



Waste Connections Inc.'s Adjusted EPS Soars 26.3% in 2017: Time to Buy?

Description

Waste Connections Inc. ([TSX:WCN](#))([NYSE:WCN](#)), one of the largest integrated solid waste services companies in Canada and the United States, released its fiscal 2017 fourth-quarter and full-year earnings results after the market closed on Wednesday, and its stock responded by falling 0.55% in Thursday's trading session. Let's break down the earnings results and the fundamentals of its stock to determine if we should be long-term buyers today.

The impressive earnings results

Here's a quick breakdown of five of the most notable statistics from Waste Connections's three-month period ended on December 31, 2017, compared with the same period in 2016:

Metric	Q4 2017	Q4 2016	Change
Total Revenue	US\$1,157.18 million	US\$1,048.62 million	10.4%
Adjusted EBITDA	US\$360.70 million	US\$325.45 million	10.8%
Adjusted net income	US\$137.05 million	US\$120.29 million	13.9%
Adjusted net income per share (EPS)	US\$0.52	US\$0.46	13.0%
Adjusted free cash flow	US\$149.86 million	US\$110.68 million	35.4%

And here's a quick breakdown of five notable statistics from Waste Connections's 12-month period ended on December 31, 2017, compared with the same period in 2016:

Metric	Fiscal 2017	Fiscal 2016	Change
Total Revenue	US\$4,630.49 million	US\$3,375.86 million	37.2%
Adjusted EBITDA	US\$1,460.53 million	US\$1,071.09 million	36.4%
Adjusted net income	US\$570.67 million	US\$395.18 million	44.4%
Adjusted EPS	US\$2.16	US\$1.71	26.3%
Adjusted free cash flow	US\$763.89 million	US\$550.94 million	38.7%

Outlook on 2018

In the press release, Waste Connections provided its outlook on fiscal 2018; here's a breakdown of what the company expects to accomplish:

- Revenues of approximately US\$4.825 billion
- Net income of approximately US\$570 million
- Adjusted EBITDA of approximately US\$1.55 billion, or approximately 32.1% of revenue
- Net cash provided by operating activities of approximately US\$1.35 billion, or approximately 28.0% of revenue
- Adjusted free cash flow of approximately US\$850 million, or approximately 17.6% of revenue

Is now the time to buy?

Waste Connections's fourth quarter was outstanding, and it capped off a year to remember, as it achieved double-digit percentage growth across all of its key financial metrics; its outlook on 2018 is also very positive, so I think its stock should have responded by soaring, and I think it represents a very attractive long-term investment opportunity today for two fundamental reasons.

First, it's undervalued based [on its growth](#). Waste Connections's stock currently trades at 31.9 times fiscal 2017's adjusted EPS of US\$2.16 and 28.8 times the consensus EPS estimate of US\$2.40 for fiscal 2018, which may seem a bit rich at first glance, but I actually think they are attractive given its aforementioned double-digit growth rates and its estimated 10% long-term earnings-growth rate.

Second, it's an under-the-radar dividend-growth superstar. Waste Connections currently pays a quarterly dividend of US\$0.14 per share, equating to US\$0.56 per share annually, which gives it a 0.8% yield; a 0.8% yield isn't high by any means, but it's of the utmost importance to note that the waste solutions provider's [16.7% dividend hike](#) in November has it on track for 2018 to mark the eighth straight year in which it has raised its annual dividend payment, and I think its very strong growth of free cash flow will allow this streak to continue for the foreseeable future.

With all of the information provided above in mind, I think all Foolish investors should consider establishing long-term positions in Waste Connections today.

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Author

jsolitro

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