



5 Reasons Why Teck Resources Ltd Deserves a Closer Look

Description

Teck Resources Ltd (TSX: TCK.B)(NYSE: TCK) focuses on its business units of copper, steelmaking coal, zinc and energy. A dividend payer with a current yield of 3.51%, the company is the largest diversified resource company in Canada and last year marked its 100th anniversary.

Here are five reasons to consider Teck for your portfolio.

1. Diversity of operations

Teck Resources has an interest in 13 mines in Canada, the U.S., Chile and Peru, and one large metallurgical complex and a wind power facility in Canada. Teck's expertise is in exploration, development, mining and minerals processing, safety, environmental protection, materials stewardship, recycling and research. The company's focus is on building its production at existing operations. Teck is North America's largest producer of steelmaking coal and one of the world's largest producers of zinc.

2. Commitment to cost containment

In 2013, Teck employed successful cost reduction programs at each of its sites. Recently, Teck CEO/President Don Lindsay, said regarding Q2 2014, "We are pleased with the performance of our operations this quarter and with our efforts to reduce our costs and capital spending to ensure we emerge stronger from the current challenging price environment, particularly the substantially lower steelmaking coal price that was prevalent in the second quarter of 2014 compared with last year."

3. Consistent cash flow

Cash flow health is important when considering companies to invest in and Teck Resources ended 2013 with \$2.8 billion of cash on hand. It ended the year with only US\$388 million of debt due in the next three years. Its cash balance was \$2.1 billion on June 30, 2014. The company has had consistent cash flow and for Q2 2014 its cash flow from operations (before working capital changes) was \$520 million versus \$584 million in Q2 2013.

4. Highland Valley Copper mill optimization

Teck has finished the mill optimization project at the Highland Valley Copper mine (south-central British Columbia, Teck 97.50% interest). Daily throughput averaged 140,000 tonnes in Q2, which is 10,000 tonnes per day above design capacity. This mine produces copper and molybdenum concentrates. The life of the mine is to 2027. In 2013, Teck produced 364,300 tonnes of copper from Highland Valley Copper. With the completion of the mill optimization project, the expectation is that the Highland Valley Copper will produce between 100,000 and 150,000 tonnes of copper annually, depending on ore grades and hardness.

5. Oil sands partnership

Teck has a partnership with **Suncor Energy Inc.** ([TSX: SU](#))([NYSE: SU](#)) and **Total E&P Canada**. With this partnership it is advancing the Fort Hills Project and construction is progressing considerably. The Fort Hills oil sands project is in northern Alberta. Teck has a 20% interest in the Fort Hills Energy Limited Partnership, which owns the Fort Hills oil sands project. Total E&P Canada has 39.2% and 40.8% is held by Suncor Energy, the project operator.

With four main business units in essential industries and a corporate commitment to cost containment, I believe Teck Resources is a solid investment play. The company has diverse assets in place for sustained return on investment.

CATEGORY

1. Investing

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2. NYSE:TECK (Teck Resources Limited)
3. TSX:SU (Suncor Energy Inc.)
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Date

2025/08/03

Date Created

2014/08/12

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