



## Should You Buy, Sell, or Hold Cameco Corporation?

### Description

**Cameco Corporation** ([TSX:CCO](#))([NYSE:CCJ](#)), one of the world's largest producers of uranium, announced its fourth-quarter earnings after the market closed on February 6, and the results surpassed analysts' expectations by a wide margin. Let's break down the results and the company's outlook on fiscal 2015 to determine whether we should consider initiating long-term positions today, or if we should look elsewhere for an investment instead.

### Beating down the expectations

Here's a summary of Cameco's fourth-quarter earnings compared to what analysts had anticipated and its results in the same quarter a year ago.

Metric	Reported	Expected	Year Ago
Earnings Per Share	\$0.52	\$0.29	\$0.38
Revenue	\$889 million	\$782 million	\$977 million

Source: Thomson Reuters

Cameco's adjusted earnings per share increased 36.8% and its revenue decreased 9% compared to the fourth quarter of fiscal 2013. The company's strong earnings per share growth can be attributed to net income increasing 36.7% to \$205 million, while its weak revenue results can be attributed to the total sales volume of uranium decreasing 15.7% to 10.7 million pounds, which led to revenues from uranium sales decreasing 4% to \$606 million.

The company also noted that it was positively impacted by the average realized price of uranium increasing 14% to \$56.78 per pound and the average unit cost decreasing 9.7% to \$34.27 per pound during the quarter.

Here's a quick breakdown of six other notable statistics and updates from the report compared to the year-ago period:

1. Production volume of uranium increased 9.3% to 8.2 million pounds.
2. Revenue in the company's NUKEM segment decreased 15.4% to \$159 million.
3. Revenue in the company's fuel services segment increased 11.6% to \$125 million.
4. Gross profit increased 35.7% to \$251 million.
5. Gross margin expanded 930 basis points to 28.2%.
6. Cash provided by continuing operations increased 44.8% to \$236 million.

Cameco also provided its outlook on fiscal 2015, calling for the following results:

- Flat to a 5% decrease in revenue.
- The production of 25.3-26.3 million pounds of uranium.
- The sale of 31-33 million pounds of uranium.
- Average unit cost of uranium sales to increase 5-10%.
- Capital expenditures of approximately \$370 million.

### **Should you buy shares of Cameco today?**

Cameco Corporation is one of the world's leading producers of uranium, and it achieved a double-digit increase in fourth-quarter profit despite a 9% decrease in revenues.

I think Cameco's stock represents an intriguing long-term investment opportunity, regardless of how it responds to the earnings release, because it trades at very low forward valuations and because it pays a healthy dividend. At current levels, the company's stock trades at just 19.1 times fiscal 2015's estimated earnings per share of \$0.99, which is very inexpensive compared to its five-year average price-to-earnings multiple of 28.1 and the industry average price-to-earnings multiple of 22.7. Cameco also pays an annual dividend of \$0.40 per share, which gives its stock a generous 2.1% yield, and I think this makes it both a value and dividend play today.

With all the information above in mind, I think Cameco represents one of the best long-term investment opportunities in the industrial metals and minerals industry today, so Foolish investors should take a closer look and consider initiating positions.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **POST TAG**

1. Editor's Choice

### **TICKERS GLOBAL**

1. NYSE:CCJ (Cameco Corporation)
2. TSX:CCO (Cameco Corporation)

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### Tags

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