



Is Cameco (TSX:CCO) a Good Stock to Buy?

Description

Cameco ([TSX:CCO](#))([NYSE:CCJ](#)) can't seem to catch a break. Down 9.5% since the start of the year, the stock has been one of the more notable underperformers in what's otherwise been a fairly strong year for the markets. And while the stock started out well with Cameco reaching over \$17 by February, it's gone on to fall back down to just over \$14 as of the end of last week.

The big catalyst behind the company's up-and-down performance has undoubtedly been uranium prices. While they started strong to start the year at over US\$28/lb, they have gone on to decline for four consecutive months and in May reached barely over US\$24/lb, which is worse off than where the commodity was trading at to close out 2018. Weak uranium prices have kept Cameco's stock down, despite the company still producing solid results.

Weak demand has unfortunately played a big role in the price, and although it looked like there was finally some momentum that could help give the stock a lift, especially with Cameco [cutting back on production](#), it proved to be a very short-lived rally.

Poor sales in Q1 and a loss certainly didn't help the company, but it [wasn't all bad news](#) for the stock. There's still hope that things can turn around. The positive is that Cameco is still producing good free cash flow and is continuing to weather the storm and make the most it can out of a bad situation. The challenge for investors is wondering how long this is going to last for and when things will finally turn around for Cameco once and for all.

The problem is that there's no clear answer to that question. However, for those that are willing to hold out hope for the stock and hang on for the long term, there could be some serious gains that could be made with the stock trading at just 1.1 times its book value today. It could prove to be a cheap buy if the industry is able to get back on its feet and Cameco is able to get back to its previous highs.

And with nuclear energy being a clean energy option that could gain traction, as there's more focus on climate change, there could be a lot of growth in this industry, and Cameco is a major player that would benefit from it. It won't be today or tomorrow that it happens, but there's definitely a reason to be optimistic about the company's long-term future.

Bottom line

Cameco looks like a solid buy, but investors shouldn't expect a turnaround quickly. This has proven to be a big battle for the company, and there are still many question marks surrounding it. However, with the company continuing to perform well even under such challenging conditions is the ultimate test and should give investors a lot of confidence in the company's management and its abilities.

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