



Could Teck Resources Ltd. Give Us a 10-Bagger?

Description

Peter Lynch, one of the greatest investors of all time, calls an investment that could 10 times a 10-bagger. These can sometimes seem mythological, with most stocks only ever returning two-, three-, or maybe even five-baggers. But a 10-bagger? That's got to be rare.

Or maybe not. Had you purchased **Teck Resources Ltd.** ([TSX:TECK.B](#))([NYSE:TECK](#)) at the beginning of 2016 — only two years ago — you'd be well on your way to a true 10-bagger. Shares bottomed at \$4.49 and are now trading at nearly \$37. Get to \$45 a share and you've got yourself a 10-bagger.

So, is this going to happen?

Although I didn't predict such a strong reversal from the painful first half of this decade, I've been suggesting to investors that they consider getting into Teck for the better part of 2017. [I suggested](#) that it could be a great pickup in February 2017 (shares were trading at \$27.16) and then [reiterated that opinion](#) after it had dropped to \$19.73. I may not have timed it perfectly, but if you had bought at either time, you're happy right now.

Looking forward, I expect things to continue on the trajectory of the past couple of years primarily because commodities are showing signs of entering a super cycle. Many analysts believe that commodities could only be getting started on their bull run, with the weakening U.S. dollar and the strength of the global economy.

In Q3, Teck reported an adjusted profit of \$621 million, up over 300% from Q3 2016. Although the company sold 7.54 million tonnes of steel-making coal, it only realized an average price for coal of 85% of the quarterly contract price, whereas it usually is pushing 95%. This is because much of the coal was low quality, so it's been shuttering these low quality assets.

Its copper, zinc, and lead products were also operating at peak efficiency, allowing the company to generate consistent cash flows and strong profits. This puts the company in a fair position as it heads into 2018.

One thing that intrigues me about Teck is its 20.89% ownership of the Fort Hills oil sands project. This actually increased from the original 20%, primarily because of complications with one of the partners in the project. Nevertheless, the Fort Hills project produced 6,000 barrels of oil per day during test runs in Q4. The expectation is for production to start any day now, and for 90% capacity to be reached by year-end 2018 — this is equal to about 190,000 barrels per day.

With oil prices on a bit of a bull run, this could be great news for Teck.

Here's my thesis boiled down. It's been a roller coaster two years for Teck, but with the Fort Hills project coming online, not to mention the other commodities continuing to do well, I expect future quarters to remain strong. You're not likely to get a 10-bagger from these prices, but for those brave buyers back in January 2016, I think you're due to see something mythological. Enjoy it!

And there are other opportunities to experience incredible returns...

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