



## Teck Resources vs. First Quantum Minerals: Which Should You Buy?

### Description

At first glance, it appears to be no contest.

Shares of **Teck Resources** (TSX: TCK.B)(NYSE: TCK) have fallen by nearly half over three years. Meanwhile, shares of **First Quantum Minerals** ([TSX: FM](#)) have held steady over the same time frame, up 0.6%. Teck's shares also have a far higher dividend yield of 3.5%, compared to First Quantum's 0.6%.

So is now a perfect chance to pick up some cheap Teck shares, and enjoy a decent dividend? Or is First Quantum still the better option? A closer look is warranted.

### Teck Resources: A troubled company

Ever since Don Lindsay took over as CEO nine years ago, Teck Resources has been on a roller coaster ride. Up until 2008, growth in China was fuelling commodity prices, and Teck was doing well. Then came the financial crisis, exacerbated by a disastrous acquisition of Fording Coal – these events nearly bankrupted the company.

Resurgent commodity prices rescued Teck, and its stock price skyrocketed, peaking above \$60 per share in 2011. Since then, slowing growth and investment in China has hurt commodity prices, leaving Teck where it is today.

Do you notice a pattern? Teck Resources and its shares are essentially a bet on the Chinese economy, specifically Chinese investment spending. So if you believe that the worst is over in China, you can make this bet by buying Teck shares.

The problem is that many smart observers believe the worst is yet to come. In a recent interview with Charlie Rose, short-seller Jim Chanos (who became famous by betting against Enron before its collapse) talked about why he's betting against the Chinese property market. And if Mr. Chanos is right again, that spells bad news for Teck's shareholders.

## First Quantum: A model performer

The past nine years have been a lot better for shareholders of First Quantum. Over this time, its shares are up an astounding 417%, compared to just 8% for Teck. And this has been no fluke either – First Quantum has built a fantastic reputation for smart capital allocation and disciplined cost control. It's helped the company grow very efficiently.

Secondly, First Quantum makes the bulk of its money from copper, while Teck makes half its income from steelmaking coal. What difference does this make? Well, steel is used almost entirely to make buildings, while copper has many more end uses, such as consumer goods. Thus if China slows its building, then Teck suffers a lot more than First Quantum.

So if you go with First Quantum over Teck, you're not as exposed to the Chinese economy, and you get a better track record at the same time. It's likely a more responsible bet to make.

## 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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