



## FEATURED OPTIONS RADAR REPORT



### Calls Surge in Resources Play with Cheap Valuation and Catalyst

Ticker/Price: TECK (\$44)

#### Analysis:

**Teck Resources (TECK)** last week saw a surge in October \$43 and \$44 call buys with more than 10,000 of each opening for over \$3.5M positioning for upside over the next month. TECK also has 21,000 January \$32 short puts in open interest along with 7500 January \$47 puts that were bought to open in April, also some buys remain in October \$40 and \$42 call open interest. TECK shares are forming a long consolidation pattern that started to break higher last week with weekly MACD nearing a bull cross and the 8-week EMA turning positive slope. A move above \$44.50 would measure to \$50. TECK is a natural resources company focused on copper, zinc, steelmaking coal, and energy. TECK is a key producer of copper, one of the largest producers of mined zinc, the 2nd largest seaborne exporter of steelmaking coal and also has other interests. Steelmaking Coal is 38% of revenues & 35% of profits, Zinc is 30% and 29%, and Copper is 27% and 44% respectively. TECK is planning to separate its multibillion-dollar steelmaking coal business to focus more on industrial metals. Teck has been weighing options for its coal division for over a year in a strategic shift toward mining more of the metals such as copper that are crucial to the global energy transition. Glencore has expressed interest in acquiring TECK while Nippon Steel has interest in the coal unit. In an interview with Bloomberg Television, JSW Steel's chairman said the company intends to bid for 20%-40% of Teck's coal business. Teck intends to completely exit its coal business, but in the event of only a partial sale the company would spin off the remainder to its shareholders in order to ensure a clean break. TECK has a market cap of \$22.8B and trades 11X Earnings, 1.18X Book and 5X EBITDA with a 0.86% dividend yield. TECK forecasts see EBITDA rising 13.6% in 2024 following a contraction of 33.6% in 2023. TECK has a strong financial position, robust copper growth pipeline and attractive valuation ahead of a potential value-creating transaction. Analysts have an average target near \$50 with short interest low at 1.9% of the float.

#### Hawk Vision:



**Hawk's Perspective:** TECK calls alerted last week have already gained strongly and prefer to see a dip to 42.50 near-term. Based on positioning, October \$43 and \$44 calls are the contracts to target for an eventual push to \$50 likely event-driven with the coal unit news likely by October expiration.

Confidence Ranking: \$\$