



## Teck Resources Ltd.: Should You Buy This Stock Today?

### Description

**Teck Resources Ltd.** (TSX:TCK.B)(NYSE:TCK) has pulled back after a big run to start the year, and investors who missed out on the rally are wondering if this is the right time to buy.

Let's take a look at Canada's largest diversified mining company to see if more gains could be on the way.

### Earnings

Teck generated Q1 2016 earnings of \$18 million. That doesn't sound very exciting, but the number came in better than analysts had expected, and the fact that Teck can turn a profit at all in the current market is impressive. The company has done a great job of reducing costs through the downturn in the commodity cycle, and all but one of Teck's facilities generated positive cash flow in the first quarter, so the business is in decent shape.

Going forward, there might actually be some light at the end of the tunnel.

### Rising prices

Teck produces steel-making coal, copper, and zinc.

Coal is in its worst slump since 1950, but the situation is finally starting to improve, and Teck says current spot prices are above the contract settlement price for most Q2 shipments.

Copper has also shown some strength in recent months, but market watchers are split on whether or not the rout is over. Teck's copper sales rose in the first quarter at an average price of US\$2.11 per pound. The metal traded above US\$2.25 per pound in April, but currently sits near the Q1 average.

Zinc has enjoyed a solid rally in 2016; it's up about 20% since the middle of January. Production cuts are working their way through the market, and analysts believe zinc could move higher on stronger demand in the back half of 2016.

## How does oil fit in?

Teck doesn't produce oil, but it has a 20% stake in the Fort Hills oil sands development. The project has been a huge cash drain on Teck and is a big reason why the stock dropped to \$4 per share when WTI plummeted below US\$30 per barrel at the start of the year.

Oil's rally back above US\$40 has investors believing in Teck again, and the company already has the \$1 billion it needs to get Fort Hills completed by the end of 2017.

## Should you buy?

Teck is still risky. The company is carrying \$9 billion debt, and a reversal in commodity prices could cut the knees out of the recent rally.

Having said that, the upside potential remains compelling. If oil, coal, and the base metals have bottomed out, Teck is positioned well to benefit from a recovery. Remember, the last time Teck went through this process, the stock surged from \$4 to \$60 per share in less than two years.

If you have a contrarian investing style, it might be worthwhile to add a bit of Teck to your portfolio.

## CATEGORY

1. Investing
2. Metals and Mining Stocks

## TICKERS GLOBAL

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

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## Date

2025/07/29

## Date Created

2016/05/10

## Author

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