



Teck Resources Ltd. Still Has Positive Momentum Moving Forward

Description

Teck Resources Ltd. ([TSX:TECK.B](#))([NYSE:TECK](#)) had a huge 2016, and the beginning of 2017 is expected to display some of the same strength the company experienced during last year's rally.

Over the course of the full year, the natural resources provider's stock surged 450%. Teck's boom was aided in large part by the rise of met coal, which started the year at \$78 a tonne and peaked in mid-November at about \$300 a tonne. In fact, it was only \$92 a tonne in the third quarter before going up to \$200 by mid-September. China's cutting of production in inefficient mines helped met coal's boom, but the substance's price declined at the year's end.

Teck shares lost 18% in December, but there's no reason to fret as there is still a strong market for coal, which makes up about a third of the company's business. Despite the recent price volatility of met coal prices, Teck is in a good position as last year helped put the company in a place where costs have been lowered and its balance sheet has improved due to lower debt levels.

Macquarie Group Ltd. analyst Matt Murphy raised Teck's price target to \$13 a share on Dec. 19, while increasing the company's rating from a "Neutral" to an "Outperform." The first-quarter benchmark price for the company's highest-quality coal is now at \$285 per tonne.

Another recent move that is helping position the company for improved success moving forward is a deal with unionized employees at Fording River, Elkview's steel-making coal mines in British Columbia that will help bring stability to the company in the form of five-year collective agreements.

The free cash flow that Teck holds will help to offset the softening met coal prices. A number of analysts have raised their price target on the stock, including one analyst raising it from \$30 to \$40 a share, while another raised it from \$27 a share to \$41 per share.

Teck has received a boost from analysts as well as the company's own financial expectations for its most recent quarter. Despite the weak December, current-quarter estimates have soared from \$1.08 per share to \$1.38 per share. Analysts are becoming more bullish on the company's potential in both the short term and the long term.

Additionally, full-year expectations for the current year have gone from earnings of 94 cents per share to earnings of \$1.58 per share. Zacks is calling the stock a "Strong Buy," helping to further reinforce the strong analyst sentiment surrounding a stock that is still moving upwards as it continues to reap the benefits of the met coal price boom. Teck will post its fiscal fourth-quarter results on Feb. 15.

The incredibly strong 2016 has not quite ended for Teck as the company continues its path towards becoming debt-free and creating a better balance sheet for itself. This is a stock you must buy now before the momentum slows down for the company.

CATEGORY

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