



Why Now Is a Good Time to Buy Shares of Teck Resources (TSX:TECK.B)

Description

There's a lot to like about **Teck Resources Ltd.** ([TSX:TECK.B](#))([NYSE:TECK](#)), a \$16.5 billion diversified mining, smelting and refining giant with operations in Canada, the U.S., Chile and Peru. Its major positions in various base metals markets and its 21% interest in Canada's Fort Hills oil sands project are huge assets, and the firm is cranking out tons of [cash flow](#) today and will crank out more in the future.

Investment credit ratings

Teck Resources started off the year on a very positive note, as the company received credit rating upgrades from four credit rating agencies. Among the upgrades was Moody's Investor Service's upgrade to a rating of Baa3 with a stable outlook and Fitch Ratings' upgrade to a rating of BBB-, also with a stable outlook.

With these upgrades, the company is now investment grade, making it easier and less expensive for the company to access debt markets as well as inspires investor confidence. We can expect these upgrades to go a long way in improving investor sentiment on the company and the stock.

Growth projects

Teck has its foot in the economic growth engines of the world, and with new projects coming on stream in the next few years, Teck's position will be strengthened across the board. For example, the start of the Quebrada Blanca Phase 2 (QB2) mine in Chile will elevate Teck to one of the world's major copper producers.

Teck's QB2 copper mine is the company's highest priority major growth project. As one of the world's largest undeveloped copper resources, this mine has an initial life of 28 years with the potential for further growth. Construction on the mine was sanctioned in December 2018 and first copper production is planned for the second half of 2021.

This focus on copper is a good strategic move for Teck, as copper is one of the most versatile and durable base metals. It is used extensively in the renewable energy industry, and so it has a solid secular demand growth trend supporting its market fundamentals.

Another major growth project for Teck is its 21.3% interest in Suncor's 194,000 barrel a day (bpd) Fort Hills project, providing the company with ownership of a long-life, high quality oil sands asset located in the Athabasca region of Alberta. The mine is expected to have a 50-year life, and with production hitting 145,000 bpd in the first quarter of 2019, and with the recent Trans Mountain expansion approval, we can see that growth is still ramping up at Fort Hills.

Global economic growth fears and project investments weigh on Teck

All of this investment in these huge billion dollar projects, as well as the uncertainties surrounding them have hit Teck's shares. Fears regarding global growth have not helped either. Teck stock is down 21% from its highs of January 2018.

Making now a good time to buy

That said, I think this could be a great opportunity for investors to snatch up a global metals and mining behemoth that is expected to churn out massive amounts of cash flow as its projects ramp up production in the next few years.

In 2019, Teck has already generated more than \$1.4 billion in free cash flow, which the company used mostly to pay down debt, but it also stepped up its buyback program in order to return cash to shareholders. With free cash flow ramping up over the next few years, I think we can expect dividend increases as well.

Teck maintains its leadership position, and in fact will even strengthen this position over the next few years, making these days of weak share price performance a great opportunity to [buy](#).

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