



Is Teck Resources Ltd. a TFSA Buy Today?

Description

Teck Resources Ltd. ([TSX:TECK.B](#))([NYSE:TECK](#)) has a history of being a volatile stock, and investors who follow the mining giant are wondering if this is the right time to buy.

Let's take a look at the current situation to see if Teck deserves to be in your [portfolio](#).

Earnings

Teck reported Q1 2018 adjusted earnings of \$753 million, or \$1.31 per share, compared to \$655 million, or \$1.13 per share, for the same period last year.

The company produces metallurgical coal, copper, and zinc. Teck is also a partner in the Fort Hills oil sands project.

Coal saw strong demand in the quarter, but logistical issues at Westshore Terminals and a shortage of rail cars had a negative impact on the coal group's performance. Gross profit for the division was \$816 million compared to \$963 million in Q1 2017.

Production was 6.2 million tonnes compared to 6.1 million tonnes in the same period last year. The average realized coal price came in at US\$207 per tonne, which was down slightly from Q1 2017. Teck reported Q1 sales of 6.1 million tonnes, up from 5.7 million in Q1 last year.

Copper results came in much better on a year-over-year basis. The Q1 average realized price was US\$3.16 per pound compared to US\$2.67 last year. Production increased 16%, and gross profit hit \$293 million, up from \$36 million in Q1 2017.

Zinc also performed well in the first quarter. Teck reported an average realized sale price of US\$1.55 per pound compared to US\$1.26 in Q1 last year. Production was relatively unchanged, but the higher margins drove up gross profit to \$251 million compared to \$164 million last year.

Overall, the mining operations had a good quarter, and the situation looks optimistic for the rest of 2018.

The global economy is improving, which bodes well for copper and zinc. In fact, zinc production is expected to fall short of total demand this year. On the coal side, the market has stabilized after a wild ride in recent years and is expected to trend near existing prices.

Growth

Teck's balance sheet is in better shape after the company used the windfall from price increases in 2016 and 2017 to pay down debt. As a result, management is looking for growth opportunities.

The company recently acquired an additional 13.5% stake in Quebrada Blanca S.A. in Chile. The deal boosts Teck's ownership to 90% in the project.

In addition, the Fort Hills [oil sands](#) project began production in late 2017, and Teck stands to benefit as the facility ramps up production. Teck has a 20% interest in the business.

Should you buy?

Teck was a \$4 stock in early 2016. Today, it trades for close to \$34. The recovery in copper, coal, and zinc prices appears to be holding up, but the commodity space is cyclical, and you don't want to buy Teck at the peak.

That said, the company is in good financial shape, and base metal prices could move higher on a strengthening global economy and the potential infrastructure boom in the United States.

I wouldn't back up the truck, but investors with a positive outlook on the global economy over the medium term might want to add a bit of Teck to their TFSA portfolios.

The last time Teck rallied off a \$4 low, it hit \$60 per share.

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