Is it Time to Buy Cameco (TSX:CCO)?

Description

Beleaguered uranium miner **Cameco** (TSX:CCO)(NYSE:CCJ) had had a rough decade. Following the Fukushima disaster in 2011, worldwide demand for nuclear power dropped as utilities shuttered nuclear facilities in increasing numbers. This ultimately led to the price of uranium dropping to the low US$20s per pound, far from the US$60 per pound that uranium traded at pre-Fukushima.

For Cameco, this meant that the company was mining something that was dropping in both price and demand. Cameco eventually had to shutter facilities, slash costs, and fulfill contracts through the open market and its glut of mined uranium to drive the price of uranium higher.

There has been some limited success in those efforts. The spot price for uranium so far in 2019 has ranged from US$24 to US$28 per pound, surpassing the US$21-to-US$27 range established in 2018.

Does this mean that Cameco's efforts now justify an investment? There are arguments to be made in both directions.

Cameco is moving in the right direction

There are increasing signs that nuclear power is once again being considered as a clean, quick, and viable energy source. This is particularly true in economies that have aggressive infrastructure plans that call for an abundance of new energy needs.

In total, there are nearly 450 nuclear reactors around the world today across 30 different countries. Apart from the ongoing needs of providing uranium fuel to those reactors, there are an additional 50 reactors under construction today across 15 countries.

Most of that construction can be attributed to China, India, and the United Arab Emirates, where an infrastructure boom has resulted in the need for new power facilities.

Another long-standing issue weighing down Cameco was the dispute with CRA. The Tax Court ruling last year finally put an end to that dark cloud, and earlier this year, Cameco even received an amount of $10 million as reimbursement for legal costs on the matter.

Finally, there's Cameco's efforts to drive prices up and costs down. In short, the company has shuttered facilities and has turned to both the open market as well as its supply glut to fulfill its long-term contract orders.

I'll pass on Cameco — for now

In short, Cameco is still a volatile investment.

Cameco has endured what can only be classed as an incredible decade of uncertainty. While Cameco's cost-cutting efforts to improve its balance sheet should be applauded, the company is still not providing investors with the results they want to see.

By way of example, in the most recent quarter, Cameco reported a net loss of $23 million.

Adding to this is the fact that Cameco is still fulfilling orders from its supply glut and the open market. While this keeps costs low at the moment, this also means that if demand were to ramp up (as many expect it will within the next few quarters), re-opening those shuttered facilities will incur additional costs that could prolong the return to profitability.

In other words, unless your investing timeline is long term, you will be better served by opting for any number of other investments, many of which offer handsome dividends as well.

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