



## Mining Showdown: Teck Resources (TSX:TECK.B) vs. First Quantum Minerals (TSX:FM)

### Description

Two of the biggest names in the Canadian base metals sector are **Teck Resources** ([TSX:TECK.B](#))([NYSE:TECK](#)) and **First Quantum Minerals** ([TSX:FM](#)). If you're looking for some mining exposure, below is a head-to-head comparison of these two giants based on their revenues, growth drivers, balance sheets, and valuations.

### Revenues

Although they are two of the biggest names in the sector, Teck and FM have very different businesses. For example, Teck's revenues are diversified across copper, metallurgical coal, zinc and energy, while FM focuses solely on copper and gold production.

When it comes to growth, FM has outperformed Teck over the past fiscal year, growing its top line at 20% compared to Teck's subdued 5.5% gain over the same period. Margins, however, belong to Teck, with 2018's operating income and EBITDA coming in at 38% and 49% of revenues, respectively, while FM smaller size and asset base led to operating and EBITDA margins of 20% and 44% during the same fiscal year.

### Near-term growth drivers

Going forward, the biggest near-term growth driver for FM will be its massive Cobre copper mine in Panama. The much-troubled project worth \$6.3 billion has often been the subject of investor frustrations, owing to delays during its construction as well as cost overruns. That said, FM seems to have finally sorted the issues associated with its crown jewel asset, and production is expected to ramp up significantly in the second half of 2019 and contribute 35% of the anticipated 850K tonnes of copper production in 2020.

Teck's growth profile looks more subdued, as it relies on its arsenal of tier-one assets to generate

stable cash flows and deliver shareholder returns via buybacks. In 2021, however, its premier Chilean copper project QB2 will be up and running and is expected to deliver 316K tonnes of copper production for the first five years. Funded in conjunction with **Sumitomo Metal Mining**, the low-cost, long-life mine is expected to deliver 19-24% post-tax unlevered IRR, or 30-40% IRR on a levered basis.

## Risks and balance sheet

It goes without saying that both Teck and FM are subject to the ebb and flow of the [commodities and business cycles](#) as well as any unforeseen events stemming from tariffs and trade wars. However, on a relative basis, FM carries significantly more risk than Teck due to its concentration in copper as well as political risk from its Zambian assets. While there is little chance of FM's Zambian copper mines being nationalized (as doing so will effectively chase off every foreign miner from ever working in the country) we could see significant headwinds related to duties and taxes from the economically unstable region.

Furthermore, FM will be relying extensively on its Cobre mine to diversify its operations away from Africa, so any execution issues stemming from this key project will weigh negatively on the company's stock price. Finally, Teck also carries significantly less debt on the books with its 2018 net debt coming in at just 0.61 times EBITDA compared to FM's ratio of 3.5, as well as an enterprise value of four times its 2020 expected EBITDA compared to six times EBITDA for FM.

Therefore, based on its risk profile, balance sheet, and valuation, Teck [appears to be a safer bet](#) and gets my pick of the two.

### CATEGORY

1. Investing
2. Metals and Mining Stocks

### TICKERS GLOBAL

1. NYSE:TECK (Teck Resources Limited)
2. TSX:FM (First Quantum Minerals Ltd.)
3. TSX:TECK.B (Teck Resources Limited)

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