3 Positives to Take Away From Cameco’s (TSX:CCO) Q2 Results

Description

Cameco (TSX:CCO)(NYSE:CCJ) saw its share price continue to fall last week after the company released its latest quarterly results. Although the performance fell short of expectations, there were still some notable improvements that investors shouldn’t ignore. Below are three positives that can be taken away from the results and why Cameco might still be a good buy today.

There’s less uncertainty surrounding the company

Things are getting a bit more predictable for Cameco now that issues surrounding its dispute with the Canada Revenue Agency are getting closer to being resolved. In addition, the company’s dispute with Tokyo Electric Power Company Holdings. (TEPCO) has also been addressed. So far, the results have gone in Cameco’s favour, and they should help give the stock some stability. Although the US$40.3 million award for damages relating to the TEPCO dispute may not have been what Cameco was hoping for, it still helps the company close out the issue and prevents it from wasting additional resources pursuing it.

The one uncertainty that still plagues the company and its stock price is the price of uranium. Although the commodity started out 2019 strong, it has continued to decline, and at this rate, it could fall below last year’s prices. However, as with any commodity, it’s a risk that investors and companies have to live with.

Sales growth coming from new areas

During the quarter, Cameco’s sales rose by 17% year over year and gross profit got a bump up of 62%. Although commodity prices have made it challenging for Cameco, the company has found ways to grow its revenues as best as it can.

Uranium revenues of $293 million were up 24% year over year, as higher volumes helped to offset a slightly lower commodity price. What was interesting is that there was a shift in the makeup of the sales with the Americas showing a significant decline of over $51 million; large improvements in Europe and

Asia more than made up for that, resulting in a more balanced mix of sales from the different parts of the world that Cameco sells to. Fuel service revenues of $80 million were also up 18% from last year's tally of $68 million.

Spending has been reduced

Cameco's management has been very good with controlling costs and spending amid these challenging market conditions. Operating costs of $59 million were a big reduction from the $78 million that Cameco incurred in the prior year. The company has also tightened up its cash as well, with just $209 million spent on investing activities during the quarter compared to $344 million in the prior year.

Bottom line

With Cameco's stock trading around its 52-week low, it could be a good buy on the dip. Although its earnings may not have been very strong, there were some good improvements that should give investors some hope in the stock, especially over the long term.

For investors willing to take on some risk, this could be a great contrarian bet to take today.

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