



Waste Connections Inc.: Growth That Doesn't Stink

Description

Waste Connections Inc. ([TSX:WCN](#))([NYSE:WCN](#)) is an integrated solid waste services company that collects, transfers, and disposes of waste products.

The Canadian waste collection company formerly known as Progressive Waste Solutions merged with Waste Connections, and the combined company is available to Canadians looking for a defensive business with a solid U.S. presence.

Long-term investors who've held on to Waste Connections have done very well as the stock soared over 200% in the last five years. Who would have known the business of garbage would be so profitable?

Although Waste Connections isn't really a sexy investment, the company has been a really solid long-term investment for smart, conservative investors looking for growth.

Warren Buffett actually prefers boring, unsexy investments because the business models of such companies are usually easy to understand and future cash flows are more predictable.

Let's face it; these days, unpredictable, high-flying tech stocks or speculative names are deemed as sexy stocks. But just because they're sexy doesn't mean they're smart long-term investments that will allow you to beat the market over the long run.

Sexy appears to be associated with the high risk that comes with high reward, and adrenaline junkies love such stocks, but as a long-term investor, you should probably stick to the unsexy, robust names like Waste Connections.

In the event of a recession, people are still going to produce waste. Although less consumer spending means less waste, the amount of waste will probably stay above a certain level, so you don't have to worry about the lack of waste to be collected.

I believe waste collection services offer investors a level of stability akin to a utility stock. Such businesses provide a necessary service and there really is no sustainable alternative solution if such a

service were to halt its services.

Waste collectors are going to ride the tailwind of a strengthening U.S. economy under Trump's pro-growth agenda. A stronger economy means consumer spending is going to go up, and with a rise in consumer spending comes a rise in garbage. That means more business for the collectors of trash like Waste Connections.

The company plans to target \$725 million in free cash flow for this year as the company continues to consolidate the waste collection industry. Over the next few years, investors can expect smaller scale mergers and acquisitions as the company puts its foot on the pedal in regards to growth.

Valuation

The stock currently trades at a hefty 76.07 price-to-earnings multiple, but I believe the premium is worthwhile since Waste Connections has a growth profile that really doesn't stink.

Shares are currently over 6% off from its all-time high, so prudent investors should consider picking up shares incrementally on any signs of further weakness.

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