



## A Dividend Growth Stock for Your TFSA

### Description

The TFSA limit increased to \$6,000 this year, bringing the cumulative limit since the program's inception to \$63,500. If you are looking to take advantage, dividend stocks are among the best ways to accumulate funds in your TFSA over the long haul.

Not all dividend stocks are created equal, though. Companies with the ability to grow their dividends over time – and that are unlikely to cut dividend payouts anytime soon – are best suited for this task. Let's look at one such company: **Waste Connections Inc** ([TSX:WCN](#)) ([NYSE:WCN](#)).

### One man's trash, another man's treasure

Waste Connections is an integrated waste services company in North America. It is one of the largest of its kind in both Canada, and the U.S. The Ontario-based company has been providing market-beating returns recently. Over the past five years, WCN's share price increased by about 180%, or an annual increase of about 36%. Clearly, WCN must be something right!

The company's revenues and net income have also been growing at a dizzying pace. Since 2013, revenue and net income grew by 140% and 195%, respectively. This amounts to an average annual revenue growth of 28% and an average annual net income increase of 39%. The fact that net income has grown at a faster pace than revenues is an excellent sign. It means the company's profit margins are increasing.

### The reasons behind WCN's recent surge

Besides the fact that waste removal services are [always in demand](#), an essential factor behind WCN's recent success is its savvy business plan. While WCN isn't the largest waste collection firm in North America, the Ontario-based company focuses on different markets than many of its competitors.

WCN occupies a lot of secondary markets where it happens to be one of the, if not the single biggest player. A classic case of a big fish in a small pond, if you will. Of course, this isn't always the case, but

WCN has often managed to avoid direct territorial competition with other big players in its industry.

Another reason behind WCN's success is the prevalence of natural disasters in recent years. Of course, natural disasters aren't things to get excited about, but as grim as it sounds, companies such as WCN benefit from them. WCN deals mainly in solid waste, so it is often called upon to deal with the aftermath of such disasters as hurricanes to collect and dispose of the debris.

WCN and its subsidiaries have also been active in the acquisitions department. Last December, WCN acquired American Disposal Services, a privately-owned solid waste collection and recycling company. American Disposal operates primarily in the mid-Eastern U.S., with operations in Maryland, Virginia, and Georgia.

American Disposal pockets in approximately \$175 million in revenues. This acquisition, among others, will bolster WCN's business in the mid-Atlantic region, and improve its top line. Acquisitions will continue to be an important growth driver for the company.

## The bottom line

WCN's dividends have not grown nearly at the same pace as its business. The company currently offers a low dividend yield of 0.79%, and a payout ratio of 20.29%. There is ample room for WCN to increase its dividends payouts, and as the company's earnings continue to increase, investors could benefit for years to come.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:WCN (Waste Connections)
2. TSX:WCN (Waste Connections)

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pbakiny

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