



It's Time to Take a Fresh Look at Cameco (TSX:CCO)

Description

There are few investments on the market today that spark as much [controversy](#) and differing views as **Cameco** ([TSX:CCO](#))([NYSE:CCJ](#)).

As one of the largest uranium miners on the planet, Cameco should be in good company. Nuclear power is steadily gathering support, especially among countries with rapidly developing infrastructure, such as India, China, and Russia. Nuclear power is also significantly cleaner and cheaper than fossil fuel facilities, which is an attractive option for both new and upgraded facilities.

Instead of ramping up for that growth potential, Cameco is looking at a nearly 15% year-to-date drop in stock price, with the company also recently reporting a net loss of \$13 million for the third quarter.

Here's a recap of those results and what they mean for investors.

Why is Cameco down so much?

Back in 2011, the Fukushima disaster served as a wake-up call to nuclear power operators around the globe. As with previous incidents, Fukushima led to a near-immediate drop in demand for nuclear power reactors and, by extension, uranium fuel.

As a result, uranium prices, which were hovering near US\$60 per pound, began a decade-long drop into the low-US\$20s, where they have remained. This left Cameco mining a product that nobody was buying, which was also dropping in price. This also left Cameco with a supply glut of uranium.

To address that glut, Cameco shuttered production facilities and moved to fulfill existing supply contracts through that glut and the open market. Results have been slow, but positive uranium prices have edged up, with the market price now hovering just over US\$25 per pound.

Demand is finally picking up too. There are nearly 100 new reactors in various stages of approval around the world and nearly 50 reactors currently under construction around the world.

Let's talk results

Cameco's third-quarter results were announced earlier this month.

In that most recent quarter, Cameco reported a net loss of \$13 million, which, on an adjusted basis, came in as a net loss of \$2 million.

It wasn't all bad news for Cameco. The company announced an updated outlook for 2019, which included improved pricing forecasts for uranium, and revenue. Cameco also finished the quarter with \$864 million in cash while still managing to not take on any short-term debt. In fact, Cameco was able to slash its debt down by a third, or \$500 million.

Are things really that bad for Cameco?

Cameco is moving in the right direction. Apart from a resurgence in demand for nuclear power, the company has done an admirable job in slashing costs, shuttering facilities, and dealing with a glut of supply.

In short, Cameco holds significant risk, but for those investors with an appetite for risk and a long investment timeline, a small position in the stock could be warranted.

If that seems a little too risky, there are several [other compelling investment options](#) to consider in the sector, some of which also offer a tasty dividend.

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Date

2025/09/11
Date Created
2019/11/24
Author
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