



IPO Investors: Americans Should Wait for This Canadian Debut

Description

If American investors think that this is the right time to invest in a loss-making company just because its ticker is brand new, they might want to check the economic climate and wait for a serious Canadian contender to go public.

A defensive play amid recession fears

From hot-desking to cheap rides, the IPO gold rush has left some American stock portfolios looking like ghost towns this summer, with disappointment and burned fingers everywhere you look.

The reason?

The fear in the markets is a big factor here, but the companies themselves are perhaps the biggest let-down. Investors need to [look for profitability rather than novelty](#) when investing in a newly listed stock.

That's why **GFL Environmental** could be such a compelling play. It's a wide moat company in an industry so defensive you could build a castle out of it.

Waste management is essential to every community, and as such, the sector is highly defensive – just right for a socio-economic climate that is moving further away from risk every day.

Take a look at a similar company to see how its stock has performed on the **TSX: Waste Connections** ([TSX:WCN](#))([NYSE:WCN](#)) has gained 80% in the last three years, and 16.5% in the past 12 months – a year that has been extremely volatile across the board.

Trading at 3.5 times its book price, Waste Connections is closer to a tech stock from the FAANG group's glory days, or even a pre-legalization cannabis stock in terms of valuation and upside potential.

Betting on a waste management IPO makes so much more sense than a “gig economy” taxi equivalent like **Lyft** or a start-up tech company focused on flexible office space, especially in an economic climate that is starting to veer suddenly away from risk.

A billion-dollar company [with masses of growth potential south of the border](#), GFL Environmental will likely dual list this fall with a multi-billion dollar initial public offering that will have investors falling over themselves to get in on.

In terms of market share, the company is nothing if not ubiquitous – you’ve likely seen its lime green vehicles going about their business – and could become one of the top two or three operators in its space in just a short amount of time.

To take even a single aspect of just how high GFL Environmental could soar in a short space of time, look at the revolution against plastics.

Recycling is going to become a key part of industrial and economic change as governments tighten their belts and businesses crank up their green credentials in a bid to improve their bottom lines and appeal to an increasingly climate-minded consumer base.

The bottom line

At the end of the day, GFL Environmental could be a far better investment for fans of IPOs than some of the recent U.S. offerings that have received so much hype.

Indeed, buying in shares in a waste management company makes perfect sense in this socio-economic landscape, and could also make early investors filthy rich in the long term.

CATEGORY

1. Investing

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2. TSX:WCN (Waste Connections)

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Date

2025/09/03

Date Created

2019/08/18

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