



## Things Have Gone From Bad to Worse for Cameco Corp. (TSX:CCO) Stock

### Description

Things just aren't getting any better for **Cameco Corp.** ([TSX:CCO](#))([NYSE:CCJ](#)). Late last year, [the company cut its dividend](#) and announced that it would be scaling back production. On Wednesday, the company released its latest quarterly results, which did not show things getting any better, and Cameco announced that what were initially expected to be short-term layoffs will now be permanent, and that in total about 550 of its site employees will be let go, and 150 positions from its corporate office will also be eliminated.

### Why have things gotten so bad for Cameco?

In the life of a public company, it's all about results, and low uranium prices have [adversely impacted](#) Cameco's ability to grow and turn a profit. In the Q2 results, sales were down by nearly 30%, and a net loss of \$1.6 million last year had gone even further into the red, as Cameco reported a loss of over \$76 million for this past period.

With a gross profit of just \$26 million compared to \$93 million a year ago, there was simply not enough to cover the company's overhead and other costs. The one thing that Cameco can continue to try and do is scale back production in the hopes that it will help lift uranium prices back up.

As of June 30, the spot rate for uranium was just US\$22.65/lb, and while that's up from US\$20.15/lb last year, it is down from two years ago when the price was US\$26.70/lb, which was already a big reduction from the year before that. Uranium prices have been struggling for years to find any momentum, and the future just isn't getting any brighter.

What's more telling is that the long-term price for uranium has continued to decline, and at US\$29/lb, it is down nearly 30% from the US\$40.50/lb it was at just two years ago.

Further cuts are simply an inevitability for a company like Cameco that doesn't see things getting better anytime soon. In the earnings release, CEO Tim Gitzel, stated, "Our results reflect the impact of a weak uranium market and the deliberate actions we have taken driven by the goal of increasing long-term shareholder value."

Year to date, the stock has actually grown by 23% leading up to the results on Wednesday, although we'll likely see a drop in price following this release, as the bears will be out in full force.

### **Is there any reason for investors to consider buying Cameco?**

The outlook for Cameco certainly is dark, and when a company makes such a drastic cut to its workforce, there's simply no way to spin that as anything but a negative.

That being said, the stock was trading around its book value leading up to the results, and a big drop in price could put the share price at a large enough discount that it will be worth buying and holding onto for the long term, in the hopes that uranium prices are able to recover, and that Cameco can turn things around.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

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1. Editor's Choice

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