

Waste Connections Inc. Beats Q3 Estimates, Raises Dividend: Buy Now?

Description

Waste Connections Inc. ([TSX:WCN](#))([NYSE:WCN](#)), one of the largest integrated solid waste services companies in Canada and the United States, announced its third-quarter earnings results and a dividend increase after the market closed on Wednesday. Let's break down the results, the dividend increase, and the fundamentals of its stock to determine if we should be long-term buyers today.

A very strong quarterly performance

Here's a quick breakdown of 12 of the most notable financial statistics from Waste Connections's three-month period ended on September 30, 2017, compared with the same period in 2016:

Metric	Q3 2017	Q3 2016	Change
Solid waste collection revenue	US\$812.86 million	US\$757.81 million	7.3%
Solid waste disposal and transfer revenue	US\$259.48 million	US\$233.54 million	11.1%
Solid waste recycling revenue	US\$41.57 million	US\$29.62 million	40.4%
E&P waste treatment, recovery, & disposal revenue	US\$54.72 million	US\$30.07 million	82.0%
Intermodal & other revenues	US\$37.85 million	US\$33.89 million	11.7%
Total Revenue	US\$1,206.48 million	US\$1,084.92 million	11.2%
Adjusted EBITDA	US\$393.38 million	\$342.32 million	14.9%
Adjusted EBITDA margin	32.6%	31.6%	100 basis points
Operating income	US\$218.77 million	US\$158.67 million	37.9%
Adjusted net income	US\$158.13 million	US\$126.46 million	25.0%
Adjusted net income per share (EPS)	US\$0.60	US\$0.48	25.0%
Adjusted free cash flow	US\$220.41 million	US\$205.84 million	7.1%

Dividend hike? Yes, please!

In a separate press release, Waste Connections announced a 16.7% increase to its quarterly dividend to US\$0.14 per share, and the first payment at this increased rate will be paid on November 22 to shareholders of record at the close of business on November 8.

What should you do now?

It was a fantastic quarter overall for Waste Connections, and the results beat the consensus estimates of analysts, which called for adjusted EPS of US\$0.57 on revenue of US\$1.19 billion. With the earnings beat and dividend increase in mind, I think the market will react positively to the report by sending

Waste Connections's stock significantly higher in Thursday's trading session.

Regardless of the price action in Waste Connections's stock on Thursday, I think it represents a great investment opportunity for the long term for two fundamental reasons.

First, it's one of the best growth stocks in the industry. Waste Connections reported revenue growth of 49.2% to US\$3.47 billion and adjusted EPS growth of 31.2% to US\$1.64 in the first nine months of fiscal 2017, which puts it on pace to surpass analysts' expectations of revenue growth of 35.8% to US\$4.58 billion and adjusted EPS growth of 24% to US\$2.12 in the full year of fiscal 2017. Analysts expect further growth in 2018, with current projections calling for revenue growth of 5.3% to US\$4.83 billion and adjusted EPS growth of 13.7% to US\$2.41, and they have assigned an estimated 11.8% long-term earnings-growth rate.

Second, it's a dividend-growth star. Waste Connections now pays an annual dividend of US\$0.56 per share, which gives it a yield of about 0.8% at the close of trading on Wednesday. A 0.8% yield is far from high, but what Waste Connections lacks in yield it makes up for in growth; it has raised its annual dividend payment every year since it initiated its dividend in 2010, resulting in seven consecutive years of increases, and the hike it just announced has it positioned for 2018 to mark the eighth consecutive year with an increase.

With all of the information provided above in mind, I think all Foolish investors should consider initiating long-term positions in Waste Connections today with the intention of adding to those positions on any pullback in the near future.

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