisions, for example strategic planning...that will drive things like setting the annual budget, determining the optimal capital structure, and setting the distribution policy.

To ensure we have a say, the partners will appoint three directors each.

Decisions in these critical areas will not only require majority approval but will also require one of each of Cameco and Brookfield to agree.

Like any transaction of this nature, there will be a number of regulatory approvals required.

We have been through the acquisition process before and therefore are familiar with anticipated time frames for transactions of this type. We expect the transaction to close in the second half of 2023.

Next, I would like to walk through the different components of the nuclear fuel cycle to provide some context for the acquisition. As a reminder, Cameco is a well-established global nuclear fuel cycle player. We have significant exploration properties, tier one global mining and milling assets, refining and conversion services for heavy and light water reactors, and fuel manufacturing for CANDU heavy water reactors.

Light water reactors require enriched uranium and have different fuel manufacturing than what we do on the heavy water reactor side of the fuel cycle. And it's the fuel manufacturing for light water reactors that is a core competency of Westinghouse.

So, for Cameco, this is about fulfilling an important complementary fuel supply strategy that we expect will allow us to compete for more business and offer more solutions to our customers across the nuclear fuel cycle.

Having discussed the "what" of the transaction, let me move to the "why" of the transaction, because it is one of my favorite topics... nuclear power's role in combating climate change.



At the heart of nuclear power's return to the energy policy toolbox is the reminder that energy decisions must achieve three things at the same time. Energy has to be clean. Energy has to be secure and reliable. And energy has to be affordable.

When energy policy decisions are determined based on those three principles, it quickly becomes evident that nuclear power is well positioned to deliver on all three. In a world where we are trying to replace thermal energy with clean energy... and we're trying to do that in an affordable and secure way... nuclear power is a central piece of the energy mix.

The fundamentals are very supportive for nuclear power, and at the same time there's a profound geopolitical realignment going on.

The nuclear industry has been one with highly globalized supplies of uranium and various nuclear fuel components...coming from countries around the world.

And now countries are looking to build out and sustain their nuclear reactor fleet, while asking themselves where those fuel supplies are coming from. This is highlighted by the Russian invasion of Ukraine.

Russia has been a very important provider of nuclear fuel and nuclear fuel services throughout the global reactor base. But with Russia's actions in Ukraine, we now have a western world that is grappling with its dependence on this source of fuel...and is looking to procure western sources of enrichment, conversion, uranium and of course, western sources of fabricated fuel.

So, we have a nuclear fuel market where fundamentals were building very positively and now a geopolitical crisis has hit our market.

What does this mean for Cameco?

We see growing demand driven by electrification and decarbonization. More than 70 countries, covering approximately 76% of global energy-related carbon dioxide emissions, have adopted net-zero targets, encompassing either CO₂ or greenhouse gas emissions more broadly... this compares with only six countries at the end of 2018. And it's not just countries setting net-zero targets, it's also companies that have decided achieving net zero is mission critical for their organization... which is driving an electron accountability that we've never seen before.



Some of the largest consumers of electricity are asking where their electrons are coming from. They are putting pressure on policy makers to make sure that the grids are clean, and that the investments being made in the grid align with the electrification and decarbonization agenda... and they are looking to put their own solutions in place through, in some cases, power purchase agreements with nuclear operators.

While the outlook for demand is improving in our industry, there's uncertainty around supply. After years of low prices in the nuclear fuel cycle, we have seen **planned** supply curtailments as well as **unplanned** supply disruptions in operating capacity and little new capacity being added due to a lack of investment.

Along the way, the secondary supplies that have played such a crucial role in our industry have been drawn out of the market.

For us, it's a very favorable time. Our idled tier-one assets and our idled tier-two capacity are well positioned to benefit from this dynamic. We are seeing customers return to long-term contracting to meet their goals for security of supply. Long-term contracting is the bedrock of how Cameco built its business.

We are maintaining operational flexibility and a production pipeline of brownfield assets that do not require any greenfield investments to achieve growth. And the fact that we're more than mining... that we are invested across much of the fuel cycle... has allowed us to demonstrate value capture opportunities as demand returns to the market.

Let me walk through Cameco's exceptional asset base.

Beginning in the uranium space with our tier-one mines... Cigar Lake, McArthur River and our joint venture in Kazakhstan - Inkai... these mines are among the best on the planet providing steady, reliable production. And we have an impressive pipeline of idled tier two assets and advanced exploration projects.

We offer our customers the ability for one-stop shopping by purchasing their uranium with conversion services for light and heavy water reactors... as well as with fuel fabrication for CANDU heavy water reactors.

We also have an exciting investment we're pursuing in enrichment, which is especially promising in the current market context. As noted earlier, Russia is an important provider of



nuclear fuel. This is particularly evident in the enrichment space where Russia has almost 40% of global enrichment capacity. Western customers are looking for alternatives outside of Russian supply and our Global Laser Enrichment development project is well positioned to be a potential solution to that challenge.

Next, I want to touch on how we approach full cycle value opportunities. As a reminder, our industry is driven by long-term contracting. Our customers' preference is to procure fuel supplies under long-term contracts to ensure the long-term security and reliability of their generating assets. Our strategy is to plan our productive capacity to meet our commitments and customer signals.

When contracting is scarce, we pull back on our planned production. We would rather leave pounds in the ground or idle our manufacturing facilities... than try to introduce supply into a market where there's no demand. So, for us, it begins with strategically aligning our contract portfolio.

I am happy to report that we are seeing long-term demand returning to the market. We are seeing customers responding to the market fundamentals and reacting to the geopolitical challenges... by coming forward with long-term contracts... contracts that allow us to bring in long-term revenues, cash flows and earnings.

As those contracts return and we build homes for our productive capacity... we are coming out of our extreme supply discipline. We've announced the restart of our McArthur River and Key Lake operations, and we expect that we can meet the growing demand from our tier-one asset base.

We are seeing some good progress on the contracting front for Cameco. For the year-to-date, we have added more than 50 million pounds in our uranium segment to our long-term contract portfolio, and more than 7 million kgU UF₆ in our fuel services segment.

Throughout this time, we've remained financially disciplined. We maintained a strong balance sheet, which has allowed us to manage transition risk in our industry. But that strong balance sheet has also allowed us to pursue opportunistic investments...like the one we are talking about today.



Westinghouse is a well-known name... and is a company that Cameco deals with as we try to provide solutions for customers looking to diversify their supply options and de-risk origin concerns.

Westinghouse plays an important role for its customers offering solutions across the nuclear life cycle. The company operates three key business segments: operating plant services, energy systems and environmental services.

Operating plant services is Westinghouse's largest business segment. This segment is built on long-term customer relationships. Customers who seek long-term solutions to ensure their reactors operate efficiently and reliably and therefore results in reliable revenue streams which are contracted and repeatable. Within the operating plant services division is the critical nuclear fuel fabrication business. This division provides fabricated fuel for light water reactors.

Digging a little deeper into the operating plant services, you will see that Westinghouse is an important provider of outage and maintenance services to the global reactor base. They provide engineered systems and solutions, and they manufacture parts as well as providing nuclear fuel.

A growing area for Westinghouse is the Environmental Services segment. This portion of their business is a great ESG story. The nuclear energy industry does not use the atmosphere for the disposal of its by-products. The demand for these services is driven by the management of the by-products throughout the operating life of a nuclear reactor and by permanent plant retirements at the end of their operating life.

And importantly, Westinghouse is in the energy systems business, which provides the large AP1000 nuclear reactor technology globally. This business segment is also involved in the design and development of next-generation nuclear technologies, including SMRs, micro-reactors, and GEN IV reactors. The energy systems business of Westinghouse is poised for tremendous growth in a world where the International Energy Agency has set forth a roadmap that includes the doubling of nuclear power in a global pathway to reach net zero emissions by 2050.

The contracting strategy and reliable revenue streams of Westinghouse creates a strong financial profile, predictable business, and stable revenue, with strong cash flow.



We believe Westinghouse's assets are well positioned to benefit from nuclear power's resurgence.

Let's talk a little bit about the strategic partnership between Cameco and Brookfield Renewable. As you are likely aware, Brookfield Renewable is among the world's largest investors in clean energy and transition assets. Their foray into clean energy has been remarkable. And now today, we see Brookfield partnering with Cameco, positioning nuclear energy at the heart of the clean energy transition. It becomes a powerful platform for further strategic growth across the nuclear fuel cycle.

We anticipate a true partnership with Brookfield... one where Cameco's strategic role and our knowledge of the industry has been welcomed. And one where we anticipate that together we can capture the upside value available to Westinghouse with nuclear back in a durable growth mode.

While Cameco was enjoying a recovery in our existing segments... beneficially owning almost half of Westinghouse will enhance our financial profile and diversify our business mix within the industry and customer base that we already know so well.

I want to talk a little bit about where we see additional opportunities...certainly in the near term.

There is an opportunity to partner with Westinghouse to serve existing customers better and compete for new demand...currently most evident in Eastern Europe. This market has historically been captive to Russian fuel supply and is seriously looking to find other options for the fuel supplies required to power their critical nuclear power plants in a way that doesn't depend on Russia.

There are new customers and existing customers within that Eastern European region where we can seek new business opportunities. And those opportunities could align the uranium and conversion that we can offer with the fuel fabrication that Westinghouse can offer to provide customers with alternative solutions for contracting their fuel supplies.

In the longer term, new reactor builds are a critical part of nuclear's growth. And with the AP1000 reactor, SMR and eVinci micro-reactor technology, we believe Westinghouse is well positioned to capture significant new reactor business.



New reactor builds often come with a fuel supply... and that fuel supply connects right back through to uranium. So certainly, exciting longer-term opportunities.

And along the way, there are other strategic possibilities. Cameco's ambition for environmental stewardship with Westinghouse's environmental services business segment may lead to future potential prospects for growth.

And fuel fabrication in new reactors... as the world looks to modular reactors and micro reactors to help the important challenge of decarbonization, there will be opportunities in further fuel fabrication... all leading to excitement that Westinghouse is not expected to be just an immediate contribution to Cameco's cash flow following the acquisition closing, but that it is an extraordinary platform for growth.

So, to summarize our key expectations from this acquisition – we expect it will expand Cameco's participation in the nuclear fuel value chain... to be accretive to Cameco's cash flow after the acquisition closing, and prior to considering new revenue opportunities... and to create new revenue opportunities for Cameco by expanding our ability to satisfy existing and new customer needs.

Our world today is facing some very significant challenges, including electrification and decarbonization, while ensuring energy affordability and security without jeopardizing the ambitious net-zero targets that have been set. There is a lot of uncertainty in the world energy landscape and many countries are having to take a hard look at where they get their fuel.

More than ever, the world is looking for a stable, reliable and politically dependable fuel supply.

I believe we are witnessing a fundamental change that will alter the way countries approach their energy needs going forward.

And I think that anyone who looks seriously at the global issues we're facing would say there's no solution without nuclear.

So, we see a lot of opportunity ahead of us with demand for safe, reliable, affordable, and carbon-free, baseload electricity coming from across the globe.



We believe this transaction positions us extraordinarily well to continue to participate in the momentum that is building for nuclear power and is clearly aligned with our vision of energizing a clean air world.

We will continue to operate as a responsible, commercial supplier with a strong balance sheet, long-lived, tier-one assets, and a proven operating track record, as we return to our tier-one cost structure.

So thank you for your time today.

OPERATOR: This concludes today's conference call. Once again, if you submitted a question through the webcast, Cameco's Investor Relations team will follow-up with you by email.

Thank you for participating and have a pleasant day.