Are the Good Times Over for Teck Resources Ltd (TSX:TECK.B)?

Description

Teck Resources Ltd (TSX:TECK.B)(NYSE:TECK) has an iffy record of rewarding shareholders.

Over the past 13 years, despite several surges of 50% or more, Teck Resources has delivered a total return of around 0% despite building a business that surpassed $12 billion in revenues last year with roughly $4.4 billion in cash flow from operations.

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With such scale and cash flow, why has Teck Resources struggled to deliver positive returns for shareholders? Can investors actually trust the company to grow its stock price in the coming years?

Beware of this one trick

If becoming a bigger company was the name of the game, Teck Resources would look like a winner.

From 2014 to 2018, the company grew sales from $7.8 billion to $9.6 billion respectively, an increase of 23%. This bump helped fuel a commensurate rise in cash flow and earnings. Over the same period, earnings grew from $0.57 per share to $4.28 per share, while operating cash flow popped from $1.7 billion to $3.1 billion.

Management has been insistent on promoting these numbers, particularly its $4.28 per share in earnings last year. At that level, shares trade at less than seven times earnings. But there’s a catch: Teck Resources has always found a way to squander the good times.

For example, in 2015, the company actually *lost* $3.35 per share. That completely wiped out its earnings of 2014 ($0.57 per share) and 2016 ($1.36 per share) combined. It wasn’t until 2017 that the company began climbing out of this hole.

So while the company plasters its $4.28 per share earnings across its website, why should investors trust that the good times will continue?

Is this time different?

There's an old saying that comes to mind with Teck Resources. Fool me one, shame on you. Fool me twice, shame on me. If you decide to trust Teck Resources with your hard-earned money, you'll need some luck.

Last year, the company posted record high revenues and earnings. It paid out roughly $170 million in dividends while repurchasing around $190 million in shares. Moody's upgraded its credit rating to investment grade recently as the company repaid more than $1 billion in debt.

Currently, Teck Resource's prospects have never looked better. But if you had invested in shares in 2013, you would have thought the same thing.

Back then, oil prices were still around $100 per barrel. To capitalize, Teck Resources spent billions alongside **Suncor Energy Inc.** and **Total SA** to complete its Fort Hills oil sands project. In retrospect, it was horrible timing. Less than a year later, oil prices were floating around $30 per barrel, a 70% drop.

As Fool contributor Gregg Brewer wrote last year, "Management had to make some aggressive decisions." This included selling some of its highly valued silver profits to **Franco Nevada Corp** at discounted prices and tacking on more debt.

Will Teck Resources avoid a similar fate this time around?

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Only 1 reason to invest in this stock

Commodities are a tough business. Over time, it can be very difficult to make a profit, especially in Teck Resource's biggest exposure: coal.

Last quarter, the company produced a record 7.3 million tons of steelmaking coal. Through 2023, it expects annual output to average a steady 24 million tons. All-in costs are around $100 per ton, leaving plenty of room for profit at the current price of around $200 per ton.

Still, conditions can change fast. Current selling prices are the highest in more than five years. In 2015, prices averaged under $90 per ton for the year, pushing Teck Resources into loss-making territory.

If you invest in Teck Resources today, you're betting that some of the best operating conditions in its history are here to stay. I'm not willing to make that gamble.

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