

Teck Reports Unaudited First Quarter Results for 2020

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VANCOUVER, April 21, 2020 - [Teck Resources Ltd.](#) (TSX: TECK.A and TECK.B, NYSE: TECK) reported adjusted EBITDA⁽¹⁾ ⁽²⁾ of \$608 million for the first quarter of 2020 compared with \$1.4 billion a year ago. Adjusted profit attributable to shareholders⁽¹⁾ ⁽²⁾ was \$94 million (\$0.17 per share) compared with \$587 million (\$1.03 per share) a year ago.

Our current focus is on managing the risks around COVID-19 and ensuring we have the necessary measures in place to safeguard our people and our local communities, said Don Lindsay, President and CEO. The pandemic has had a significant negative impact on the global economy and commodity markets and the outlook is uncertain. However, almost all of our sites are currently operating, with some at reduced production, and our steelmaking coal operations had a strong finish to the quarter, exceeding our sales guidance with site costs well below expectations.

Significant Items

COVID-19 has had a significant effect on our business and contributed to significant reductions in the prices we receive for the commodities we produce. Teck has undertaken significant measures in response to COVID-19 including:

- implementing comprehensive preventative measures at all sites;

- reducing crew sizes at some of our sites, resulting in lower production;

- temporarily suspending construction activities on the QB2 project;

- temporarily suspending operations at Antamina;

- reducing Fort Hills to a single-train facility resulting in lower production of bitumen and contributing to an after-tax asset impairment of \$474 million in the first quarter;

- incurring \$44 million in incremental costs responding to COVID-19 including temporary suspension of operations at Fort Hills, demobilization of the QB2 project; and

- suspending all previously issued 2020 guidance.

Further details on the effects of COVID-19 on our operations are provided throughout the remainder of this document.

In April, we announced the creation of a \$20 million fund to support COVID-19 response and future recovery efforts. Funding will support a range of critical initiatives, including procuring one million KN95 masks to be donated for healthcare in British Columbia, donations to healthcare facilities in Chile, a community investment fund for local organizations in the areas where Teck operates and donations to international relief efforts.

We have increased the target under our cost reduction program to \$1 billion and have achieved \$375 million in cost savings to date since starting the program in the fourth quarter of 2019.

In April, we completed the major expansion of our Elkview Operations plant, increasing the annual capacity to 1.5 million tonnes. This will allow us to replace higher cost production from Cardinal River Operations with lower cost production from Elkview and maintain our overall steelmaking coal production capacity. Taking into account the cost savings and higher average price for Elkview products and assuming a US\$150 per tonne coal price and current exchange rates, shifting 2 million tonnes of production to Elkview Operations translates to an increase in annualized EBITDA of approximately \$160 million.⁽¹⁾

Our liquidity remains strong at \$5.8 billion, including \$525 million in cash at April 20, 2020. Our US\$4.0 billion revolving credit facility is committed through the fourth quarter of 2024, does not have a cash-flow based financial covenant, a credit rating trigger or a general material adverse effect borrowing condition. We have no significant debt maturities prior to 2035 and we have investment grade credit ratings from all four credit rating agencies.

In the first quarter, we had a loss attributable to shareholders of \$312 million, or a \$0.57 loss per share, compared with a profit of \$630 million (\$1.11 per share) a year ago. Adjusted profit attributable to shareholders was \$94 million (\$0.17 per share) compared with \$587 million (\$1.03 per share) in the first quarter of 2019.

EBITDA^{(1) (2)} was \$45 million compared with \$1.4 billion in the first quarter of 2019. Our adjusted EBITDA in the first quarter totaled \$608 million compared with \$1.4 billion last year.

Gross profit was \$398 million in the first quarter compared with \$1.0 billion a year ago. Gross profit before depreciation and amortization^{(1) (2)} was \$776 million compared with \$1.4 billion in the first quarter of 2019.

Our steelmaking coal operations had a strong finish to the first quarter with sales of 5.7 million tonnes exceeding our previously issued 2020 first quarter guidance range of 4.8 to 5.2 million tonnes and adjusted site cash cost sales^{(1) (2)} of \$63 per tonne, which was also significantly lower than previously issued guidance.

On March 31, 2020, we issued an updated capital cost estimate for our QB2 project of US\$5.2 billion, including escalation, with US\$3.9 billion remaining to be spent from April 1, 2020, subject to the impact of COVID-19 on the project schedule and timing of capital spending. With funding from Sumitomo Metal Mining Co., Ltd and Sumitomo Corporation (SMM/SC) and the US\$2.5 billion limited recourse project financing, no significant funding is expected to be required from Teck until the first quarter of 2021.

Notes:

- (1) Non-GAAP Financial Measure. See Use of Non-GAAP Financial Measures section for further information.
 (2) See Use of Non-GAAP Financial Measures section for reconciliation.

This management's discussion and analysis is dated as at April 20, 2020 and should be read in conjunction with the unaudited consolidated financial statements of [Teck Resources Ltd.](#) (Teck) and the notes thereto for the three months ended March 31, 2020 and with the audited consolidated financial statements of Teck and the notes thereto for the year ended December 31, 2019. In this news release, unless the context otherwise dictates, a reference to the company; or us; we; or our; refers to Teck and its subsidiaries. Additional information, including our Annual Information Form and Management's Discussion and Analysis for the year ended December 31, 2019, is available on SEDAR at www.sedar.com.

This document contains forward-looking statements. Please refer to the cautionary language under the heading CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION below.

Profit (Loss) and Adjusted Profit

We have changed the basis on which we adjust earnings in the following table. Refer to page 44 in Teck's full first quarter results for 2020 at the link below for further information.

(CAD\$ in millions)	Three months ended March 31,	
	2020	2019
Profit (loss) attributable to shareholders	\$ (312) \$ 630
Add (deduct) on an after-tax basis:		
Asset impairment	474	
COVID-19 costs	22	
Environmental costs	(87) 29
Inventory write-downs (reversals)	27	(8
Share-based compensation	(22) 12
Commodity derivatives	15	(14
Debt prepayment option gain		(51
Other	(23) (11

Adjusted profit attributable to shareholders ¹	\$ 94	\$ 587
Adjusted basic earnings per share ^{1 2}	\$ 0.17	\$ 1.03
Adjusted diluted earnings per share ^{1 2}	\$ 0.17	\$ 1.02

Notes:

1. Non-GAAP Financial Measure. See "Use of Non-GAAP Financial Measures"; section for further information.
2. See "Use of Non-GAAP Financial Measures"; section for reconciliation.

In addition to the items identified in the table above, our results include gains and losses due to changes in market prices in respect of pricing adjustments. Pricing adjustments resulted in \$64 million of after-tax charges (\$98 million before tax) in the first quarter, or \$0.12 per share. We do not include these amounts in our adjusted profit determination.

[Click here to view Teck's full first quarter results for 2020.](#)

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

This news release contains certain forward-looking information and forward-looking statements as defined in applicable securities laws (collectively referred to as forward-looking statements). These statements relate to future events or our future performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "should", "believe" and similar expressions is intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These statements speak only as of the date of this news release.

These forward-looking statements include, but are not limited to, statements concerning: our focus and strategy; anticipated global and regional supply, demand and market outlook for our commodities; the potential impact of the COVID-19 on our business and operations, including our ability to continue operations at our sites; our ability to manage challenges presented by COVID-19; cost reduction program targets and timing of achieving those targets; capital cost estimate for the QB2 project and anticipated timing of first production; estimated impact of the construction suspension period at our QB2 project; expectations regarding the Neptune Bulk Terminals facility upgrade including costs, benefits and timing thereof and the frequency and length of our planned suspension of operations at Neptune Bulk Terminals and the impact of that suspension; expectation that we will be able to extend the lives of Fording River, Elkview and Greenhills operations and offset the closure of our Coal Mountain and Cardinal River operations; projected coal production capacity; estimated annualized EBITDA increase related to the Elkview Operations plant expansion; timing of construction and completion of our Fording AWTF and our SRFs; our expectation that Fording River AWTF will be the last full-scale AWTF and that future treatment facilities will be SRFs; plans and ability to increase coal production levels in the fourth quarter of 2020; expectation that the tailings and water-related projects at Red Dog will ensure we can continue to optimize Red Dog mine and avoid potential constraints on production in the future; expected 2020 Fort Hills annual production and unit operating costs; capital spending estimates; targeted annualized EBITDA improvements and other benefits that will be generated from our RACE21™ innovation-driven business transformation program and the associated timing and implementation costs; liquidity and availability of borrowings under our credit facilities and the QB2 project finance facility; timing of Teck's next contributions to QB2 project capital; and the accounting treatment of COVID-19 related matters.

These statements are based on a number of assumptions, including, but not limited to, assumptions regarding general business and economic conditions, interest rates, commodity and power prices, acts of foreign or domestic governments and the outcome of legal proceedings, the supply and demand for, deliveries of, and the level and volatility of prices of copper, coal, zinc and blended bitumen and our other metals and minerals, as well as oil, natural gas and other petroleum products, the timing of the receipt of regulatory and governmental approvals for our development projects and other operations, including mine extensions; positive results from the studies on our expansion and development projects; our ability to

secure adequate transportation, including rail, pipeline and port service, for our products our costs of production and our production and productivity levels, as well as those of our competitors, continuing availability of water and power resources for our operations, our ability to secure adequate transportation, pipeline and port services for our products; changes in credit market conditions and conditions in financial markets generally, the availability of funding to refinance our borrowings as they become due or to finance our development projects on reasonable terms; our ability to procure equipment and operating supplies in sufficient quantities and on a timely basis; the availability of qualified employees and contractors for our operations, including our new developments and our ability to attract and retain skilled employees; the satisfactory negotiation of collective agreements with unionized employees; the impact of changes in Canadian-U.S. dollar and other foreign exchange rates on our costs and results; engineering and construction timetables and capital costs for our development and expansion projects; the benefits of technology for our operations and development projects, including the impact of our RACE21™ program; costs of closure, and environmental compliance costs generally, of operations; market competition; the accuracy of our mineral reserve and resource estimates (including with respect to size, grade and recoverability) and the geological, operational and price assumptions on which these are based; tax benefits and tax rates; the outcome of our coal price and volume negotiations with customers; the outcome of our copper, zinc and lead concentrate treatment and refining charge negotiations with customers; curtailment measures on oil production taken by the Government of Alberta; the resolution of environmental and other proceedings or disputes; our ability to obtain, comply with and renew permits in a timely manner; and our ongoing relations with our employees and with our business and joint venture partners. Targeted RACE21™ EBITDA improvements depend on, among other matters, achievement of expected production and operating results, ability of transportation service providers to move additional product to market, future commodity prices and exchange rates and various other factors.

In addition, assumptions regarding the Elk Valley Water Quality Plan include assumptions that additional treatment will be effective at scale, and that the technology and facilities operate as expected, as well as additional assumptions discussed under the heading *Elk Valley Water Management Update*. Assumptions regarding QB2 include current project assumptions and assumptions regarding the final feasibility study, CLP/USD exchange rate of 775, as well as there being no material and negative impact to the various contractors, suppliers and subcontractors for the QB2 project relating to COVID-19 or otherwise that would impair their ability to provide goods and services as anticipated during the suspension period or ramp-up of construction activities. Assumptions regarding the costs and benefits of the Neptune Bulk Terminals expansion include assumptions that the relevant project is constructed and operated in accordance with current expectations. Statements regarding the availability of our credit facilities and project financing facility are based on assumptions that we will be able to satisfy the conditions for borrowing at the time of a borrowing request and that the facilities are not otherwise terminated or accelerated due to an event of default. Statements concerning Fort Hills; future production costs or volumes are based on numerous assumptions of management regarding operating matters and on assumptions that counterparties perform their contractual obligations, that operating and capital plans will not be disrupted by issues such as mechanical failure, unavailability of parts and supplies, labour disturbances, interruption in transportation or utilities, adverse weather conditions, and that there are no material unanticipated variations in the cost of energy or supplies and may be further impacted by reduced demand for oil and low oil prices. The foregoing list of assumptions is not exhaustive. Events or circumstances could cause actual results to vary materially.

Factors that may cause actual results to vary materially include, but are not limited to, changes in commodity and power prices, changes in market demand for our products, changes in interest and currency exchange rates, acts of governments and the outcome of legal proceedings, inaccurate geological and metallurgical assumptions (including with respect to the size, grade and recoverability of mineral reserves and resources), unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalation, unavailability of materials and equipment, government action or delays in the receipt of government approvals, industrial disturbances or other job action, adverse weather conditions and unanticipated events related to health, safety and environmental matters), union labour disputes, political risk, social unrest, failure of customers or counterparties (including logistics suppliers) to perform their contractual obligations, changes in our credit ratings, unanticipated increases in costs to construct our development projects, difficulty in obtaining permits, inability to address concerns regarding permits of environmental impact assessments, and changes or further deterioration in general economic conditions. Certain operations and projects are not controlled by us; schedules and costs may be adjusted by our partners, and timing of spending and operation of the operation or project is not in our control. Current and new technologies relating to our Elk Valley water treatment efforts may not perform as anticipated, and ongoing monitoring may reveal unexpected environmental conditions requiring additional remedial measures. EBITDA improvements may be impacted by the effectiveness of our projects, actual commodity prices and sales volumes, among other matters. The updated QB2 capital cost estimate and timing of first production do not take into account the impact of the current suspension, and the length of the suspension will impact costs and schedule.

The forward-looking statements in this news release and actual results will also be impacted by the effects of COVID-19 and related matters. The overall effects of COVID-19 related matters on our business and operations and projects will depend on how quickly our sites can safely return to normal operations, and on the duration of impacts on our customers and markets for our products, all of which are unknown at this time. Returning to normal operating activities is highly dependant on the progression of the pandemic and the success of measures taken to prevent transmission, which will influence when health and government authorities remove various restrictions on business activities.

We assume no obligation to update forward-looking statements except as required under securities laws. Further information concerning risks and uncertainties associated with these forward-looking statements and our business can be found in our Annual Information Form for the year ended December 31, 2019, filed under our profile on SEDAR (www.sedar.com) and on EDGAR (www.sec.gov) under cover of Form 40-F, as well as subsequent filings that can also be found under our profile.

Scientific and technical information in this quarterly report regarding our coal properties, which for this purpose does not include the discussion under ["Elk Valley Water Management Update"](#); was reviewed, approved and verified by Messrs. Don Mills P.Geol. and Robin Gold P.Eng., each employees of Teck Coal Limited and each a Qualified Person as defined under National Instrument 43-101. Scientific and technical information in this quarterly report regarding our other properties was reviewed, approved and verified by Rodrigo Alves Marinho, P.Geol., an employee of Teck and a Qualified Person as defined under National Instrument 43-101.

WEBCAST

Teck will host an Investor Conference Call to discuss its Q1/2020 financial results at 11:00 AM Eastern time, 8:00 AM Pacific time, on Tuesday, April 21, 2020. A live audio webcast of the conference call, together with supporting presentation slides, will be available at our website at www.teck.com. The webcast will be archived at www.teck.com.

Reference:

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