



Should You Buy Cameco Corp. Ahead of Earnings?

Description

Cameco Corp. ([TSX:CCO](#))([NYSE:CCJ](#)) is expected to release its fourth-quarter results early next month. The company has had a rough year with uranium prices and being unable to find any positive momentum. In the past year, Cameco's stock price has plummeted more than 30% amid a [poor Q3](#) that has done little to give investors hope for a turnaround anytime soon.

However, all hope is not gone, and Cameco could be a great buy ahead of next month's earnings.

Uranium prices have gone up

The price of uranium rose to over US\$23 in November and would ultimately finish the year at US\$22. Although that is still down significantly from two years ago, when the spot price was over US\$36 for most of the year, in 2017 it has hovered around US\$20.

Cameco has announced that it is going to reduce its output in an attempt to fix the excess supply issues that have plagued the industry. [Supply cuts were also announced by the world's largest producer of uranium.](#)

For Cameco, much of its success ultimately hinges on the price of uranium; these developments could thus improve its outlook for the future.

Cash flow remains strong

Despite its struggle to turn a profit, Cameco has been able to achieve positive free cash flow in four of the last five quarters; in the trailing 12 months, it has accumulated just under \$400 million. The company also recently announced a significant cut to its dividend, which will add over \$125 million back in cash.

With less free cash flow being distributed out in the form of dividends, Cameco will give itself the flexibility it needs to adapt to changing market conditions as well as the resources it needs to capitalize on any opportunities that may arise.

The stock presents good value for investors

Currently, Cameco is trading at less than its book value and at a price-to-sales ratio of just 2.1. Investors have an opportunity to lock in a low price for a stock that could have tremendous upside should uranium prices rise this year. Industry conditions have put the company in its current predicament, and low commodity prices make the stock a fairly good investment over the long term.

Recent price movement suggests the stock might be ready to take off

Cameco's share price has reached lows of less than \$10 in the past year, but in the past three months, the share price has increased by more than 6%. The stock's 50-day moving average (MA) has been trading under the 200-day MA since June; however, we are seeing that gap shrink. A crossover may happen soon, which is a very bullish indicator and will set off buy signals that could send the stock soaring even higher.

Stock has seen support at \$12 per share

For most of the year, Cameco's stock has been able to stay above \$12 per share, which should reassure investors that although the share price does have some downside risk, it's likely not as great as the potential upside.

CATEGORY

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Author

djagielski

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