



## Teck Call Buys Position for Turnaround in Q1, Asset Sales

**Ticker/Price:** TECK \$16.11

### Analysis:

**Teck Resources (TECK)** with 3,000 February \$16 calls bought up to \$1.30 to open this morning, working off of recent lows, and volumes now near 5,000 while the January \$17 calls with 2000 bought as well, trading 5X average. TECK has recently seen buyers in the December \$15.50 calls and \$16 calls, over 5,000 each on 12-4, while the May \$15 puts sold to open 1,000X on 11-22. The Jan. 2021 \$15 puts also sold 2,000X on 10-29. Shares have been in a weak trend all year and trying to base around the 2017 lows over the last three months. TECK is near the low-end of a big channel that measures back to \$22 while RSI showing a bullish divergence. The \$8.77B company trades 7.7X earnings, 0.93X sales, and 9.3X FCF with a 1% yield. TECK has taken down estimates since July and sees 2020 as another transition year as they focus on cost cutting, now looking for \$500M in reductions vs a prior guidance of planned spending. On 11-20, Reuters reported the company had hired advisors to sell their 80% stake in the Zafranal copper asset in Peru as part of their overall strategy to shift towards expanding projects in Chile where their Quebrada Blanca project is projected to start production in 2021. The Peruvian project could fetch \$500M. Short interest is 1.7%. Impala Asset Management, Luminus Management, and Twin Tree all notable buyers. BMO downgrading shares to Neutral on 11-20 expecting their capital budget to increase and expecting more negative revisions to guidance before an improvement into 2021.

### Hawk Vision:



**Hawk's Perspective:** TECK is a tough one to get too excited about but recent lows and put sales give a nice risk/reward level to position against with the asset sales a near-term catalyst.

**Confidence Ranking:** \$