



## 5 Reasons Why Cameco Corp. Could Be a Great Buy

### Description

**Cameco Corp.** ([TSX:CCO](#))([NYSE:CCJ](#)) has seen its stock struggle this year. Its share price is down over 15% in the past six months, and with many issues surrounding the company, investors are hesitant to invest. However, at the current share price, the stock might present an excellent opportunity to buy low.

I will outline five reasons why Cameco might make for a great investment today.

#### The company had a good second quarter

In its most recent quarter, the company posted revenue of \$470 million, which was flat year over year. However, this quarter, the company came close to breaking even with a loss of just \$2 million compared to a loss of \$137 million a year ago. A big reason for the improvement in the company's bottom line was as a result of improved gross margins, which, in Q2, were 20% compared to just 9% in the previous year. If Cameco can build on these positive results, then it could signal a turnaround for a company that has been in the red for four of the past five quarters.

#### Free cash flows have been increasing

Cameco has had positive cash flow from its operations in three of the past four quarters and, in the trailing 12 months, has accumulated \$762 million. More importantly, the company's free cash flow has totaled \$605 million in the past four quarters, which is significantly improved from the \$95 million it collected in 2016 and \$91 million the year before that. Currently, the company is on track to see its free cash flow increase for the fourth consecutive year.

#### The stock pays an attractive dividend

As a result of the decline in its share price this year, and with the dividend staying constant, Cameco's yield has improved to over 3.2% and could go higher if the share price declines further. Although some investors might be concerned of a dividend cut, Cameco has an excellent history of paying dividends, and with payouts totaling \$158 million, the company's strong cash flow should easily cover that this year.

### **Uranium prices might be stabilizing**

The price of uranium is critical to Cameco's financial performance, and there is no denying that the company's success will be related to the commodity's price. Four years ago, the stock was trading at over \$20 per share and has declined by almost 40% since then, following a similar pattern to that of uranium prices. The good news is that uranium prices have found a support level of around \$20 and could be a sign that the bottom has been reached. If the price of uranium can get even a little upward momentum to get back to the \$25 range, that could certainly help Cameco achieve more sustainable growth.

### **The share price has found some support**

Cameco's stock price has also found some support around the \$12 range after declining by over 11% year-to-date. Aside from a week in late June and early July, when the stock dipped below \$12, it has been able to stay north of this price point so far this year.

### **Bottom line**

Cameco's stock is not without risk, but at its current price, it may be an excellent opportunity to scoop up a stock that is trading around its book value.

### **CATEGORY**

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

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

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**Author**

djagielski

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