



## Teck Resources Beats Estimates – Cutting its Way to Glory

### Description

Canada's largest diversified miner, **Teck Resources** (TSX:TCK.B, NYSE:TCK), joined the second quarter earnings parade on Thursday. Better than expected results had the stock trading as much as 4% higher earlier in the day.

Although adjusted EPS for the quarter came through at \$0.34, beating the consensus estimate of \$0.31/share, the company carried a cautious tone as cost cuts and production management were emphasized.

Cap ex guidance in 2013 has been lowered from \$2 billion to \$1.85 billion and a cost-cutting initiative that was scheduled to amount to \$250 million in savings has been nudged up to \$300 million. \$220 million in cost savings have been achieved thus far and another \$80 million is on the table.

For somebody that has trouble cutting \$30 out of his monthly budget, this seems like a pretty impressive accomplishment.

The reason for this conservative tone is that Teck's primary business, coal production, has been under pressure. Of the company's \$2.2 billion in quarterly revenues, \$1 billion was generated from its coal division and because of slumping global demand for steel, the economics of coal are currently rather tight.

Thus far in Q3 Teck has been selling its coal for \$143/tonne. The company provided guidance that indicated it costs them between \$113 and \$128/tonne to produce this coal. That doesn't leave much room for error and provides an indication as to why that extra \$50 million in cost savings initiatives might come in handy should coal prices continue to slide.

### Foolish Takeaway

Teck and its resource related peers have created a significant drag on the Canadian market thus far in 2013. Because of their heavy-weights in the S&P/TSX Composite, Canadians that are index oriented investors aren't as well-diversified as they may think.

We have prepared a [Special FREE Report](#) that will clue you into the perils of passively investing in the Canadian index and suggests an easy to implement alternative strategy. The report is called “**5 Stocks That Should Replace Your Canadian Index Fund**”. One of these 5 is in the process of being taken over at a huge premium. Find out who the remaining 4 are simply by [clicking here](#).

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*Fool contributor Iain Butler is short \$26 August put options in Teck and owns Teck shares outright. The Motley Fool doesn’t own shares in any of the companies mentioned.*

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSE:TECK (Teck Resources Limited)
2. TSX:TECK.B (Teck Resources Limited)

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## Date

2025/06/28

## Date Created

2013/07/25

## Author

tmfohcanada

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