



Cameco Corp. Posts a Disappointing Q3: Should You Buy on the Dip?

Description

Cameco Corp. ([TSX:CCO](#))([NYSE:CCJ](#)) released its third-quarter results today, and the company continues to struggle, as revenues of \$486 million were down from \$670 million a year ago for a decline of 27%. Cameco also saw a big decline in its bottom line with net losses totaling \$124 million, while a year ago the company posted a profit of \$142 million.

However, with the stock down today, let's take a further look into the company's release and assess if the stock could be a good buy.

The company continues to generate strong cash amid poor earnings

Cameco expects that for 2017 it will see an increase in cash flow this year from the \$312 million that it accumulated in 2016. It is no small accomplishment that in the midst of low uranium prices, Cameco has been able to grow free cash for two straight years (and is well on its way for a third) without having to eliminate its dividend.

This should be encouraging to investors, because even though the company may be struggling to turn a profit, ultimately, cash flow is what keeps a company in business, and Cameco has been doing a fine job in that area. If Cameco can do this well when times are tough, it's easy to see the potential upside if uranium prices were to make a recovery.

The company emphasized this point in its release, stating, "our goal is to remain competitive and position the company to ensure we have the ability to be among the first to respond when the market calls for more uranium."

Production estimates down

Cameco had previously forecast 25.2 million pounds to be produced for the year, and the company has adjusted that down to just 24 million, or a decrease of 5%. However, Cameco went on further to say in its release that "there could be further variability in the future if current market conditions continue."

This opens the door to potentially more downward adjustments in the company's forecast, which is not

something investors typically want to hear, as it creates a lot of uncertainty about how the company will perform.

Legal battles still present some uncertainty for investors

Cameco has had some [legal uncertainty surrounding the company](#) this year, and the company provided some rough timelines as to when we might see some resolutions. Cameco announced the trial relating to its tax dispute with the Canada Revenue Agency wrapped up in September, and that a decision would come anywhere from six to 18 months afterward.

It also has arbitration with Tokyo Electric Power Company set for 2019, which relates to the contract that was cancelled by the Japanese company that Cameco is contesting. However, Cameco is uncertain how long it will take for a decision to be made once the hearing is completed.

Should you buy Cameco?

As expected based on these results, Cameco's stock took a hit in trading, as early Friday morning, the stock was down 12%. Investors should look beyond just the poor top and bottom lines and consider the stock as a long-term buy.

The company is doing what it can amid low uranium prices, and without demand, there is little that Cameco can do besides control spending.

A big drop in price could make Cameco a great bargain.

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