



Teck Resources Ltd. Is up 500% Since January 2016: Why it's a Better Investment Than Marijuana Stocks

Description

Teck Resources Ltd. ([TSX:TECK.B](#))([NYSE:TECK](#)) is a \$17.7 billion metals and mining company that specializes in the production of steel-making coal, copper, zinc, as well as various other metals.

With all the hype about marijuana stocks and [Bitcoin](#), Teck can easily be missed; investors have been continually reminded of the potential of marijuana stocks, as they continue to dominate the headlines.

Canopy Growth Corp. ([TSX:WEED](#)), for example, has had a 634% return since January 2016.

Aurora Cannabis Inc. ([TSX:ACB](#)) has had a more than 1,000% return since January 2016.

Those are phenomenal returns.

But let's look at Teck's stock performance since January 2016. The stock has had a 500% return in this period, and while it is lower than the two marijuana stocks' returns, it is still a phenomenal return.

And let's dig deeper now and dive into the risk of each of these investments, because, as we know, the higher the risk of an investment, the higher the return potential to the upside, but also to the downside.

The marijuana industry, while very promising, is a new industry. And with this, we have many inherent risks. What will the actual size of the industry be? What will the regulations ultimately look like? How profitable will companies in this industry ultimately be?

Canopy is currently trading at 66 times revenue. And while the most recent quarter, the second quarter of fiscal 2018 saw a 107% increase in revenue versus last year, the sequential increase was lower at 11%.

And the company's net losses will continue for the foreseeable future, as in a new growth industry such as this, there will be heavy investment on building the company's production, brand, and reach, among other things.

Let's compare this to Teck. Trading at a price-to-sales multiple of 1.4 and a price-to-earnings multiple

of seven, we clearly have a different sort of investment, but the differences bear mentioning.

Teck generates cash flow, pays a dividend, has a healthy balance sheet, and is currently benefitting from [global economic growth and strong commodity prices](#).

In fact, Teck is generating free cash flow to the tune of \$1.6 billion in 2016 and \$2.5 billion in the first nine months of 2017. This cash flow has been used for dividend payments and to reduce the debt on the balance sheet.

In closing, while marijuana stocks seem to be trading on unbridled optimism on the hope of what might be, despite the many uncertainties, and with valuations getting into bubble territory, we have other stocks that are really benefiting from strong business fundamentals that are driving real shareholder value.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:TECK (Teck Resources Limited)
2. TSX:ACB (Aurora Cannabis)
3. TSX:TECK.B (Teck Resources Limited)
4. TSX:WEED (Canopy Growth)

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