13-May-2025

Teck Resources Limited (TECK)

Bank of America Global Metals Mining and Steel Conference

CORPORATE PARTICIPANTS

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

OTHER PARTICIPANTS

Lawson Winder
Analyst, BofA Securities

MANAGEMENT DISCUSSION SECTION

[Abrupt Start]

Lawson Winder
Analyst, BofA Securities

...has settled down again. Our next company presenting will be Teck Resources. And from Teck Resources, we have none other than President and CEO, Jonathan Price. And for Jonathan, it's been nearly three years since he's assumed the role and a lot has happened. When Jonathan took over, the company was in energy, it was in metallurgical coal, and copper was a small piece of its portfolio. Today, copper and zinc, critical minerals, are a critical part of their portfolio.

So, Jonathan, if you will, please join me on the stage and welcome to Barcelona.

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

Thank you very much. It's good to be here. Thanks for that little synopsis of the last three years, appreciate that. It hasn't been dull, that's for sure. But thank you very much. Good to see everybody here. I'm going to just quickly play through the legal statements.

This presentation contains forward-looking statements. Various risks and uncertainties may cause actual results to vary. Teck does not assume any obligation to update any forward-looking statements. The assumption underlying our forward-looking statements are on slide 2. I'll also be referencing various non-GAAP measures. Explanations and reconciliations for these measures are available in the latest MD&A and quarterly press release on our website, which I encourage you all to read because I'm sure it's fascinating.

So, with that, starting on slide 3. As a pure-play energy transition metals company with an exceptionally strong financial position, Teck is uniquely positioned to deliver significant value to shareholders. The four pillars of our strategy enable us to deliver growth and create value in a responsible and disciplined way. Our portfolio of high-quality copper and zinc assets is well-positioned to benefit from materially higher demand for metals expected over the medium and long term. And while there's been volatility and uncertainty over the past few months, the fundamentals of our key metals, copper and zinc, are robust, and several macro factors are continuing to drive demand. These metals are essential for global manufacturing and development, industrial policy and national security, electrification infrastructure, as well as growth of the digital economy.

On the supply side, the industry continues to face constraints. At the same time, new demand opportunities are emerging as many economies seek to revitalize their industrial sector. For example, defense spending may be significantly broadened to include areas central to economic resilience such as upgrades to and expansion of electricity grids, which remains central to copper demand. We see this providing a medium-term boost to metals demand as the world enters a state-backed, more capital-intensive phase of growth.

At the same time, we're focused on driving excellence in performance across our operations and projects while keeping sustainability at the core of everything we do. We have a rigorous approach to our growth portfolio, optimizing developments of our value-accretive, near-term growth options in attractive jurisdictions. And in addition, our disciplined capital allocation framework aims to balance investment in growth with returns to shareholders while maintaining a strong balance sheet through economic cycles.

We're also growing copper production and improving margins through disciplined operational performance. We have an active share buyback program, a portfolio of value-accretive copper growth projects, an agile commercial strategy, and a strong balance sheet. And together, this underpin the operational and financial resilience of our business, which is a competitive advantage for Teck, enabling us to navigate uncertainty while continuing to deliver value to shareholders.

So, slide 4 summarizes our value creation priorities. Firstly, completing QB ramp-up to steady-state operations, then continuing to drive operational excellence across our portfolio of high-quality copper and zinc operations and projects, enabling us to grow our copper production and improve our margins. Third, remaining committed to returning cash to our shareholders by continuing to execute our authorized share buyback program and paying our base dividend. Fourth, progressing our value-accretive, near-term copper projects to possible sanction decisions in 2025, positioning us for the next phase of copper growth. And finally, we'll do all of this whilst maintaining the resilience of our business to navigate uncertainty and create value by leveraging an agile commercial strategy and a strong balance sheet.

So, looking at our first priority, QB, and the ramp-up shown here on slide 5. QB is a Tier 1 asset that will be a cornerstone of Teck's portfolio for generations. Its foundation is based on a large, long-life deposit that can support multiple expansions. We've made significant progress in the ramp-up of QB. We are seeing continuous improvements in mill performance and recoveries and have robust plans to ensure we consistently operate at design levels.

One of the remaining elements is the completion of the development of the tailings management facility, and we expect to extend planned maintenance shutdowns in Q2 and Q3 to complete this work. Once this phase of TMF development is complete, we will be on track for full production ramp-up by year-end and steady-state operation in the future. Importantly, we successfully achieved the completion testing requirements under QB's $2.5 billion project finance facility in the first quarter. And this is a significant milestone that provides independent verification, confirming the robustness of the design and construction and the capacity of the asset to operate at design levels.

We continue to work on defining the most capital-efficient and value-accretive path for future growth of QB through optimization of the mill and low capital debottlenecking opportunities that could collectively increase throughput by a further 15% to 25%. The operation also has the advantage of a very low strip ratio, which enables competitive all-in sustaining costs, and we have a tax stability agreement in place through 2037. Taking all of these factors into account, QB has the potential to generate significant future cash flows for decades to come.

So, turning now to our second priority on slide 6. We expect significant growth in our copper production with improving margins this year. Our copper EBITDA margin increased in 2024 and should further improve to 50% in 2025 based on consensus estimates. Our copper production is expected to continue to grow to 490,000 to 565,000 tonnes this year from 446,000 tonnes in 2024 due to the ongoing ramp-up of QB and improved grades and throughput at Highland Valley. We also expect a significant reduction in our copper net cash unit costs to $1.65 to $1.95 per pound from $2.20 per pound last year. This reduction reflects an increase in copper and molybdenum production, as well as continued cost discipline across our operations. We have a strong cost focus and our net cash unit cost guidance reflects the structural cost reductions that we have implemented across our business.

So, turning to slide 7 and continuing to return cash to our shareholders remains one of our priorities, particularly the ongoing execution of our authorized share buyback. We are in the market daily actively buying back our shares under the $3.25 billion share buyback announced last year. We've increased the daily numbers of shares repurchased at the current share price, and we continue to focus on value creation. As of May 9, last Friday, we've executed more than half of the CAD 3.25 billion authorization under our normal course issuer bid, including nearly CAD 600 million year-to-date. Around CAD 1.4 billion of our authorized share buyback remains, which will further improve our per share value.

We retained our annual base dividend of CAD 0.50 per share. Since 2022, we've also paid a supplemental dividend of CAD 0.50 per share, bringing total dividends to CAD 1 per share. And with a strong cash flow generation potential for our business, we could see further cash returns to shareholders, in line with our capital allocation framework. We remain committed to returning between 30% and 100% of future available cash flows to shareholders. Overall, we continue to build on our strong history of cash returns to shareholders, which currently total approximately CAD 5.4 billion since 2020.

So, turning to slide 8. Another priority is to continue to progress our well-funded and value-accretive near-term copper growth projects. This includes the mine life extension at Highland Valley in British Columbia, our greenfield projects in Zafranal in Peru, and also at San Nicolás in Mexico. These three projects are all on track for potential sanction decisions this year.

An independent review of the mine life extension project at Highland Valley was completed in the first quarter and confirmed construction readiness. This means we should be in a position for a potential sanction decision around the middle of this year. At Zafranal, the project is progressing as scheduled, and we received the advanced works permit on April 10. This project could be ready for potential sanction decision in late 2025. And at San Nicolás, engagement with government authorities and other stakeholders is ongoing. And we expect to complete the feasibility study in the second half of 2025. We could be in a position for potential sanction decision following our receipt of permits.

At QB, our focus is ramping up the operation to steady-state. At the same time, optimization of the mill is progressing and detailed planning for low-capital debottlenecking is underway, which could collectively increase throughput by 15% to 25%. Through the execution of these projects, we have a clear path to grow our copper production to approximately 800,000 tonnes per annum before the end of the decade.

Now, we are laser-focused on maintaining our resilience including, through our strong balance sheet, an agile commercial strategy. So, first, looking at the balance sheet on slide 9. In 2024, our cash balance increased significantly as a result of the proceeds received from the sale of the steelmaking coal business. With the proceeds, we reduced our debt by CAD 2.5 billion. As of March 31, we were in a net cash position of CAD 764 million. And as of our reporting date in April, our liquidity was CAD 10 billion, including CAD 5.8 billion of cash. Our remaining outstanding term notes of $1 billion are long-dated, and we will continue to deleverage as we make semi-annual repayments on the QB project finance facility through 2031.

So, turning to our commercial strategy on slide 10. We're closely monitoring tariffs and retaliatory trade measures between the countries we trade with and the risks of wider macroeconomic uncertainty. While the situation remains fluid and is evolving rapidly, we do not expect announced tariffs to have a material impact on our business. However, a global trade war could weigh on global economic growth with potential implications for metal demand. We're continuing to see very strong demand for our copper and zinc concentrate, and we are working closely with our customers with limited impact so far.

Our copper and zinc concentrate sales are not exposed to US tariffs as we primarily sell to Asia and Europe with no sales into the US. If Chinese tariffs are maintained and now at only 10% relative to 125% we were facing yesterday morning, they could expect to apply to our sales of Red Dog concentrate to China, which represent less than 20% of our Red Dog zinc and lead concentrate sales. My comment now feels a little stale, but we can talk some more about that, Lawson. Out of Trail, our finished metals and specialty metals such as germanium is sold into the US, but they are exempt from US tariffs as they're compliance with the USMCA trade agreement. Overall, Teck has a strong business with diversified products and operations, an agile commercial strategy, and strong logistics capabilities. This enables us to quickly adapt and respond to changing market conditions to mitigate any potential impacts to our business.

So, turning now to slide 11. With our priorities and our approach to balancing growth in copper and cash returns to shareholders, we can continue to significantly affect the accretive growth potential of our metrics on a per share basis. In 2024, with the ramp-up of QB and with a significant portion of our CAD 3.25 billion share buyback completed, we increased our copper production per share by 54% compared to the prior year. And by 2026, as we stabilize QB at full production and complete the significant remaining authorized share buyback, our copper production per share could increase by a further 34% to 51%. Beyond that, our copper production per share could increase substantially as we bring on our near-term, value-accretive growth projects. And this does not consider the impact of any further share buybacks that could be forthcoming under our capital allocation framework as a result of strong cash flow generation potential of our business. Through the end of a decade, our copper production has the potential to increase rapidly on a per share basis.

Overall, the market has recognized the strength of our strategy, our business, and our commitment to balancing near-term growth with cash returns to shareholders, as shown by the increase in our valuation multiple, which is now in line with the pure-play copper peers. We remain focused on continuing to create value for our shareholders, and we are uniquely positioned to do so as a pure-play energy transition metals company with an exceptionally strong financial position.

So, with that, thank you. And I'll hand it back to you, Lawson, for questions.

QUESTION AND ANSWER SECTION

Lawson Winder
Analyst, BofA Securities

Q

Thank you very much, Jonathan. And, everybody, if you do have questions, please feel free to raise your hand and we'll get a microphone to you. But in the meantime, I've been requested to ask you about the ramp-up of QB2, Jonathan. So, it is steadily ramping up and it's coming into its own and its promise of being a world-class asset, but there have been some slips along the way, and investors are concerned about near term. So, hitting 2025 and potentially 2026 guidance, what would you say to investors to address those concerns?

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

A

Yes. So, firstly, I'd say I think we are where we should be in terms of a ramp-up for a project of this size. Typically, benchmarks would tell you it takes around 10 quarters to ramp-up an operation of this size to achieve nameplate performance of particularly throughput and recoveries. We're in the seventh quarter of that process right now. To your point, it hasn't all been plain sailing. But in the first quarter of this year, when we weren't in a shutdown period, we were operating with plant throughput just only very marginally below nameplate, which is 143,000 tonnes per day, and recoveries were very much in line with what we would expect with the ore types that we were processing. So, slightly lower for transition material and then higher again for the sulfide ores.

Of course, the one issue that we have encountered this year is in relation to the tailings management facility, as I mentioned. And we got behind there a little bit on the rates of sand deposition. That was partly a factor of the cyclone performance where we weren't removing as much of the fines and clays as we need to to allow that sand to drain quickly enough so we could compact it and continue construction. But we have a robust plan in place now to address that through the second and third quarters of this year. And as you would know, tailings development of this phase of the ramp-up is sort of a once-off issue. Once we get through the third quarter, once we catch up on the building of the bench on the downstream, it will no longer constrain production and we think we can move past that and continue to focus on the key operational parameters, which, of course, is utilization of the truck fleet, its throughput at the plants, and its recoveries through the mill.

So, as I've said, broadly speaking, we're where we need to be. Our production guidance for this year is 230,000 to 270,000 tonnes. We deliberately set that to be quite broad to reflect the uncertainty that's inherent in the ramping up of a mine. And we have now guided towards the lower end of the range to reflect this tailings challenge that we have. But all the indicators that we see with respect to the underlying performance of the operation are encouraging. And we expect to bring this for a full year of production at and around nameplate production next year with guidance of 280,000 to 310,000 tonnes.

Lawson Winder
Analyst, BofA Securities

Q

You spoke about a lot of copper growth potential that you have in the portfolio, almost an embarrassment of riches when it comes to that. But when you think about timing and sequencing and then the returns on each of those projects, how do you think about which is more attractive or which might come first?

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

A

Yeah. It's a great question. Because we do look at this as a portfolio of options. The sanction on any of these things is not preordained. It's always going to be a function ultimately of the economics and the returns. But also, as a limiting factor in our industry, as we all know, is the ability to obtain permits in a timely fashion.

We have three major projects in the near term. The first of which is the mine life extension of Highland Valley copper. Now, we consider that to be relatively low risk for a range of reasons. We've been operating at Highland Valley since 1962. It's Canada's largest copper mine. We've executed numerous life extension projects there over the years, and we need to go around again on that. And we're in a good position now, we believe, with obtaining permits that would see us sanction that project around the middle of this year.

And then, we have two greenfields in the near term, Zafranal in Peru where we are an 80% owner of that project. We achieved the major environmental permit for that project around two years ago. Since then, we've been working on completing feasibility studies, the application for a construction permit, and, of course, progressing engineering. The returns on that project look good. It's a relatively low capital intensity project and completely different in scope and scale from what we did at QB. No port required, no desal plants, none of that extensive infrastructure that we have to build and it's at a much more moderate altitude as compared to QB as well. So, we think Zafranal is shaping up to be a very good project. All going well, that could be ready for sanction as early as the end of this year.

And then, San Nicolás in Mexico, similarly low capital intensity. That will only be a 20,000 tonne per day plant. So, it's a very small footprint in part that's because the copper grade of that deposit is so high at 1.1%. Again, simple flow sheet. We don't need to build a port, desal, pipelines. None of that infrastructure is required to support the project. We're in a 50/50 there with Agnico Eagle. They bring the first $580 million of capital as part of their buy-in to the project, and then we share the balance of that on a 50/50 basis, which, for Teck, we estimate to be between $300 million and $500 million. So, again, both because of the capital intensity, but also because of the earn-in we have with Agnico, the returns for Teck look very compelling in excess of 20% is the view that we have.

So, the reason we are proceeding with these projects is because they're relatively small but they have low capital intensities between CAD 8,000 and CAD 14,000 per tonne on a copper equivalent basis. And that allows for very strong returns, so they can meaningfully add production to our portfolio, but high-quality production and good returns for shareholders.

Lawson Winder
Analyst, BofA Securities

Q

A question that's been coming up quite a lot, which actually I'll come back to because I think we have a question in the back of the room. We're happy to take that. Right at the very back of the room, there's a...

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

A

I'm usually less happy than you are to take a question from [ph] Jason Fairclough (00:21:30), but let's go through it anyway.

Q

Hi, Jon. So, in two of the presentations earlier, there were discussions about something called adjacencies, particularly people looking at the adjacency between Collahuasi and QB2. And you've talked a little bit here about the stack ranking of your projects. Where do you stack rank that adjacency versus everything else?

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

A

Yeah. I mean, the projects at Zafranal, San Nicolás, and Highland Valley, of course, are projects we have within our control, that we can sort of manage unilaterally. We're of course, very interested in – I don't know why we use the word adjacencies now and not synergies...

Q

I think it's Duncan's word.

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

A

...between those operations. But, look, we're very interested in those. They could be realized in a number of ways whether that's through infrastructure sharing or whether it's through more of a combined operation across two world-class ore bodies and the processing equipment that they have. If there's value to be had there and we believe that there should be, we think there's definitely benefit in the parties engaging to realize that. As I think was noted by one of the other presenters this morning, there are many shareholders involved across those two operations and there's some complexities to be worked through in terms of permitting and tax stability agreements, but that's no different from any other joint venture that has to be prescribed.

And, yeah, look, I think the potential is there. We're very much keen to pursue that. We've done a fair bit of work to understand what those synergies could look like, and it's something that we will do through the lens, as ever, of what is in the best interest of Teck shareholders. And any path to create value for shareholders is something we're interested in.

Q

Sorry, just to follow-up, how would you think about an appropriate timeline for something like that?

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

A

I mean, I think there's a, what I would call, a long-stop date to this conversation, which is – and I think Duncan referenced this around a fourth line at Collahuasi. And as we think about the potential for a major expansion of QB, it would be a shame for either party to sanction an additional major project before we fully run to ground the option of a combined approach to realize these adjacencies that you're talking to. So, I think that gives us a bit of a long stop in the near-term.

Q

Okay. Thank you.

Lawson Winder
Analyst, BofA Securities

Q

We got about a minute left. I want to ask about M&A. And one of the rules of M&A is you buy when you can and there's good opportunities not when you have to. I mean, Teck is really well-positioned today with a very strong balance sheet, an excellent growth pipeline. I mean, why not add to that excellent growth pipeline when you have opportunities? So, how does Teck think about potentially being an acquirer of other corporate assets?

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

A

Yeah. So, a couple of elements to that. I mean, firstly, because we have organic growth projects that offer very strong returns, they remain our primary focus. And part of that reason is the challenge of replicating those returns through M&A. The danger, of course, in M&A is always in a premium to acquire an asset. You pay away the value that you could otherwise realize, hence, the focus on organic.

The second is also just the opportunity set. If we were to add an asset to our portfolio, we'd need to be adding quality. And by quality, I would mean scale, duration, and margin. And those assets, as we know, are not growing on trees and they are not readily available or actionable from an M&A perspective. So, I think we keep our heads down. We focus on the things that we can control. And right now, that's the organic projects that we have ahead of us.

Lawson Winder
Analyst, BofA Securities

Okay. Fantastic. You hit it right on the mark in terms of timing. So, thank you for doing that. And, everybody, thank you for joining us today.