



Should You Buy Cameco Corp. Ahead of Earnings?

Description

Cameco Corp. ([TSX:CCO](#))([NYSE:CCJ](#)) is releasing its Q3 results towards the end of October, and with the stock dropping 19% of its value this year, there could be lots of room for the price to rise. Let's take a closer look at the stock to see if it would be a good buy ahead of its upcoming earnings release.

Low uranium prices have plagued the company

The price of uranium has failed to reach \$25 this year, and for the past five months, it has not been able to even get to \$21. Just two years ago, uranium was almost double that amount and didn't dip below \$35 until the end of the year.

Although the price has not seen any improvement, just as importantly, it has not gotten any worse this year. With stability in the price of uranium, we shouldn't expect it to have a significant impact on Cameco's performance this coming quarter.

How the company has done on earnings day in the past

Cameco released its Q2 earnings back in July, and it had positive news regarding the settlement of its tax issue with the Internal Revenue Services in the United States. The company also increased its guidance for the remainder of the year. The good result gave the stock a boost of as much as 6% on earnings day, but, ultimately, the momentum did not last, as the share price ended up declining shortly after.

In the company's Q1 release back in April, the share price dropped 8% as a result of declining sales and a net loss for the quarter.

Why the current share price might offer some safety

Since almost reaching a 52-week low early in October, the stock has seen a recovery and was trading at \$11.37 as of the end of last week. In the past year, the stock has generally had support at \$12. Aside from this month, drops beneath that price point have been rare.

That's not to say that a bad earnings result can't send the stock further down, but that at the current price, there may not be a significant amount of downside risk.

The stock is currently trading below its book value and could present a good value investment at the current price. Unfortunately, much like oil and gas stocks, the price of uranium will ultimately play a big role in how much the share price will be able to rise.

Should you buy Cameco today?

As long as Cameco doesn't have more bad surprises in store for investors on earnings day, the stock should be able to see a recovery given the stability in uranium prices. Investors might be interested to note that it was this time last year that Cameco reached a 52-week low and traded at less than \$10 a share before beginning its ascent to a price of over \$17. In order for Cameco to be able to do that, it will need to first show investors a good earnings result.

With the company's strong balance sheet and good cash flow, Cameco is not a big risk given the potential reward that investors might obtain from investing in the company.

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