



## Teck Resources (TSX:TECK.B) Stock: Time to Buy?

### Description

**Teck Resources** ([TSX:TECK.B](#))([NYSE:TECK](#)) has delivered big gains for investors who had the courage to buy the stock at the 2020 lows. Those who missed the rally are wondering if Teck Resources is still undervalued and a good stock to buy.

### Teck Resources overview

Teck Resources is Canada's largest diversified mining company with production of steel-making coal, copper, and zinc. Teck Resources is also a partner on the Fort Hills oil sands facility.

The rebound in commodity prices after the 2020 pandemic crash has turbocharged Teck's profit margins. Coal, copper, zinc, and oil prices remain at elevated levels and strength in the commodity markets is expected to remain in place for months.

Teck is using the cash windfall to reduce debt and buy back stock. This should position the company to ride out the next downturn in better shape than during past commodity cycles.

### Teck Resources Q1 2022 results

Teck Resources generated adjusted EBITDA of \$3 billion in the first quarter of the year compared to \$967 million in the same period last year. Adjusted profit came in at \$1.6 billion in the first three months of 2022 compared to \$326 million in Q1 2021. Revenue effectively doubled to \$5 billion in the quarter.

Adjusted diluted earnings per share hit \$2.96, up from \$0.61 in the first quarter of last year.

Overall, it was a solid performance for all of Teck's divisions.

Realized steel-making coal prices came in at US\$357 per tonne. This resulted in a \$1.6 billion gross profit for the group in the quarter. Teck provided 2022 production cost guidance of \$79-83 per tonne and transportation costs of \$43-46 per tonne.

Gross profit jumped 23% in the copper business with an average realized price of US\$4.51 per pound. Copper was about US\$2 per pound in the early days of the pandemic. Demand for the base metal is expected to be robust in the coming years. Copper is a key component in the manufacturing of solar panels, wind turbines, and electric vehicles. Teck Resources is completing a new copper mine in Chile and expects the QB2 project to start commercial production by the end of 2022.

In the zinc business, gross profit jumped 98% in Q1 2022 compared to the same period last year.

Fort Hills is also contributing solid cash flow with WTI oil soaring above US\$100 in recent months. The market was already tight before the recent sanctions placed on Russia. Oil prices could remain in triple digits through the end of the year.

## Should you buy Teck Resources stock now?

Copper prices are down to US\$4.20 per pound at the time of writing. This is still a very profitable level for Teck Resources, but off the US\$4.80 per pound copper fetched just a month ago, so investors should brace for some volatility in the coming months across the commodity sector.

A sharp pullback in coal, copper, and zinc prices could trigger a meaningful drop in Teck's share price as investors book profits and wait for signs of the next surge. A quick look at the Teck Resources stock chart will give investors a good idea of what to expect. The rally off the 2020 low is already two years in the making. Based on previous cycles the party is getting long in the tooth. Additional upside is certainly possible as we could be in a supercycle, but the easy money has likely already been made, and the top is probably not far off the current price of \$51.

Investors might be able to make some money trading the dips and surges, but I would keep any long-term bets small at this point, even with the positive outlook for oil, copper, and steel-making coal demand.

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