



Is Cameco Stock a Buy Now?

Description

Is your portfolio diversified? Finding one or more stocks to augment your portfolio is always a good idea. Identifying one or more stocks that are stellar buys in the following years of decline is even better. **Cameco** ([TSX:CCO](#)) is one such stock, but is Cameco stock a buy now?

Let's try to answer that question.

A quick history of Cameco

For those that are unfamiliar with the stock, Cameco is one of the largest uranium miners on the planet. Once mined, the uranium that Cameco produces serves as fuel for nuclear reactors around the world.

Long-term contracts for that uranium help provide Cameco with a recurring source of revenue that often spans a decade or more in duration. It's an intriguing business model, with some similarities to how traditional utilities generate a stable and recurring revenue stream.

The one notable difference is that uranium, which trades on the market like other commodities is a commodity that people have strong emotions about. A reactor accident, or the fear of one, often sends uranium prices and, by extension, demand plummeting.

And that's precisely what happened following the Fukushima disaster in Japan over a decade ago. Uranium prices, which were hovering near US\$60 per pound at the time, dropped to the mid-US\$20s per pound over the following years.

This left Cameco mining a product that was dropping in price and nobody wanted to buy. The result was Cameco cutting production, shuttering facilities, and slashing costs until the market improved.

And it did begin to improve, just as the pandemic kicked off. As of the time of writing, the spot price for uranium is hovering shy of US\$50, while Cameco's stock price is up 70% over the trailing two-year period.

The stock is also beating the market in 2022, up over 5% year to date. That still doesn't answer the question: is Cameco stock a buy now?

Cameco today: Very different and full of potential

Fortunately, the demand for nuclear power and all [renewable energy](#) types is growing. There are over 50 reactors under construction globally, and hundreds more that are proposed or in various stages of approval.

In other words, there's no shortage of would-be customers for Cameco's uranium fuel.

The improvement across the market is beginning to be seen in Cameco's quarterly updates. In the most recent quarter, Cameco reported \$389 million in revenue, reflecting an 8% increase over the same period last year.

On an adjusted basis, the company earned \$10 million, or \$0.03 per adjusted and diluted share. By way of comparison, in the same period last year, Cameco posted an adjusted net loss of \$54 million, or \$0.14 adjusted loss per adjusted and diluted share.

There's one other notable point to mention. Cameco's recent acquisition of Westinghouse is a shift for the company, moving it closer to the lucrative utility market. To put it another way, nearly half of the active nuclear reactors around the world are serviced by Westinghouse,

With nuclear power growing in importance, the opportunity for long-term growth is worth exploring.

Is Cameco stock a buy now?

All stocks carry risk, and long-term investors know first-hand that includes Cameco. The growing need for renewable power sources that could be stood up quickly has helped accelerate demand for nuclear reactors.

In my opinion, Cameco is in a unique long-term growth position. In short, the company can offer investors some growth but should only be a small part of a much larger, well-diversified, [long-term portfolio](#).

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