



## Why Cameco Corp. (TSX:CCO) Could Be About to Take Off!

### Description

**Cameco Corp** ([TSX:CCO](#))([NYSE:CCJ](#)) has faced a lot of adversity over the past year. Low uranium prices, a dispute with a big customer, and looming tax issues have left the stock struggling to even stay above book value. However, the company did finally get some good news, as the tax dispute with the Canada Revenue Agency (CRA) ruled in Cameco's favour for some of the years in question.

Cameco CEO Tim Gitzel reflected on the impact this has had on Cameco, stating that "We followed the rules, yet this dispute has caused significant uncertainty for our investors during a period of prolonged weakness in markets for our products. Now we hope CRA accepts the decision and applies it to other tax years in dispute, so we can focus on managing our business for the benefit of all our stakeholders."

There are still other years in dispute and the CRA is still able to appeal the matter, but it's nonetheless a good sign for Cameco and its shareholders. The stock got a big boost on the news, and in the past month it is up more than 6%. Whether or not the stock can build on this, however, is a separate issue.

### Many issues still remain

The problem for investors is that while it's good news that Cameco looks to be rid of some of its tax issues, there are still many (big) items that still make it a [risky investment](#). The price of uranium is the most important factor in Cameco's long-term success, and it will dictate how well the stock will do.

Although uranium prices are well below where they were three years ago, the good news for investors is that the commodity has been rising in 2018. In September, the price for uranium rose to US\$27.50/lb, the highest it has been since early 2016.

Cameco and other producers have made efforts to curb output in hopes that would lead to upward pressure on prices, which it appears it has. Unfortunately, that hasn't translated into any solid results just yet.

In its [most recent quarter](#), the company saw sales decline year over year while posting a net loss for the fourth time in the past five quarters. It's therefore no surprise that the company ended up slashing its dividend in an effort to strengthen its financials during these difficult times.

### Should you buy Cameco today?

The stock still faces a lot of uncertainty, but it certainly looks like Cameco may finally be turning a corner. While the tax news is good, the upward trend in uranium prices will be much more important if it can prove to be sustainable. After all, a higher commodity price means Cameco can get more for its production, which will help strengthen both the company's top and bottom lines.

With the company still generating a lot of free cash and with conditions improving both internally as well as in the industry as a whole, it might be a good time to consider buying Cameco, as it could see a big quarter coming up as a result of higher commodity prices — and that could well send the stock soaring.

### CATEGORY

1. Investing

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