



With Cameco Stock up 27%, Is the Stock Finally a Buy?

Description

Shares of **Cameco** ([TSX:CCO](#))([NYSE:CCJ](#)) have sent shareholders on a wild ride during the last two years. But in the last two weeks, there has been stable growth of 27%.

Growth after earnings fall

It might surprise Cameco stock investors to see shares climbing so well after the company lost so much after its earnings report. The first quarter came out on May 5, leading to a substantial drop of 21% between May 5 and May 12, when the stock started to recover.

Cameco stock reported revenue grew 37% year over year for the first quarter of 2022. Furthermore, it increased its gross profit from a loss of \$40 million to a profit of \$50 million. This came out to earnings per share of \$0.10, beating estimates. Furthermore, Cameco stock increased its guidance for 2022 to between \$1.73 and \$1.88 billion from between \$1.5 and \$1.65 billion

But is it sustainable?

While this was all great news for Motley Fool investors, and analysts still think the stock will outperform, they still cut their price targets on quarterly news. This could have to do with a lot of influence from geopolitical issues rather than company performance — but certainly not entirely.

The ongoing sanctions against Russia, the world's cheapest uranium producer, has put pressure on Cameco stock to produce more. It's now uniquely positioned as the largest producer in North America to make some serious headway in the uranium business.

Furthermore, the price of uranium has skyrocketed thanks to both the lack of uranium coming from Russia as well as the move to net-zero emissions targets set by countries. While that's great, again, this pressure to produce could lead to a breaking point on the TSX today. There is already a lack of supply, and even management admitted that the uranium market is "vulnerable to a supply shock."

What now for Cameco stock?

It's a great time to invest in Cameco stock if even for a few years. The supply shock isn't likely to hit right away, and, meanwhile, there is a serious demand in the uranium market. Furthermore, even with shares back 27%, it's still down 40% from all-time highs way back in 2007 and 22% lower than 52-week highs.

Cameco stock is now increasing their stake and trying to identify [new mines](#) to create even more uranium. Its recent boost of ownership in Cigar Lake to 54.547% will certainly help the company reach that annual guidance.

Foolish takeaway

Cameco stock looks like it will continue to grow through both acquisitions, investment, and exploration. It now operates at a profit thanks to the boost in uranium price, and the move towards [clean energy supply](#). With the entire world looking to nuclear reactors for at least a short-term solution away from greenhouse gas emissions, Cameco looks to be a top investment contender. And it remains cheap, trading at 2.45 times book value.

So, if you're a Motley Fool investor looking for a strong turnaround on the TSX today, Cameco stock could be a great choice.

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