



This Forever Stock Is on Sale Today: Buy and Hold to Build Wealth for Tomorrow

Description

The [RRSP](#) deadline is fast approaching.

Do you want a stock that can safely provide you with a healthy and growing dividend for years to come as well as the potential for massive capital gains?

I certainly do. Today I'll talk about just such a stock that was hit in yesterday's trading despite another solid year and despite its strong financial standing and its defensive business characteristics.

Waste Connections Inc. ([TSX:WCN](#))([NYSE:WCN](#)) stock has a strong history of [dividend increases](#) and capital appreciation, as the company continues to crank out cash flow and earnings at a healthy pace, driving home the value that this stock offers its shareholders.

Revenue increased 6.3% in 2018, adjusted EBITDA increased 7.3%, and free cash flow as a percent of revenue was almost 18%.

The free cash flow margin of 18% is a clear sign that the financial health and business model 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%, in 2017 it was just over 15%, and in 2018 it was 17.9%.

Dividend growth

With a 24% dividend growth rate in 2016, a 22% dividend increase in 2017, and a 14% dividend growth rate in 2018, Waste Connections has provided its shareholders with a steady and growing dividend that they can count on.

The current dividend yield is below 1%, a reflection of the stock's stellar performance, as the company's stock has given investors the best of both worlds: income and capital appreciation.

Balance sheet improvement

With the acquisition of Progressive Waste Solutions, Waste Connections assumed plenty of debt, and as of December 2016, had a debt/EBITDA ratio of three times earnings.

By December 2017, this had already come down to 2.7 times, and as of the end of 2018, the debt/EBITDA ratio improved even more; it now stands at 2.2 times.

This debt level does not worry me because the company's cash flow generation is strong.

Waste Connections remains in good shape to capitalize on the many M&A opportunities that exist, and this, along with pricing strength, will help drive continued growth.

Final thoughts

Cash is king, and so is earnings predictability and stability.

Investors get all this in Waste Connections, and the recent price weakness means that this is a good time to start bulking up on this stock or to at least keep in on your watch list with the intention of adding on the dips.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:WCN (Waste Connections)
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