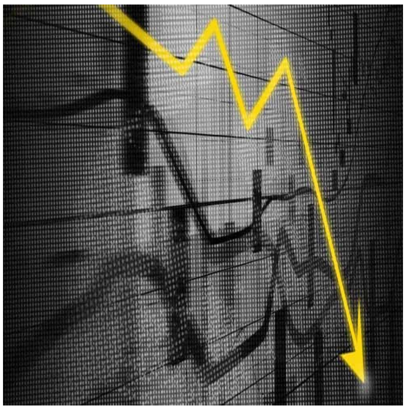

Cameco (TSX:CCO) Stock Falls After Revenue Miss

Description

Cameco (TSX:CCO)(NYSE:CCJ) started to come back down to earth this week when the company reported earnings that were less than ideal. Shares of Cameco stock fell about 5% in early morning trading, after hitting 52-week highs over the last few weeks.

What happened?

As uranium demands increase, as well as uranium prices, Cameco stock and other producers are having a hard time keeping up with demand. While management remained confident in long-term value, the short term looks a bit less stable.

The company reported a net loss in the third quarter of $72 million. While uranium production was up by 43% year over year, sales were down 19% during that same period. This resulted in a drop in revenue of 25% year over year.

“With McArthur River and Key Lake in care and maintenance, we are not at the regular tier-one run rate of our business. However, we are positioning to capture long-term value: to respond to the growing need for uranium to generate safe, clean, reliable, and affordable electricity,” stated Tim Gitzel, Cameco’s president and chief executive officer.

So what?

The results from Cameco stock came significantly short of earnings estimates. Revenue was down 29% compared to analyst expectations. And while production resumes at several facilities, there are others producing less than expected or aren’t fully operational.

However, Cameco stock continues to explore new ways to bring in revenue faster. This includes a partnership with Terrestrial Energy to deploy nuclear power plants in North America and the world. Both companies may also convert the Port Hope uranium conversion facility into fuel supply.

But for Motley Fool investors hoping to get in on some more uranium stock action, now doesn't seem to be the time. After significant growth, the stock has stalled. And as of writing, the stock is valued fairly according to the potential share price estimated by analysts. And that price doesn't include today's report.

Now what?

I'm not saying you should give up on Cameco stock. Far from it. It's a long-term hold that Motley Fool investors have been watching as it continued its share climb. In the past year alone, shares are up 65% as of writing. That's a significant jump after years of slumped prices. It might be a good time to consider the stock when it levels out.

Cameco stock updated its future outlook, and while it was downgraded, it's not an entirely grim outlook. Production wasn't as great as expected due in large part to both COVID-19 and forest fires. However, production at Cigar Lake has resumed, so the next quarter could see improvement from the expected 12 million pounds in 2021.

Overall, fuel services production is now expected to be between 11.5 million and 12.5 million — a downgrade from 12.5 million to 13.5 million. There were also one-time costs for care, maintenance, and health and safety to some of its production operations. Furthermore, as production doesn't match sales commitments, the company has been buying up uranium, creating even more costs as uranium prices rise.

Perhaps Motley Fool investors may want to see the next earnings report before considering Cameco stock. But in the long term, it provides a strong entry point into the clean energy space.

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alegatewolfe