

This Recession-Proof Stock Just Won't Stop Growing!

Description

We've seen the TSX be very volatile this year, and investors may have gotten nauseated from riding the roller coaster. However, there are some industries and stocks where investors can expect stability and don't have to worry about which direction the economy is going, how a commodity price is doing, and if consumers have enough disposable income.

These types of investments are recession-proof because their services are essential and will be needed no matter how the economy is doing. One company that fits this mould is **Waste Connections Inc.** ([TSX:WCN](#))([NYSE:WCN](#)), which offers investors considerable growth potential, as the company focuses on acquisitions to grow sales, while it tries to consolidate an otherwise fragmented market.

Last year, it acquired Progressive Waste, along with a dozen other companies.

The company released its third-quarter results last week, which saw its sales reach over \$1.2 billion, exceeding its original outlook and up 11% from last year. Net income of \$123 million was also up nearly 40% year over year.

Let's take a closer look at the earnings results to see whether or not the stock is a good buy today.

What drove the company's growth?

The company tracks revenue among several different segments, all of which saw increases in revenue this past quarter.

Waste collection, which makes up more than two-thirds of the company's sales, saw a year-over-year increase of 7%. Disposal and transfer sales, which take up another 21% of the top line, grew by 11%. However, it was the smaller segments that saw more significant growth with recycling-related revenues rising 40%, and sales from exploration- and production-related services growing by 82%.

By growing different services, Waste Connections is able to diversify its sales and customers, which helps to minimize the company's overall risk.

Company announces a 16.7% dividend hike

Waste Connections isn't known for its dividend, and at a yield of less than 1%, it isn't going to attract many investors looking for payouts. However, the company did raise its quarterly dividend from US\$0.12 to US\$0.14. Although the dividend hike sounds significant, it's more effective at grabbing headlines than it is at getting investors excited about the company's payouts.

Cash continues to pile up

In its most recent quarter, Waste Connections had \$336 million in cash from its operations for a total of \$1.1 billion in the trailing 12 months. The company also added \$222 million of free cash flow in Q3,

bringing its total over the past four quarters to \$688 million.

With lots of cash available, Waste Connections will have ample opportunity to take on more acquisitions and could open the door for more dividend hikes in the future.

Is the stock a buy?

A strong quarter from Waste Connections is nothing new. [In Q2, we saw the company quadruple its earnings](#). The real value the company possess is its ability to keep growing, and that's where the stock can achieve phenomenal returns for investors. Year to date, the stock has risen more than 30%, and in five years it has grown 250%.

Waste Connections is a great stock to own. It is low risk and offers investors a great opportunity for capital appreciation. I don't like to classify investments as "buy and forget," but this stock definitely comes very close to that distinction, [especially with how well it has outperformed the TSX](#).

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2. Investing

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