



Teck Resources Ltd. Stock Reports Another Solid Quarter as Base Metal Prices Rise and Costs Fall

Description

Teck Resources Ltd. ([TSX:TECK.B](#))([NYSE:TECK](#)) stock reported another strong quarter earlier this week, giving investors much to be excited about.

Strong production, lower costs, and strong liquidity characterize the quarter — well, all that has pretty much characterized Teck for some time now.

There are many reasons to invest in [base metals](#) stocks 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.

Back to Teck's [first-quarter 2018 results](#).

What we see is continued strength in its business, as costs were reduced again, as well as continued strength in the base metals markets.

Copper and zinc prices were 19% and 23% higher, respectively, which, along with a 16% increase in copper production, helped drive an 8.6% increase in revenue.

At the company's Investor Day in early April, there was talk of its focus on operating efficiency and on how technological innovations will help to reach this goal. This is exciting stuff, and a place where the company can create some real value.

To this end, the company is starting to use “smart” shovels, which are equipped with sensors that enable them to tell the difference between waste rock and valuable ore, leading to improved productivity and less energy use.

So, in short, Teck generates ample cash flow, pays a dividend, has a healthy balance sheet, and continues to benefit from global economic growth and strong commodity prices.

Teck generated free cash flow to the tune of \$592 million in 2016, \$2.3 billion in 2017, and \$463 million in the first quarter 2018 for an impressive free cash flow yield of over 10%.

The company has achieved more than \$1 billion in cost savings as part of its “Five-Point Plan” during the downturn and 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.

First Quantum Minerals Ltd. ([TSX:FM](#)) is expected to report today, with consensus expectations calling for EPS of \$0.14 compared to a loss of \$0.04 the prior year, as the company will also benefit from stronger base metals prices and cost reductions.

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1. Investing
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Date

2025/09/10

Date Created

2018/04/27

Author

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