



Why Investing in This Popular Stock Is a Waste of Money

Description

It cannot be denied

Waste Connections ([TSX:WCN](#))([NYSE:WCN](#)) has been on an absolute tear pretty much since the last recession ended. If you had bought at that time, you'd be absolutely laughing. The stock price traded at the time at around \$14 per share, and today it sits much, *much* higher at \$122.51.

In fact, the company is now at its 52-week high, and people are thrilled about it. But honestly, I'm more in the "what goes up, must come down" category on this one.

While this is a strong stock — and, don't get me wrong, if you'd bought it at \$14, it's not likely to get down to that level again — there are analysts who believe this stock just doesn't have the momentum to keep up this sprinting pace.

Waste not

In the past, this has been anything but a wasteful stock. The company has grown to operate through the United States and Canada to become the [third-largest waste operator](#) in North America. This has occurred through the company acquiring company after company, and it continues to be a consolidator of this fragmented industry.

But it's these acquisitions that have analysts worried. While, true, they have created value for shareholders during the process, it has also created a situation where the company needs to keep acquiring to continue its substantial growth. Sure, there are still long-term contracts, and this company should continue to generate cash flow, but once that growth in business slows down, so should the stock price.

Want not

But again, it can't be denied. This stock has seen some stellar earnings data come out. Revenue

reached \$1.67 billion last quarter, with sales up 9% year over year, exceeding management's expectations. For the year, revenue was \$4.9 billion, adjusted net income at \$667 million, and adjusted free cash flow at \$880 million. Management expects revenue to increase again in 2019 to \$5.3 billion and adjusted free cash flow to increase to \$950 million.

Yet this growth, while good, isn't so impressive to warrant trading at 3.6 times book value, and with such a [small dividend](#), there's really not much to make a new investor like myself take a risk. And honestly, there are a lot of insiders who might feel the same, as a lot of insider selling has been reported in the last six months.

Bottom line

That last point should be a red flag to investors. The old adage reads, buy low, sell high. Well, this stock is *super* high right now. Even with those increases in 2019, they aren't so substantial to warrant such a high stock price when really it should be much further down.

In fact, analysts are predicting quite a drop for this company in the next 12 months — anywhere from \$88 to \$100 per share, which is quite the plummet from where it is now at \$122.51 per share at the time of writing.

So, again, if you'd bought this stock years ago, you might as well hang on. It's not as if it's going to plummet down to the levels of a decade ago. However, if you're thinking of buying this stock, there is likely going to be quite the price correction before it comes anywhere near being a buy.

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