



## Why Teck Resources Stock Rose 39% in 2021

### Description

**Teck Resources** ([TSX:TECK.B](#))([NYSE:TECK](#)) has been one of the best-performing Canadian mining stocks for the last couple of years. The Vancouver-based mining company currently has a market cap of about \$20 billion, as its stock posted strong 39% advances in 2021 after ending the previous year with 21% gains. By comparison, the main Canadian stock market index rose by about 22% last year.

Before we find out whether Teck Resources stock is still worth buying in 2022, let's look at some key factors that drove its sharp rally in 2021.

### Teck Resources stock

In 2020, most metals and mining companies, including Teck Resources, faced big challenges, as the coronavirus-driven restrictions and shutdowns across the world led to a sudden slump in demand and metals prices. While the restrictions badly affected mining operations, the pandemic-related measures also increased operating costs for most businesses. Weak demand and metals prices drove a 25% YoY (year-over-year) drop in Teck Resources total revenue in 2020 to \$8.9 billion. Its adjusted earnings for the year tanked by about 62% from the previous year.

Nonetheless, investors' high expectations of its financial recovery kept its stock soaring in the second half of 2020, helping it end the year with double-digit gains, despite a massive selloff in Q1.

The business environment started to significantly improve in 2021, as the availability of multiple coronavirus vaccines encouraged the administration to ease restrictions. Rising economic activities drove the demand for metals and prices higher, helping mining companies like Teck Resources post a handsome financial recovery in 2021.

In Q3 2021, Teck Resources's top line rose by 73% YoY to about \$4 billion — also stronger than its pre-pandemic levels. Similarly, its adjusted net profit in the third quarter rose above \$1 billion compared to just \$339 million in the previous quarter. More importantly, the company's adjusted net profit margin significantly expanded to 25.6% in Q3 2021 from just 5.7% a year ago and 13.3% two years ago. Teck's management [attributed](#) its solid financial performance in the recent quarters to “the

extremely favourable commodity price environment — particularly for steelmaking coal — combined with solid operational performance.”

Overall, this handsome expansion in its profit margin along with its much-awaited financial recovery were the main reasons why Teck stock outperformed the broader market last year.

## Is Teck stock worth buying in 2022?

After consistently posting strong double-digit gains in the last couple of years, Teck Resources stock is likely to start 2022 on a positive note, as the strength in commodity prices remains intact. Its strong balance sheet and adequate liquidity could also help the company continue posting moderate earnings [growth](#) in the coming quarters.

On the flip side, Teck Resources might find it difficult to maintain 2021-like strong YoY growth in its revenue and earnings this year, as the demand gradually stabilizes. That’s one of the reasons I don’t expect its stock to yield extraordinarily high returns in the near term.

### CATEGORY

1. Investing
2. Metals and Mining Stocks

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