



Cameco, Yamana Taking an Early Beating

Description

Shares in these two big cap miners are off to a difficult start in early Wednesday trading after releasing disappointing results. **Cameco** (TSX:CCO,NYSE:CCJ) shares have bounced from their earlier lows but are still down 1.5% and **Yamana** (TSX:YRI,NYSE:AUY) is currently off by 8.5%.

Cameco had guided towards a weak quarter as uranium sales were lower than last year and downtime at Bruce Nuclear impacted revenues. The company reported adjusted EPS of \$0.07/share which just missed the consensus estimate of \$0.08/share. Both figures are far below the \$0.31/sh earned in last year's first quarter. Full year guidance however remained in-tact and Cigar Lake appears on schedule to begin production in mid-2013. Therefore this early day sell-off is a bit of a surprise.

Yamana reported adjusted EPS of \$0.16/sh which missed the consensus estimate of \$0.18/share. Operating cash flow of \$0.28/sh also missed the estimate of \$0.34/sh. The market is currently taking it to task for these weak numbers.

Consistently (and accurately) estimating what a gold company, or any miner for that matter, is going to earn on a quarter by quarter basis is just about impossible. There are just too many variables that go into the equation.

Mines are uncertain beasts. You might think you know what you're going to pull out when you stick the shovel in the ground, but in reality every bucket of material is a mystery.

Foolish Takeaway

Investing in resources should not begin with a thesis based on what a company is going to earn from quarter to quarter. This is just plain small-f foolish. Start with the commodity. If you like the commodity, then pick the companies that are best positioned to mine that commodity. Low cost production is central to this evaluation and both Yamana and Cameco are low cost producers.

This quarter will soon be forgotten. What matters most for these companies is how their respective commodities perform over the long-term. If they co-operate, investors in both will be just fine.

While the practicality of gold is debateable, uranium is positioned to become *the* fuel that powers the 21st century. And best of all, as evidenced by Cameco's results, the market is completely ignoring it. [Click here now](#) for instant access to our **FREE** report titled "**Fuel Your Portfolio With This Energetic Commodity**". We think you'll be surprised just how bright the future is for uranium, just how far these two Canadian names have fallen, AND **how fast** they could rebound. [Click here](#) to access this free report, and hop on for the nuclear ride of your life.

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Fool contributor Iain Butler owns shares in Yamana. The Motley Fool has no positions in the stocks mentioned above.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:AUY (Yamana Gold)
2. NYSE:CCJ (Cameco Corporation)
3. TSX:CCO (Cameco Corporation)
4. TSX:YRI (Yamana Gold)

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