

Is Now the Time to Buy Cameco Corp.?

Description

Cameco Corp. ([TSX:CCO](#))([NYSE:CCJ](#)) has been on a downward spiral in the past year with the stock declining nearly 20% in value. A low price of uranium has wreaked havoc on the company's financials and its outlook, forcing Cameco to [slash its dividend and cut back production](#) in an effort to push uranium prices up.

Let's take a closer look at whether or not the prospects for investing in Cameco have gotten any better since then, and if the stock could potentially be a good buy today.

Uranium prices remain low but stable

Despite the efforts to reduce the supply of uranium, we haven't seen much of an improvement in the spot price. Uranium prices have remained steady at around US\$21/lb this year, and while it is down from the last two months of 2017, the good news is that it hasn't gotten any worse. In 2017, there were six months where the spot rate finished at under US\$21/lb.

Although the movements have been minor, the price of uranium has continued declined for four consecutive months.

The stock has found stability in recent months

In the past three months, Cameco's stock price has been flat, and in the last month it has increased by more than 3%. Investors may want to consider buying the stock if it dips in price, as in the past year it has seen strong support at \$11 and only briefly dropped below that price.

With a lot of bad news out of the way, if you can get the stock close to \$11, then it might be a good opportunity to buy.

Share price presents a lot of value at its current price

Even at \$12, Cameco is still a well-priced stock with a lot of upside in the long term. The stock is trading right around book value, and while the company hasn't been able to stay out of the red recently, it's not in any imminent danger.

Cash flow remains very strong

By significantly reducing its dividend, Cameco will be able to add to its free cash flow, which has been positive for three straight quarters, and the company has accumulated nearly \$500 million in the trailing 12 months.

It's easy to get prioritized with net income, but it's ultimately cash flow that will sink a company or help it grow. While Cameco's financials would certainly get a boost from a higher price of uranium, if that were to happen, the stock would skyrocket and would no longer be the value buy that it is today.

Why it might be worth taking a chance on Cameco

Although there is certainly some [risk](#) in investing in Cameco today, the upside might well be worth it. Even amid all the challenges in the uranium market, the stock hit around \$16 in the past year, and if it can reach those highs again, that would yield you a return of ~30%.

Cameco is a good company that has been saddled with a weak commodity price. It may take some time for uranium prices to rise, but the stock price still has more potential upside today than downside risk.

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