



## Teck Resources Ltd. Stock Skyrockets on Strong Industry and Company Fundamentals

### Description

There are many reasons to invest in [base metals companies](#) these days. One is the supply constraints that have resulted due to underinvestment in the industry during the downturn, and another is rising demand due to new industries that are emerging and gaining momentum.

Let's look at two of the biggest base metals companies whose stocks have rallied big time over the last couple of years, and that can be expected to continue to do well as part of a well-diversified portfolio.

**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 (47% of EBITDA), copper (21% of EBITDA), zinc (30% of EBITDA), and energy.

Since January 2016, Teck stock has rallied 554%, as the company is benefiting from positive industry fundamentals and solid operational performance.

Teck generates ample cash flow, pays a dividend, has a healthy balance sheet, and is currently benefiting from global economic growth and strong commodity prices. In fact, Teck generated free cash flow to the tune of \$592 million in 2016 and \$2.3 billion in 2017 for an impressive free cash flow yield of 10.7%.

The company has achieved more than \$1 billion in cost savings as part of its "five-point plan" during the downturn, and it reduced debt by 33% to \$4.8 billion.

Going forward, the zinc market is expected to continue to benefit from supply constraints, which were brought about due to years of underinvestment and which should keep prices high.

The copper market is also expected to remain strong, as it is expected to continue to benefit from strong demand from China as well as new demand from the drive for energy efficiency and clean energy. The secular trend is strong and gaining momentum. For example, [electric cars](#), such as **Tesla Inc.'s** Model S, use three times the amount of copper than an internal combustion engine vehicle.

And Teck will continue to reap the rewards that these positive fundamentals will continue to bring.

**First Quantum Minerals Ltd.** ([TSX:FM](#)) is a global producer of mostly copper but also gold, nickel, and zinc.

The stock is up 290% from lows hit in January 2016, as the company has reduced costs, sold non-core assets, and is improving its balance sheet.

The company's Cobre Panama mine is expected to begin production in 2019, adding a significant amount to its production growth, 150,000 tonnes in 2019 and 270,000-300,000 tonnes in 2020. Its 2017 copper production was 574,000 tonnes, so we can see how significant this mine's production contribution is.

Investors can gain exposure to the strong fundamentals of the various base metals discussed here by buying these stocks.

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2. Metals and Mining Stocks

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