



As Bitcoin Plunges, Invest in This Top Defensive Growth Stock Instead

Description

At the time of writing, [Bitcoin](#) is trading down approximately 6.5% at just over \$9,300.

That's a far cry from levels of above \$20,000 that were hit just a few months ago, and the drop reflects calls for regulation and involvement from the Securities Exchange Commission (SEC) and central banks and a cooling of the Bitcoin bubble in general.

In any case, if you are one of the lucky who made some money off of Bitcoin, congratulations!

But now let's talk about real, fundamentally driven investing.

At this time, I am opting for a more [defensive approach](#), as the market appears stretched, especially when we take into account that interest rates have been steadily rising and are likely to rise further in the year ahead.

And despite the fact that the Bank of Canada left rates unchanged at its recent meeting, I still think rates are going up further.

It's true, at 1.25%, the overnight interest rate is still low. It is, however, significantly higher than levels of well below 1% back in 2015 to 2017.

So, there will be an effect on the stock market, as companies will now face a higher cost of capital, and as investors will be discounting cash flows using a higher rate, thus reducing their present value.

But many of us are still looking for investments that will provide healthy returns in the form of dividends and/or capital appreciation. So, where should we turn?

We should turn to a defensive growth stock. It seems like a contradiction, right? Well, let's dig deeper.

Waste Connections Inc. ([TSX:WCN](#)) ([NYSE:WCN](#)) has given investors the best of both worlds.

With a 24% dividend-growth rate in 2016, a 17% dividend increase in the third quarter of 2017, and a more than doubling of the share price since January 2016, the stock has been a clear winner.

And although valuation on this stock is not cheap, trading at 37 times this year's consensus earnings and 33 times next year's expected earnings, the fact that the company is generating ample cash flow, is consistently beating expectations, and operates in a highly fragmented market that it is well positioned to continue to consolidate, all serve to justify this valuation.

The free cash flow margin of 17.6% is key and is a clear sign that the financial health of the company is excellent, as the more that the company can transform its revenue into cash, the better.

In fact, the company has been achieving an impressive free cash flow margin for years now. In 2015 and 2016, the ratio was just above 16%, and the company expects to maintain this going forward.

So, let's forget about Bitcoin, at least for now, and turn our attention to companies that are driving real shareholder value and making investors tonnes of money, such as Waste Connections.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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