



Why Teck Resources Ltd. Is up Over 2%

Description

Teck Resources Ltd. ([TSX:TECK.B](#))([NYSE:TECK](#)), one of Canada's largest diversified resource companies, is up more than 2% in early trading today following the release of its fiscal 2017 fourth-quarter and full-year earnings results before the market opened this morning. Let's break down the results and the fundamentals of its stock to determine if the rally could continue and if we should be long-term buyers today.

Breaking down the financial results

Here's a quick a breakdown of six of the most notable financial statistics from Teck's three-month period ended December 31, 2017, compared with the same period in 2016:

Metric	Q4 2017	Q4 2016	Change
Revenues	\$3,207 million	\$3,557 million	(9.8%)
Gross profit before depreciation and amortization	\$1,657 million	\$1,964 million	(15.6%)
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	\$1,580 million	\$1,561 million	1.2%
Adjusted profit	\$700 million	\$930 million	(24.7%)
Adjusted earnings per share (EPS)	\$1.21	\$1.61	(24.8%)
Cash flow from operations	\$1,464 million	\$1,490 million	(1.7%)

And here's a breakdown of six notable financial statistics from Teck's 12-month period ended December 31, 2017, compared with the same period in 2016:

Metric	Fiscal 2017	Fiscal 2016	Change
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Revenues	\$12,048 million	\$9,300 million	29.5%
Gross profit before depreciation and amortization	\$6,096 million	\$3,781 million	61.2%
EBITDA	\$5,626 million	\$3,350 million	67.9%
Adjusted profit	\$2,569 million	\$1,103 million	132.9%
Adjusted EPS	\$4.45	\$1.91	133.0%
Cash flow from operations	\$5,066 million	\$3,056 million	65.8%

What should you do with Teck's stock now?

Teck's fourth-quarter performance was disappointing, but its full-year results were a thing of beauty, highlighted by record revenues and cash flow from operations, so I think the +2% pop in its stock is warranted. I also think the stock is still wildly undervalued, as it trades at just 8.6 times fiscal 2017's adjusted EPS of \$4.45 and only 8.5 times the consensus EPS estimate of \$4.49 for fiscal 2018, both of which are very inexpensive compared with its five-year average multiple of 16.6 and its long-term growth potential.

Teck's stock has been [on a tear](#) over the last couple of months, and I think it still represents [a very attractive](#) long-term investment opportunity today, so take a closer look and consider initiating a position with the intention of adding to that position on any weakness in the trading sessions ahead.

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