



Waste Connections Inc. Posts Another Strong Quarter: Time to Buy?

Description

Waste Connections Inc. ([TSX:WCN](#))([NYSE:WCN](#)) released its Q2 results on Tuesday which showed a profit of \$123.7 million — more than quadruple its earnings a year ago, which were just \$27 million. Revenues continued to climb for the company with \$1.176 billion for the quarter, up over 61% from \$727 million a year ago. The company continues to build on its strong performance with yet another quarter showing revenue growth.

As a result of its strong performance, the company has even increased its estimates for 2017. Previously, Waste Connections expected a total revenue of \$4.45 billion, but it now has hiked that up to \$4.57 billion, or an increase of about 2.7%. Adjusted EBITDA forecasts for 2017 have also been adjusted up by about 2.8%. The company is clearly getting confident about its results this year and expects the trend to continue.

In Q1 the company saw revenues hit just under \$1.1 billion, which was a year-over-year increase of over 111%. However, it should be noted that revenues have seen large year-over-year improvements due to the company's acquisition of Progressive Waste Solutions, which took place in June 2016, in what the company referred to as "doubling down."

However, even on an annual basis, the company has still produced solid results. For four consecutive years, the company has seen its revenue grow by an average of 19%, and 2016 saw an increase of over 59%.

With numbers like these, it might be tempting to "double down" on the stock itself, especially since the company may not be done with acquisitions.

Although Progressive Waste was the biggest acquisition the company had in 2016, Waste Connections acquired 12 other companies that year, and in the prior year it acquired another 14. Despite Waste Connections's strong presence in North America, it recognizes that a lot of the waste services industry remains regional and fragmented. This fragmentation creates the opportunity for more possible acquisitions by Waste Connections.

The company also has ample money to do so with almost \$800 million in free cash flow for all of 2016.

Waste Connection has also seen its free cash flow increase in each of the past four years, so that number is likely to climb much higher with a full year of Progressive Waste in the mix. In Q2 the company had adjusted free cash of \$156 million, and year to date that number is now at over \$393 million. These results should have a positive impact on the company's stock price.

In the past year, the share price for Waste Connections has gone up by over 23%, and year to date it is up almost 15%. The stock price is a bit on the expensive side with a price-to-earnings multiple of over 40. The shares also trade at over three times book value, making them a bit expensive for value investors. With a lack of any significant dividends, the stock yields a payout of just 0.81% a year, so there is also little to offer for dividend investors as well.

Growth is the main selling point of the stock, and at the pace the company is going, its high multiplier may be justified. In the short term, I believe the stock should be a good investment, and in the long term, it might be even better if the company can continue to grow at this rate.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:WCN (Waste Connections)
2. TSX:WCN (Waste Connections)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date

2025/08/25

Date Created

2017/07/26

Author

djagielski

default watermark