



Comparing Teck Resources Ltd. to Goldcorp Inc.

Description

Over the past few weeks, investors have had a chance to analyze the earnings released by **Teck Resources Ltd.** ([TSX:TECK.B](#))([NYSE:TECK](#)) amid a coal industry that has returned from the dead under the U.S.'s new president. In addition, shares of **Goldcorp Inc.** (TSX:G)(NYSE:GG) have finally started to turn the corner after close to a year of declining. Although this is not what investors in the shiny metal would have preferred, the truth is that with increasing interest rates and a drop in demand, investors should expect the stabilization of gold prices to take some time.

To compare the two companies, we begin with shares of Teck Resources, which reported earnings of \$1 per share for the third quarter of the fiscal year and did not pay a dividend during this time. With higher retained earnings and 578.3 million shares outstanding, the company has increased the amount of tangible book value to \$32.83 per share. The challenge that investors will now face will be the lack of any catalyst to drive shares higher. Investors do not hide in coal when there is global uncertainty.

Barring a very cold winter or a renewal in the demand for coal, investors may be waiting a long time for a resurgence with this name.

Moving on to shares of Goldcorp, shares have finally increased to more than \$17 per share as the technical indicators are showing a clear bottom. Given that the share price has moved sideways long enough to allow the 10-day and 50-day simple moving averages (SMA) to catch up, the downward momentum has now dissipated.

As the company reported earnings per share of \$0.13 for the most recent quarter, paying only \$0.02 per share in dividends, the company has increased total shareholders' equity to almost \$14 billion, which translates to tangible book value of \$16.10 per share. Given the value to be had in the shares of the company, it is going to be very difficult for investors to experience substantial downside, as the tangible book value has acted as a price floor for the company over the past year.

To add the frosting on the cake, the economy is now eight years past the last recession, which means that there is the potential for greater volatility and uncertainty in the markets. As a reminder, investors tend to hide in gold during periods of unrest.

Using **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) as a basis for comparison, the company recently reported quarterly earnings of \$0.05 and increased the amount of tangible book value. This time, however, shares trade at a multiple of 2.6 times tangible book value, as investors perceive the company's ability to generate cash flow to be substantially higher than competitor Goldcorp. In reality, it is not that much higher.

For investors seeking the best alternative for their money, either commodity, coal or gold, is capable of running upwards on short notice based on a number of factors. Barring a major breakout, however, the best possible alternative remains shares of Goldcorp Inc.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. NYSE:TECK (Teck Resources Limited)
3. TSX:ABX (Barrick Mining)
4. TSX:TECK.B (Teck Resources Limited)

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Date

2025/07/07

Date Created

2017/11/05

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