



## Is Cameco Corporation the Top TSX 60 Stock to Buy Today?

### Description

**Cameco Corporation** ([TSX:CCO](#))([NYSE:CCJ](#)), one of the world's largest producers of uranium, announced first-quarter earnings results on the morning of April 29, and its stock responded by remaining relatively unchanged in the trading session that followed. Let's take a closer look at the results to determine if this lack of movement represents a long-term buying opportunity, or if there is an underlying issue holding the stock back.

### A very strong first-quarter performance

Here's a summary of Cameco's first-quarter earnings results compared with its results in the same quarter a year ago.

| Metric                      | Q1 2015       | Q1 2014       |
|-----------------------------|---------------|---------------|
| Adjusted Earnings Per Share | \$0.18        | \$0.09        |
| Revenue                     | \$566 million | \$419 million |

*Source: Cameco Corporation*

Cameco's adjusted earnings per share increased 100% and its revenue increased 35.1% compared with the first quarter of fiscal 2014, as its adjusted net income increased 92% to \$69 million. The company noted that these very strong results could be attributed to revenues increasing in all three of its major segments, including 203.1% growth to \$97 million in its NUKEM segment, 65% growth to \$66 million in its Fuel Services segment, and 5.7% growth to \$368 million in its Uranium segment, driven by its total sales volume of uranium increasing 1.4% to seven million pounds and the average realized price of uranium increasing 4.3% to \$52.74 per pound.

Here's a breakdown of eight other notable statistics from the report compared with the year-ago period:

1. Total uranium produced and purchased increased 11.4% to 7.8 million pounds
2. Uranium produced decreased 10.5% to 5.1 million pounds
3. Uranium purchased increased 107.7% to 2.7 million pounds

4. Average unit cost of sales increased 9.5% to \$36.47 per pound
5. Gross profit increased 19% to \$129 million
6. Gross margin contracted 300 basis points to 22.8%
7. Cash provided by operations increased 1,811.2% to \$133.56 million
8. Ended the quarter with \$557.89 million in cash and cash equivalents, an increase of 47.5% from the end of year-ago period

Cameco also announced that it will be maintaining its quarterly dividend of \$0.10 per share, and the next payment will come on July 15 to shareholders of record at the close of business on June 30.

### **Should you be a buyer of Cameco?**

I think the lack of movement in Cameco's stock represents nothing more than a long-term buying opportunity. I think this because it was a very strong quarter and because the stock trades at attractive valuations, including just 17.1 times fiscal 2015's estimated earnings per share of \$1.23 and only 14.8 times fiscal 2016's estimated earnings per share of \$1.42, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 28.2 and the industry average multiple of 22.8.

In addition, Cameco pays an annual dividend of \$0.40 per share, giving its stock a 1.9% yield at current levels, and I think this dividend could grow if the company delivers double-digit earnings per share and revenue growth in fiscal 2015.

With all of the information above in mind, I think Cameco represents one of the best long-term investment opportunities in the basic materials sector today. Foolish investors should take a closer look and strongly consider initiating positions.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

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

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