



How to Turn Waste Into Profit

Description

Have you heard of **Waste Connections** ([TSX:WCN](#))([NYSE:WCN](#))? The Ontario-based company provides a perfect example of how idiom “one man’s waste is another man’s treasure” can apply to your portfolio.

One man’s waste...

For those unfamiliar with Ontario-based Waste Connections, the company provides waste collection, transfer, recycling, and disposal services to a growing number of businesses and communities across both Canada and the U.S.

In total, Waste Connections has six million residential, commercial and industrial customers across six provinces and 41 states in the U.S. – which makes the company the third-largest solid waste company on the continent. Despite that prominent footprint, the company has demonstrated a preference toward secondary markets where competition is slim and margins are high.

So far in 2019, Waste Connections has surged over 20%, making it one of the [best-performing investments](#) on the market.

Waste Connections currently trades at \$123 with a P/E of 59.29 at writing.

Is another man’s treasure

Waste is not exactly the first thing that comes to mind when contemplating an investment. Disposing and recycling waste is, however, a necessity of modern life, which puts Waste Connections business into the same must-have league as utilities and grocers.

In addition to that necessity, Waste Connections continues to expand. This year, Waste Connections has completed approximately \$100 million in acquisitions. Many of those acquisitions include entry into new eight new U.S. state markets.

That aggressive expansion doesn't seem to be ending anytime soon, either. During the most recent quarterly update, the company noted there would be "above average" activity on the acquisition front for 2019. Waste Connections is forecasting to hit \$125-\$150 million in acquired revenue by later this year.

The aggressive expansion is also fueled by a string of impressive results. In the first fiscal of 2019, Waste connections saw revenues top \$1.245 billion, thereby surpassing the \$1.140 posted in the same quarter last year.

Adjusted net income came in at \$163.9 million, or \$0.62 per share, compared with \$148.6 million, or \$0.56 per share reported in the same quarter last year.

Turning to dividends, Waste Connections currently provides a paltry 0.69% yield at the moment, but potential investors should be mindful that the company is growing is faster than its yield. That's not to say that Waste Connections isn't increasing the dividend, as earlier this year the company provided a solid 14% hike.

What should you do?

No investment is without risk, however. While some investors may be on the fence on Waste Connections, particularly when it comes to the dividend, there are significant growth opportunities to come, and not only through further acquisitions. Adding to that is the fact that the waste business is largely recession-resistant, making it an ideal pickup for investors looking to diversify.

In my opinion, Waste Connections is a [great long-term buy](#) for nearly any portfolio.

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