

Should Teck Resources Ltd. Be on Your Long-Term Buy List?

Description

Teck Resources Ltd. (TSX:TCK.B)(NYSE:TCK), the largest diversified resource company in Canada and the largest producer of steelmaking coal in North America, released fourth-quarter earnings before the market opened on February 12, and its stock responded by soaring over 6% in the trading session that followed.

Even after the large post-earnings rally, the company's stock still sits more than 30% below its 52-week high, so let's take a thorough look at the quarterly results to determine if we should consider establishing long-term positions today.

The results that ignited a rally

Here's a summary of Teck Resources' fourth-quarter earnings results compared to what analysts had anticipated and its results in the same period a year ago.

Metric	Reported	Expected	Year Ago
Earnings Per Share	\$0.20	\$0.22	\$0.40
Revenue	\$2.26 billion	\$2.22 billion	\$2.38 billion

Source: *Financial Times*

Teck Resources' adjusted earnings per share decreased 50% and its revenue decreased 5.1% compared to the fourth quarter of fiscal 2013. The company's steep decline in earnings per share can be attributed to net income decreasing 48.9% to \$116 million, primarily due to lower commodity costs, and its slight decline in revenue can be attributed to sales falling in two of its three major business segments, including declines of 14.4% to \$824 million in its Coal segment and 13.9% to \$656 million in its Copper segment, and these declines were only partially offset by an increase of 19.4% to \$775 million in its Zinc segment.

Here's a quick breakdown of 10 other notable statistics and updates from the report compared to the year-ago period:

1. Production of coal increased 1.5% to 6.8 million tonnes.
2. Production of copper decreased 21% to 83,000 tonnes.
3. Production of zinc in concentrate increased 8.2% to 171,000 tonnes.
4. Production of refined zinc increased 5.8% to 73,000 tonnes.
5. Gross profit decreased 13.5% to \$757 million.
6. Gross margin contracted 320 basis points to 33.6%.
7. Earnings before interest, taxes, depreciation, and amortization (EBITDA) decreased 24% to \$582 million.
8. EBITDA margin contracted 640 basis points to 25.8%.

9. Cash flow from operations decreased 3.4% to \$743 million.
10. Free cash flow increased 41.7% to \$323 million.

Is now the time to invest in Teck Resources?

Teck Resources is the largest diversified resource company in Canada, and its stock jumped over 6% following the release of its fourth-quarter earnings report.

Even after the large post-earnings rally in Teck Resources' stock, I think it represents an intriguing long-term investment opportunity, because it trades at low forward valuations, including just 12.1 times analysts' adjusted earnings per share estimate of \$1.55 for fiscal 2015, which is very inexpensive compared to its five-year average price-to-earnings multiple of 15.8 and the industry average price-to-earnings multiple of 16.7.

In addition, the company pays an annual dividend of \$0.90 per share, which gives its stock a very high yield of 4.8%, and I think this makes it qualify as both a value and dividend play today.

With all of the information above in mind, I think Teck Resources represents one of the best long-term investment opportunities in the market today, so Foolish investors should take a closer look and consider establishing positions.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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

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