



Teck Resources vs. First Quantum Minerals: Which One Belongs in Your Portfolio?

Description

They are Canada's two largest base metal miners, and both have certainly seen their fair share of ups and downs. However, that's about all that **Teck Resources** (TSX: TCK.B)(NYSE: TCK) and **First Quantum Minerals** (TSX: FM) have in common. When deciding which one to put in your portfolio (assuming that you *have* to choose one of them), there are a few differences between them you must account for.

1. Track record

This might be the biggest difference between the two companies. While [First Quantum has become one of Canada's most successful miners](#), Teck has struggled over the past decade, and this shows up in its stock price. Over the past 10 years, First Quantum's shares have returned 23% per year, compared to only 10% for Teck.

A difference that large, over that long a time period, can only be explained by First Quantum's stronger track record. The key to the company's success is two-fold: First, it buys mines at a discount, and second, it develops them cheaply.

Meanwhile, Teck has had issues with capital allocation, including an ill-advised takeout of Fording Coal right before the economic crisis struck. The move nearly bankrupted the company. While Teck's management seems to have changed its ways, it has not gained investors' trust the way that First Quantum's team has.

2. Production

Last year, First Quantum's production was 70% weighted towards copper, while Teck's was 50% weighted towards steelmaking coal. This makes Teck a more risky investment.

The reason has to do with China's construction boom, which many observers believe is on shaky ground. Steel is much more heavily weighted towards buildings than copper is, meaning that if China's property building slows, the steel market will suffer more than the copper market.

We've already started to see the effects of China slowing down. In the first quarter of this year, Teck's realized price for copper dropped 11% year-over-year but for coal dropped 19%. The news could get much worse.

3. Price

This is the one area where Teck is more attractive than First Quantum: Teck simply has a cheaper share price. To illustrate, over the past three years, Teck's shares have returned -17% per year, and now trade at about the same level they did in mid-2009. Meanwhile, First Quantum's shares have returned -3% over the past three years, and are almost twice as expensive as they were in 2009.

If you're looking for a cheap stock, or looking to make a bet on China, you might want to consider Teck. If you prefer to bet on the jockey, First Quantum is the better option. However, if you place a great emphasis on stability and earnings predictability, your best bet is to avoid both of these companies altogether.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:TECK (Teck Resources Limited)
2. TSX:FM (First Quantum Minerals Ltd.)
3. TSX:TECK.B (Teck Resources Limited)

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