



## Why Investors Still Need to Hold Off on Teck Resources Ltd.

### Description

At a price close to \$25 per share, investors are taking a good, hard look at shares of **Teck Resources Ltd.** ([TSX:TECK.B](#))([NYSE:TECK](#)), as there may be value to be had. The good news for investors is that shares of the Canadian miner have declined in price. The bad news is, shares of the company may still have far to go yet.

To summarize the situation, shares of the company took a deep dive at the end of 2015 and early 2016, reaching a low price of less than \$4 per share to a 2016 high of more than \$35 per share. For investors who bought in at the ground floor, Teck has been a fantastic investment.

For new investors looking to add resources to their portfolios at a reasonable price, this company is, without a doubt, one of Canada's biggest miners. With economies of scale and a number of large products on the go, those seeking diversification in the mining sector don't necessarily have to opt for a mutual fund.

Teck operates in five segments: steel-making coal, copper, zinc, energy, and corporate, which, together, offer a diversified approach.

While this company may look fantastic to some, there is more than one opportunity for things to go wrong.

### Why does this company look so good?

As of the end of the first quarter of fiscal 2017, the tangible book value per share was no less than \$29.30. As this is a mining company, investors need to know what is held by the company to be able to figure out just how much profit the company can generate.

In this case, the assets minus the liabilities, minus the intangibles equals more than the current share price. Assuming the company is able to mine the total resources that are listed on the balance sheet, investors could reap huge rewards.

## The problem

The challenge the company has faced in the past was with the production of coal. Under the previous administration, the president of the United States took measures to reduce the amount of coal being used, which resulted in the share price of Teck selling off from close to \$20 to under \$4 in less than one year.

The company may have a significant amount of tangible book value; although attractive to investors, it may never be realized. Things could go wrong in any number of areas, which would hurt the share price drastically — coal included, which has returned to much higher levels under the new presidential regime.

With what seems to be a lot of meat left on the bone for the taking, investors going after this prey may end up feeling more like vultures on a carcass than investors in the long run.

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2. Metals and Mining Stocks

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