



How Long Can Cameco Corp. (TSX:CCO) Continue?

Description

Despite a string of unimpressive results and continued weakness in the uranium market, **Cameco Corp.** ([TSX:CCO](#))([NYSE:CCJ](#)) has long been viewed as a promising long-term option for investors.

The uranium market has remained weak since the Fukushima disaster in Japan back in 2001, with demand sharply falling and supply increasing as mining operation levels remained largely unaffected for several years.

Now faced with a massive supply glut and a growing belief that a recovery is possible within the next few years, Cameco and other major miners have been drastically cutting operations and using existing stock levels to fulfill client orders. [Late last year](#), Cameco shuttered both the McArthur River and Key Lake sites temporarily at the cost of 840 jobs. Keep in mind that McArthur is the largest high-grade uranium mine on the planet.

Since that announcement, other major miners around the world followed suit and opted to suspend operations until the supply glut is cleared and a more favourable market for uranium returns.

What happened last week?

During the second-quarter earnings announcement, Cameco announced the indefinite closure of both facilities, noting the desire to not to produce any uranium from any tier-one assets such as McArthur River and Key Lake. As a result, many of the workers on a temporary layoff from the previously announced supply cut last year will now be permanently laid off, leaving only a skeleton staff present to maintain both facilities.

Cameco also noted that the cuts would hit the corporate office, with nearly 150 positions set to be eliminated.

The company also announced a multi-step framework to weather the current environment and emerge stronger.

In addition to shuttering high-grade facilities, that plan also called for other measures such as not

increasing the supply of uranium, looking for new value-adding sales opportunities, and finally sourcing uranium from other means if necessary (in other words, buying it on the open market rather than mining it).

The quarterly results themselves were, in a word, dismal.

Cameco reported revenues of \$333 million, down nearly a third over the same period last year, and gross profit is down 72% to just \$26 million. Net losses for the quarter came in at \$76 million, far surpassing the paltry \$2 million net loss reported in the same quarter last year.

With uranium prices still hovering just over US\$22 per pound, and Cameco's already deep production cuts not having a major impact (yet) on driving prices higher, there's little more the company can do apart from continuing to cut production.

Can Cameco and the uranium market recover?

This is a question that is constantly asked, and the facts remain the same. Cameco is a great long-term investment, and the market will recover. The fact that there are hundreds of nuclear reactors seeking approvals or that are ready to start construction is promising, and Cameco's current tenure of long-term contracts has provided some lift to what would have otherwise been devastating cost cuts.

The big question is when, and pundits have been saying next year for a few years now.

In short, unless you're already invested in Cameco and intend to hold until such time that the market recovers (it will), there are far better investments available on the market that will cater to either the [growth- or income-seeking investor](#).

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Date

2025/09/12

Date Created

2018/07/31

Author

dafxentiou

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