



## Why You Should Hold (Not Sell) Cameco (TSX:CCO)

### Description

**Cameco** ([TSX:CCO](#))([NYSE:CCJ](#)) remains one of several questionable investments in the market that continues to baffle some investors.

On the one hand, the multi-year drop in uranium prices has wreaked havoc on the market and, by extension, Cameco's stock price, which is down 30% over the past five-year period. On the other, Cameco's efforts to slash costs and pause production at a number of facilities appears to finally be bearing fruit, as uranium prices have moved slightly higher over the past year, culminating in Cameco reporting an annual profit for fiscal 2018 earlier this year — the first time the miner has posted an annual profit since 2015.

Turning ahead, Cameco reported results for the first quarter of fiscal 2019 last week, and while the numbers weren't great, they were also not entirely unexpected.

### Results are in, but what do they mean?

Cameco reported an \$18.3 million loss on revenues of \$298 million in the first quarter, which pales in comparison to the \$57.8 million profit on \$439 million in revenue reported in the same quarter last year. On an adjusted basis, that loss extends to \$33 million, but overall the downtick was expected and attributed to fluctuations in contract deliveries during the first part of the year.

On the production front, several of Cameco's facilities continue to remain shuttered while the company fulfills existing orders from a supply glut and the open market to kickstart demand and drive prices up. That supply glut is the result of Cameco retaining production operations well after the demand for uranium dropped. In addition to shuttering the McArthur River, Key Lake mill, and Rabbit Lake mines, Cameco was also forced to drastically slash its dividend in the past two years, to both cut costs and bolster its balance sheet.

While the results weren't the best, investors can take solace in the fact that Cameco earns most of its revenue during the second half of the year, so alarms shouldn't be ringing for investors just yet. If anything, there's a growing number of reasons to be optimistic about Cameco's future.

## Here's why there could be an upside

Despite the dismal earnings and still-shuttered facilities, there is a silver lining for would-be investors, and that comes in the form of the uranium market itself. In the years following the Fukushima disaster, the market witnessed a collective retreat from nuclear power, which in turn led to a drop in demand and the sad state that Cameco and other miners are now operating under.

Fortunately, the one thing that we are now seeing is a gradual uptick in demand for nuclear power, with emerging economies such as China, India, and Russia leading the charge. All three of those countries have ambitious infrastructure projects underway that are contingent on utilizing nuclear power. Together, those three countries account for half of the 50 reactors under construction around the world at the moment. Globally, over 100 additional reactors are currently planned or on order, and a further 300 are being proposed.

In other words, nuclear power isn't going anywhere; in fact, it appears to be making a renaissance, and it's only a matter of time before uranium prices, which are already steadily rising over their multi-year lows, begin to experience real growth.

## Does this make Cameco a great investment?

While there is a long-term opportunity to be made from investing in Cameco, investors should be mindful of where that investment opportunity lines up with the rest of the market. Specifically, the market is up by double digits so far in 2019, and there are a good number of [excellent investment opportunities](#) that are rife with growth and income-earning potential today.

To put it another way, Cameco might be an intriguing investment at some point in the future, but right now, unless you are already invested into the uranium miner, there are far [better picks](#) on the market.

### CATEGORY

1. Investing
2. Metals and Mining Stocks

### TICKERS GLOBAL

1. NYSE:CCJ (Cameco Corporation)
2. TSX:CCO (Cameco Corporation)

### PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise

4. Yahoo CA

**Category**

1. Investing
2. Metals and Mining Stocks

**Date**

2025/07/04

**Date Created**

2019/05/06

**Author**

dafxentiou

default watermark

default watermark