Cameco Stock Fell 10% in October, is it Time to Buy?

Description

Cameco (TSX:CCO)(NYSE:CCJ) has been an exciting stock over the last few years. But exciting isn't necessarily a good thing when you're looking to invest. Especially long-term. Even still, Cameco stock may now be an interesting investment for those seeking out a deal.

What happened?

Cameco stock fell 10% in October. The uranium company hit some turbulence after a problematic announcement came through. Cameco announced it would acquire 49% of Westinghouse, with **Brookfield Renewable Partners** holding a 51% interest in the company.

The purchase would be shared between Brookfield and Cameco, with the former taking on US$2.3 billion, and the latter US$2.2 billion. So clearly, it's a major purchase that investors weren't keen on during an economic downturn.

Shares of Cameco stock plunged about 20% at the news from peak to trough. But in the last few days, there's been some improvements. So what should investors think now?

Earnings came in hot

Last week, Cameco came out with its most recent earnings report. This was yet another report that beat out earnings estimates, allowing for shares of the company to climb higher. Shares have increased 11% since the lows after this last announcement and have continued climbing after earnings.

Cameco announced it has extracted 77 million pounds of uranium year-to-date. The company remained at a loss, but saw adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) come in at US$10 million.

Furthermore, it expects to have its McArthur River/Key Lake mill up and running by the fourth quarter, which points towards even more uranium production in the near future. Based in Saskatchewan, this is the world's largest high-grade uranium mine and mill.

What should investors think?

It can't be denied that short-term investors may not see the advantage of purchasing Cameco stock. The recent acquisition of Westinghouse meant taking on a massive amount of debt. While that's true, the stock remains strong, and this acquisition is a major opportunity for expansion when the world seriously needs uranium.

The global transition to net-zero will require an enormous amount of uranium at least in the next few decades. Uranium prices continue to soar, and it's getting harder for companies to find new sources. Therefore, buying companies that have proven mills is a wise strategic move for both Brookfield and Cameco.

Now, I'm not going to lie. Cameco stock still doesn't look like a deal at these prices. However, with shares down 10%, and more uranium production set for this year, long-term investors may want to consider the stock at these share prices.

Bottom line

Uranium is a necessary component of the transition to clean energy. Because of this, Cameco made the right move by investing in Westinghouse when it did. The company is taking a long-game approach, and in doing so, is getting away from its meme stock days of yesteryear.

So, if you're an investor looking for long-term gains, I'd certainly consider Cameco stock. It continues to beat earnings quarter after quarter. Shares are still up 19% year-to-date, even if they're down 10% in the last month. And it will remain one of the world's largest producers of uranium for at least the next decade, if not beyond.

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